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FEDERAL PROGRAMS FOR THE
DEVELOPMENT OF HUMAN RESOURCES

A COMPILATION OF REPLIES FROM DEPARTMENTS AND
AGENCIES OF THE U.S. GOVERNMENT TO A
QUESTIONNAIRE FORMULATED BY THE
SUBCOMMITTEE ON ECONOMIC PROGRESS
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

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LETTERS OF TRANSMITTAL

DECEMBER 19, 1966.

To Members of the Joint Economic Committee:

Transmitted herewith for use of the Joint Economic Committee and other Members of Congress is a three-volume study of Federal Government programs which provide for the support or development of people in the United States. In view of the increasing role of the Federal Government in the human resources field and its importance for the balanced growth of our economy, the committee has been concerned with the lack of adequate information about the economic effects of investment in our human resources. This study constitutes an initial step toward definition and evaluation of the economic aspects of the various types and kinds of Government programs concerned with the development and sustenance of people.

The responses of the various departments and agencies to a questionnaire from the committee in September 1965, reprinted in part III, provide a wealth of detailed information about the specific Government programs. They include extensive description of program objectives, scope, operation, and future orientation, in addition to observations on the economic aspects and impacts. Parts I and II prepared by the committee staff give background information and focus to the study.

It is hoped that the study will serve as a convenient source book for policymakers, economists, public administrators, and legislators; and that it will stimulate further inquiry into this important area.

The Joint Economic Committee proposes to carry forward its inquiries in the broad field of investment in human resources, first by inviting scholars to prepare papers for a future report that might help to clarify fundamental issues and concepts. Later, the committee may schedule hearings on selected aspects of the subject.

The committee is grateful to the many experts who gave generously of their time and talent to help us in this important work, and, in particular, to Mr. I. M. Labovitz, senior specialist in the Legislative Reference Service, Library of Congress who, as consulting analyst to the committee, undertook the major responsibility for planning, coordinating, and editing this study. We also express our appreciation to the Library of Congress for making him available to the committee.

The views expressed in these volumes do not necessarily represent the views of the committee or individual members thereof.

WRIGHT PATMAN,
Chairman, Joint Economic Committee.

DECEMBER 12, 1966.

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

DEAR MR. CHAIRMAN: Transmitted herewith is a three-volume study of Federal Government programs for the development of human resources. Governmental services and activities described in this study are those which the various Federal departments and agencies, in response to a questionnaire from the committee in September 1965, identified as primarily concerned with the maintenance or development of people in the United States.

Detailed statements received from the several departments and agencies are reproduced in part III of this report. They provide a description of program objectives, history, level of operations, administrative operation, and coordination, and expectations for 1970, as well as economic aspects and impacts of the program. Because this section is necessarily large, it has been divided into three portions, with part printed in volume 1 and the balance in volumes 2 and 3.

Parts I and II, which are contained in this volume, were prepared by committee staff to provide background information and perspective for the study. Part I presents quantitative summary estimates of U.S. expenditures for human resource programs over an extended period by all levels of government; and discusses conceptual and analytical issues implicit in the economic assessment of human resources programs. Illustrations of economic effects are drawn from the program statements in part III and independent studies in this field.

Part II is largely explanatory. It discusses difficulties which the respondents encountered in replying to the questionnaire, and consequent limitations upon the uses of data in part III.

The study is an initial attempt at definition and evaluation of Government programs concerned with the development of human resources. Federal Government expenditures for these programs in fiscal 1965 totaled more than \$43 billion, accounting for approximately 37 percent of the total Federal budget for that year. Such massive outlays have substantial economic impacts, and affect directly or indirectly all members of our society. While this study presents some initial illustrations of economic effects, it serves mainly to suggest avenues for future investigation and to demonstrate the great need for better analysis in this field.

This study could not have been prepared without the advice, counsel, and hard work of many experts who have been most generous in making their time and talent available to us. In particular, the committee is grateful to Mr. I. M. Labovitz, senior specialist in the Legislative Reference Service, Library of Congress who, as consulting analyst to the committee, undertook the major responsibility for planning, coordinating, and editing this study. In addition, Mrs. Myrtle Nelson of the Office of the Chief Economist, Division of Economic Studies, Department of Labor, provided valuable analytical and editorial assistance. She was aided by Mr. John Varady of the General Accounting Office, who reviewed and tabulated the fiscal data, and by Miss Judy Margolis of the Legislative Reference Service.

Mrs. Eleanor H. Aeschliman of the committee staff also made a valuable contribution both in analysis and editing the work. The cooperation of Mrs. Ida C. Merriam, Assistant Commissioner (Research and Statistics) of the Social Security Administration is gratefully acknowledged. The study was under the general supervision of Mr. John R. Stark, Deputy Director.

JAMES W. KNOWLES,
Executive Director.

GENERAL CONTENTS

Volume 1

	Page
Letters of Transmittal.....	III
Part I. Review and reconnaissance.....	1
Part II. The Inquiry and the Responses.....	87
Part III. Department and Agency Replies.....	103
Questionnaire.....	105

DEPARTMENTS AND AGENCIES

Executive Office of The President: Office of Economic Opportunity.....	111
Departments:	
State.....	162
Treasury.....	165
Defense.....	174
Justice.....	226
Interior.....	239
Agriculture.....	296
Commerce.....	350
Labor.....	366

Volume 2

Health, Education, and Welfare.....	459
-------------------------------------	-----

Volume 3

Housing and Urban Development.....	951
Independent Agencies:	
Appalachian Regional Commission.....	1082
Atomic Energy Commission.....	1086
Civil Service Commission.....	1113
Federal Power Commission.....	1134
National Aeronautics and Space Administration.....	1139
National Science Foundation.....	1155
Railroad Retirement Board.....	1194
Selective Service System.....	1215
Small Business Administration.....	1217
Smithsonian Institution.....	1242
Tennessee Valley Authority.....	1246
Veterans Administration.....	1277

Part I. REVIEW AND RECONNAISSANCE

CONTENTS

	Page
Introduction.....	1
Initial reconnaissance.....	2
The concept of investment in people.....	3
U.S. expenditures for human resource purposes.....	5
Federal Government expenditures reported in this survey.....	19
The range of Federal Government activities affecting human resources...	27
Studies of costs and benefits.....	28
Public policy problems.....	34
Programs in selected fields.....	35
Environmental improvement.....	36
Education and training.....	41
Health care and improvement.....	56
Income maintenance and family support.....	76

TABLES

1. Public and private expenditures for health, education, and welfare, selected fiscal years, 1934-35 through 1965-66.....	8
2. Social welfare expenditures under public programs, selected fiscal years, 1934-35 through 1965-66.....	11
3. Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1889-90 through 1965-66...	17
4. Economic classification of social welfare expenditures under public programs in selected fiscal years, 1935-66.....	18
5. Federal Government expenditures for human resources programs, by broad economic categories, fiscal year 1965.....	20
6. Federal funds for education, training, and related programs by category, fiscal years 1965-67.....	42
7. Expenditures for education, selected fiscal years, 1949-50 through 1965-66.....	44
8. Federal expenditures for medical and health-related activities by category, fiscal years 1965-67.....	57
9. Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928-29 through 1965-66...	59
10. Public expenditures for health and medical care, by source of funds, selected fiscal years, 1934-35 through 1965-66.....	61
11. National expenditures for performance of medical and health-related research, by source of funds, fiscal years, 1959-60 through 1965-66...	72
12. Expenditures from public and private funds for organized income-maintenance and welfare service programs, selected fiscal years, 1949-50 through 1965-66.....	78

INTRODUCTION

In this report, the Joint Economic Committee reviews "human resources" programs of the Federal Government—programs that support consumption or involve investments in people in the United States.

Governmental services and activities described in this report are those which the several Federal departments and agencies, responding

to a questionnaire from the committee, designated in late 1965 and early 1966 as Government programs that are directed primarily toward the maintenance or development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources.

In its request for information, the committee expressed particular interest in programs that involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income-maintenance, family housing, and regional development; the provision of facilities for such purposes; and also research and development activities directed to these purposes.

Detailed statements received from the several departments and agencies of the Government are reproduced in part III of this report. These statements cover the objectives, history, scope, level of operations, administrative coordination, expectations for 1970, and economic aspects and impacts of each of the many Federal programs that bear upon the development of human resources. Part III is necessarily large. It deals with many different programs, and many of the statements are quite detailed. As the committee anticipated, respondents varied in enthusiasm for the inquiry, in depth and length of their expositions, their interpretations of the questions, and their facility in identifying economic aspects and impacts of the several programs.

General statements in this part and part II provide commentaries and qualifying information. For background and perspective, part I presents quantitative summary estimates of U.S. expenditures for human resources programs over an extended period and by all levels of government. This part includes some discussion of conceptual and analytical issues implicit in the economic assessment of human resources programs. It draws upon the program statements in part III for illustrative materials.

Part II is largely explanatory and methodological. It reviews the agencies' replies to the committee questionnaire, to indicate difficulties the respondents encountered and consequent limitations upon the usefulness of data in part III.

INITIAL RECONNAISSANCE

For many years, the Joint Economic Committee has directed attention to the human resources needs and problems of the Nation. Since 1949, the committee has published 21 separate documents dealing with unemployment, poverty, low income, and related issues. The 1966 annual report of the committee¹ pointed out that the capabilities of human beings are the most productive force in the economy; accordingly, investment in the development of our people is the most productive type of capital investment and the prime source of national economic progress.

In earlier reports, it has been necessary either to indicate the economic significance of Government programs broadly and summarily or to select for analysis specialized areas of public concern, such as the unemployed, low-income families, full-employment policies, medical care, the costs of public education, and other topics.

¹ Joint Economic Report on the 1966 Economic Report of the President, March 1966, H. Rept. 1334.

The present report is a further expression of the committee's concern with human resources, but with a different approach. It is an initial survey of a generally uncharted area—a step toward definition and evaluation of the economic aspects of the various types and kinds of Government programs concerned with the development and sustenance of people. This reconnaissance reveals that the area to be explored—even though limited to programs of the Federal Government—is a tremendous field; the many component programs exhibit diverse characteristics; and the identification of specific impacts and effects, let alone their separate measurement, has scarcely begun. Consequently, this report does not offer a definitive analysis and systematic evaluation of the human resource programs of the U.S. Government. It provides, rather, a convenient compilation of pertinent materials that outlines the extent and contours of the area to be explored, indicates roughly the numbers of people affected by selected programs and the ways they are affected, and may serve as a starting-point for further investigations.

During the preparation of the present study, the Subcommittee on Economic Progress conducted hearings and issued both a full transcript and a brief report on "Automation and Technology in Education"²—a topic chosen as an especially interesting facet of the broader problem of improving our human resources. The subcommittee report pointed out that the recent convergence of expanding demands on our educational system and dramatic breakthroughs in the field of communications technology has far-reaching implications for the economy. The focus of the report was not, however, on the implications for the economy at large. The emphasis was rather on the significance of technological developments for our educational system, and particularly their prospective effects upon the economics of education. The report also suggested that the Nation might well concentrate on the elimination of adult illiteracy as one of the more immediate objectives of technological innovation. It declared that illiteracy is a major drag on our economic progress and a heavy expense, and its elimination would prove a highly productive social investment for the United States.

THE CONCEPT OF INVESTMENT IN PEOPLE

The committee has been concerned with the general inadequacy of available information about the economic effects of investment in human resources.

Although speculation about the money value of human beings began to appear in economic literature as early as the 17th century, it is only within the last several years that economists have undertaken specific analyses in this area. The approach still is not a common one; in fact, the general tendency is to consider members of the labor force as constituting "a unique bundle of innate abilities that are wholly free of capital."³

No doubt our strong cultural values which stress freedom and individuality have contributed to a reluctance to equate human

² 89th Cong., 2d sess., "Technology in Education—Hearings Before the Subcommittee on Economic Progress of the Joint Economic Committee," June 6, 10, and 13, 1966; and "Automation and Technology in Education—A Report of the Subcommittee on Economic Progress of the Joint Economic Committee" (joint committee print), August 1966.

³ Schultz, Theodore W., "Investment in Human Capital," *American Economic Review*, vol. LI, March 1961, p. 2. See also B. F. Kiker, "The Historical Roots of the Concept of Human Capital," *Journal of Political Economy*, vol. LXXIV, October 1966, pp. 481-499 (with bibliography).

beings with wealth; many people still associate such a concept with serfdom and forced labor. But the notion of capital investment in humans is not, in fact, inconsistent with our high esteem for freedom and individuality. On the contrary, it has become increasingly clear that investments in people greatly enhance their freedom of choice and their capacity for individual development. Also, it has become evident that the concept of investment in human resources (as constituting an important segment of the stock of capital) is essential to analytical efforts to account for the economic growth and productive achievements of technically advanced countries, such as the United States.

Traditional economic doctrine has treated outlays for the improvement of people—their health, strength, training, education, and morale—as though they were exclusively expenditures for consumption. This has influenced decisions on the Nation's priorities in the allocation of resources. Extensive analytical work has been done on the returns which may be derived from investment in physical capital (nonhuman factors of production), and great weight is given, in both private and public decisionmaking, to the results of these analyses. It is a common procedure to compare the discounted capitalized value of the prospective returns (the estimated future flow of income) with the cost of a proposed physical improvement in determining whether the capital investment is justified. Application of a similar calculus as a guide to investments in people is barely beginning. Yet there is reason to believe that yields from investment in human capital may be at least equally great—and in some circumstances, they may be greater.

Over the long run, the ratio of the stock of physical capital to income has been declining in the United States. The national income has been increasing at a faster rate than national resources and productive efforts—land, the stock of reproducible capital, and man-hours worked. These trends and the large increase in real earnings of workers can be explained only by recognizing that there has been improvement in the productivity of the human component. A man-hour of work today is generally more productive than was a man-hour of work in 1900 because the worker today is typically more skilled, healthier, and less fatigued than was his grandfather. There have been tremendous improvements, also, in the tools, equipment, materials, and machinery used by today's workers; but these advances in the quality of physical capital in many cases would be much less effective if the qualities of the workers were unchanged. The large increase in real earnings of labor may be in large measure a return on investments in people.

In evaluating alternatives for fruitful investment in human resources, the consumption aspects need not be brushed aside. In fact, it would be a mistake to ignore this special characteristic of human capital—the fact that some outlays may simultaneously yield satisfactions to consumers and enhance their individual capacities as producers (and, in some cases, the productive capacities of their fellow men). Appropriate weight needs to be given to noneconomic objectives, which economists often lump within consumer satisfactions. The economic values are means, not ends, in the search for the ultimate values of individual and social life.

There are persuasive economic reasons, as well as humanitarian reasons, for expanding further—and substantially—our investment in human capital. As with any other type of investment, this can be done effectively and efficiently only on the basis of systematic choices among alternative possibilities. A prudent allocation of limited resources, one that will yield the greatest potential returns, requires analysis of many promising objectives and selection of the best. Even though our stock of human capital has increased tremendously, low earnings and low productivity still characterize certain disadvantaged groups—minority groups, farmworkers, handicapped persons, and the illiterate. This situation may result from our past failures to invest enough in their education, health, and rehabilitation. We should not continue to neglect these underdeveloped human resources—particularly since their economic improvement would contribute at the same time to the quality of their lives and, indeed, to the quality of our national life.

U.S. EXPENDITURES FOR HUMAN RESOURCE PURPOSES

It seems clear, from data to be offered, that the United States over the last several decades has increased substantially both the volume and the proportion of its economic means directed to the development of human resources. It seems clear, also, that the volume and the proportion will increase further—and again substantially—in the immediate future. Yet it is difficult to determine the volume and proportion, either past or present.

National product accounts.—The whole national product is, of course, produced by the people of the Nation and is for their use. But this truism clouds distinctions that are helpful in assessing national welfare and policies.

National income and product accounts, prepared by the U.S. Department of Commerce, show the subdivision of the gross national product between consumers, business, government, and foreign trade. Comparisons based on these categories may supply some general perspective for more selective data, although the summary statistics do not directly demonstrate the relative increase in expenditures for development of human resources.

By far the largest part of the gross national product is applied to the sustenance and development of individuals. Personal consumption expenditures in 1965 and early 1966 were 63 percent of the GNP, and private investment in residential structures was another 3.5 to 4 percent. In brief, approximately two-thirds of the GNP is currently devoted to personal consumption and the provision of dwellings. This two-thirds includes consumers' expenditures financed by Government payments to them. It does not include governmental purchases of goods and services on behalf of individual consumers, the provision of public housing, and the conduct of other programs for the support and development of human resources.

The role of personal consumption was larger in earlier years. In 1929 and 1935, nearly four-fifths of the national output was for personal consumption expenditures and investment in residential structures. Constrictive effects of the great depression are evident in the statistics: Unadjusted for price changes, personal consumption rose from 75 percent of GNP in 1929 to 77 percent of the shrunken national

product in 1935. Investment in residences, however, fell from 4 percent of GNP to less than 2 percent, so that in each of these years approximately 79 percent of the GNP was for consumption expenditures and housing investment. By 1950, the proportion had declined below three-fourths, and by 1960, below 70 percent. In the prosperous years of 1961-66, the GNP as a whole continued to grow faster than personal consumption expenditures.

From these comparisons, it might be concluded that the United States, while enlarging the absolute volume of consumption expenditures, has reduced the consumers' share of the total GNP and thereby the proportion directed to the improvement of human resources. But gross totals reported currently for the national income and product do not identify separately those portions of consumer expenditure which may contain elements of capital investment in the form of the development and improvement of individual capacities. The accounts distinguish between consumer expenditures for durable goods, nondurable goods, and services. In each of these categories, most expenditures are for goods and services used primarily for current sustenance and current activities. This is a characteristic even of expenditures for durable goods, which are mostly for automobiles, household equipment, and furniture—items used only to a minor extent for individual development. (Consumers' durable goods used at least partly for personal development are such items as books, typewriters, radio and television receivers, records and musical instruments, ophthalmic products and orthopedic appliances, and personal technical equipment.) The proportion of personal consumption outlays devoted to the acquisition of all durable goods dipped from 12 percent in 1929 to 9 percent in 1935, rose to 16 percent by 1950, and has held close to that level in the middle 1960's.

The principal varieties of "services" also are predominantly for current sustenance and essentially nondevelopmental activities—housing, household operation, and transportation. "Other services," however, include most types of expenditures for medical care and for private educational activities, as well as some recreational, religious, and welfare activities that might have developmental aspects. The proportion devoted to "other services" was close to one-sixth of all personal consumption expenditures in 1929 and 1935. It dipped to a lower level during and after World War II but has exceeded 17 percent in the mid-1960's. Within this category, consumer expenditures for education and health appear to have advanced more rapidly than those for other services.

Social welfare expenditures.—Another compilation that provides interesting background for the committee study is a selective series of estimates prepared by the Office of Research and Statistics of the Social Security Administration, Department of Health, Education, and Welfare. Generally designated "social welfare expenditures," this series is sometimes used (with minor differences of content and categories) as a compilation of "health, education, and welfare expenditures" in the United States. In their most comprehensive form, as in table 1, the estimates cover all expenditures, both public and private, for health, education, social insurance, welfare, retirement, veterans' benefits, public housing, and similar purposes.

The Social Security Administration is preparing a monograph that will describe the estimates of social welfare expenditures under public

programs. That report will present revised annual estimates for the period since 1929 for which data have previously been published in the Social Security Bulletin and, in a somewhat different arrangement, in an annual volume, Health, Education, and Welfare Trends. Compared with aggregate estimates previously published, the revisions will be relatively small.⁴

The Social Security Administration studies also cover private expenditures for health and medical care since the beginning of the series, fiscal 1929, but estimates of private spending for education and for income maintenance and welfare are not available for years prior to fiscal 1935. Private expenditures for health and education include individual consumer expenditures for these purposes. In the case of income maintenance and welfare, there is no comparable measure. Retired persons, disabled earners, and the other groups involved have sources of support not identifiable in any statistics of income flows. What is measured in the series is expenditures under organized income-maintenance and welfare programs—specifically private employee benefit plans and organized philanthropy.

⁴ The latest article in the series, incorporating some revisions, is in the Social Security Bulletin for December 1966, pp. 9-21, "Social Welfare Expenditures, 1965-66," by Ida C. Merriam, Assistant Commissioner, Office of Research and Statistics. The latest article in the series in Health, Education, and Welfare Trends is by the Under Secretary of the Department, Wilbur J. Cohen, "Public and Private Expenditures for Health, Education, and Welfare, 1935-65," in the 1965 edition, pt. I, National Trends, pp. 31-43 (1966).

Since data summarized in table 1 include non-Federal public and private expenditures, the "fiscal years" involved are not necessarily the period July 1 through June 30 which is designated as the fiscal year of the Federal Government. In general, the data are for 12-month periods which ended during each Federal fiscal year to which the numerical designations refer.

TABLE 1.—Public and private expenditures for health, education, and welfare, selected fiscal years, 1934-35 through 1965-66

[In millions]

Type of expenditure	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1962-63	1963-64	1964-65	1965-66 ¹
Total expenditures, net ²	\$9,590	\$12,581	\$15,987	\$34,905	\$50,149	\$79,075	\$99,933	\$107,526	\$117,465	\$131,030
Public funds.....	6,417	8,762	8,859	22,973	32,243	52,154	66,543	71,082	77,505	87,578
Private funds ²	3,222	4,014	7,375	12,228	18,509	28,149	35,046	38,219	41,872	45,608
Health.....	3,138	3,881	7,906	12,151	17,875	26,385	32,668	36,060	39,141	42,967
Public funds.....	559	858	2,571	3,087	4,372	6,389	8,328	8,984	9,740	10,896
Private funds.....	2,580	3,023	5,335	9,064	13,503	19,996	24,340	26,676	29,401	32,071
Education.....	2,493	3,161	3,871	10,936	14,338	22,079	27,745	30,262	34,424	38,525
Public funds.....	2,098	2,647	3,027	9,388	11,999	18,409	22,865	24,944	28,632	32,283
Private funds.....	395	514	844	1,548	2,339	3,670	4,880	5,318	5,792	6,242
Social insurance and welfare.....	4,125	5,757	4,486	12,149	18,616	31,990	41,377	43,594	46,046	51,944
Public funds.....	3,760	5,257	3,261	10,499	15,871	27,357	35,351	37,153	39,131	44,399
Private funds.....	365	500	1,225	1,650	2,745	4,633	6,026	6,441	6,915	7,545

¹ Preliminary estimates.² Total and private expenditures adjusted to eliminate duplication resulting from use of cash insurance benefits to purchase medical care and educational services.

Source: U.S. Department of Health, Education, and Welfare, Social Security Administration, Office of Research and Statistics.

Simple gross totals of public and private expenditures for social welfare purposes include some double counting because small amounts of consumer expenditure for health and for education are financed by benefits received under public programs. Private pensions or other benefits also may be spent for medical care or education, creating some further small measure of double counting. These amounts are netted out of the totals shown in table 1.

The total of \$131 billion for the fiscal year 1966 is more than 10 percent above the \$117 billion of estimated expenditures in the preceding year. The 1965 estimate, in turn, is nearly $1\frac{1}{2}$ times the sum of health, education, and welfare expenditures only 5 years earlier, in fiscal 1960. The total for fiscal 1966 is nearly 4 times the amount for fiscal 1950 and more than $13\frac{1}{2}$ times the total for fiscal 1935.

Part of the increase in expenditures is a reflection of rising prices. Nevertheless, in constant dollars (at price levels of 1965-66), U.S. expenditures—public and private—for health, education, and welfare in fiscal 1966 were $5\frac{1}{2}$ times as much as in 1935 and more than 2% times as much as in fiscal 1950.⁵

The population which shares in the expenditures has grown substantially, but the aggregate of public and private expenditures for health, education, and welfare has grown considerably faster than population. In current dollars, the total of these outlays averaged about \$75 a person in fiscal 1935. In 1950, the amount per capita was \$231, and in 1966, \$669. The average for 1966 was nine times the average for 1935. Adjusted for price changes, the \$75 of expenditures per capita in 1935 would have required \$188 at the price level of 1965-66. Still, the total of \$669 per capita expended in fiscal 1966 was more than $3\frac{1}{2}$ times the corresponding average for fiscal 1935 and more than double the average for fiscal 1950.⁶

These expenditures for health, education, and welfare in total—public and private together—have equaled a progressively larger share of the value of total U.S. production, rising from 14 percent in fiscal 1935 to 18 percent in fiscal 1965 and 18.4 percent in fiscal 1966.

In each of the fiscal years from 1950 to 1966 for which aggregates are available, public expenditures comprised slightly less than two-thirds of the estimated gross totals, and private expenditures, slightly more than one-third. This composite ratio covers a substantial difference between education and welfare expenditures, on the one hand, and health expenditures on the other.

Expenditures for education are predominantly public outlays. In the years reported in table 1, the war year, 1944-45, is the only one in which public expenditures were less than 80 percent of all outlays for education. During fiscal 1935, public programs accounted for 84 percent of the total. After the war, they were 86 percent in the fiscal year 1950 and 82 percent in the early 1960's. In fiscal 1966, public expenditures again were 84 percent of the total for education.

⁵ These comparisons are based on total expenditures, net, as shown in table 1, adjusted for price level changes by the implicit price deflators (1965-66 equals 100) shown in table 3 of the article by Mrs. Merriam, cited earlier, *Social Security Bulletin*, December 1966.

⁶ Per capita estimates are based on total expenditures, net, as shown in table 1, divided by estimated mid-year population (Jan. 1), including Armed Forces overseas. Population estimates are from the U.S. Bureau of the Census, *Current Population Reports*, series P-25, Nos. 302, Mar. 11, 1965, and 351, Oct. 18, 1966. The estimate for 1934-35 is an end-of-year estimate (July 1, 1935), but it omits Alaska and Hawaii (*ibid.*, No. 311, July 2, 1965). For constant-price amounts per capita, the current-dollar averages were adjusted by applying the price deflators cited in the preceding footnote.

Similarly, for income maintenance and welfare services, expenditures in public programs were 85 percent or more of the total in each year from 1950 through 1966 for which estimates are available.

In contrast, expenditures for health and medical care have been largely private expenditures. This comparison may be carried back to the fiscal year 1929, when public expenditures were 14 percent of the total for health and medical care. For those years for which estimates are available, the highest public share was 32.5 percent in the World War II year 1945. Since then, public programs have comprised 24 to 25 percent of all health and medical care expenditures in each reported year. In the fiscal year 1966, the percentage was 25.3. This was before medicare benefits were added to the social security system. As a result of this new public insurance program and recent expansion of Federal aid for medical care programs for public assistance recipients and other persons who need help in paying for medical care, the public share of health and medical care expenditures may be expected to jog upward in the fiscal year 1967.

Public programs included in the "health, education, and welfare" or "social welfare" series are identified in table 2. This table reports expenditure amounts for each program in 11 selected fiscal years from 1934-35 through 1965-66. The four sections of this table show for each program and group of programs (i) the sum of public expenditures, (ii) Federal Government expenditures, (iii) State and local government expenditures, and (iv) the percentage of financial support from the Federal and the State-local governments for each category of programs. Federal grants to State and local governments are classified as Federal expenditures in the social welfare series.

Although the "public funds" lines of table 1 are derived from the same basic program data as table 2, they present a different grouping of items and programs into broad categories. Table 2 is organized primarily on the basis of types of statutory programs; table 1 classifies expenditures by general objectives or purposes. For example, "Health" in table 1 includes all the medical and health-related expenditures that are classified in table 2 under the several major headings, "Social insurance, hospital and medical benefits," "Public aid, vendor medical payments," "Other welfare services, medical rehabilitation expenditures in vocational rehabilitation," and "Veterans' programs, medical and health services." Similarly, "Education" in table 1 includes veterans' education, and "Social insurance and welfare" omits expenditures for medical care.⁷

Table 3 carries the historical series of table 2 back to 1889-90 in summary form by showing public expenditures for the several types of social welfare programs as percentages of the gross national product in selected years through fiscal 1966.

⁷ Detail underlying table 1 appears in tables 5, 9, and 10 of the article by Mrs. Merriam in the Social Security Bulletin, December 1966.

TABLE 2.—Social welfare expenditures under public programs, selected fiscal years, 1934-35 through 1965-66¹

[In millions; revised estimates]

PART A

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1961-62	1962-63	1963-64	1964-65	1965-66 ²
	Total expenditures										
Total.....	\$6,417.0	\$8,761.7	\$8,859.0	\$22,972.6	\$32,243.0	\$52,154.4	\$62,230.9	\$66,542.9	\$71,081.7	\$77,505.4	\$87,578.2
Social insurance.....	383.9	1,217.7	1,418.5	4,873.0	9,854.2	19,297.4	24,199.9	25,592.0	26,966.8	28,078.2	31,905.8
Old-age, survivors, and disability insurance ³	28.1	266.8	784.1	4,436.3	11,032.3	13,984.6	15,344.3	16,200.8	16,997.2	20,292.3	20,292.3
Railroad retirement.....	115.7	143.7	304.4	575.6	925.4	1,033.2	1,073.8	1,103.5	1,126.7	1,204.9	1,204.9
Public employee retirement ⁴	210.0	254.5	382.8	743.4	1,388.5	2,569.9	3,189.7	3,569.3	4,056.7	4,520.6	5,150.8
Unemployment insurance and employment service ⁵		553.0	216.7	2,191.9	2,080.8	2,829.6	3,863.8	3,373.0	3,270.2	2,976.3	2,608.0
Railroad unemployment insurance.....		18.9	4.3	119.6	158.6	215.2	163.3	122.8	92.6	76.7	54.4
Railroad temporary disability insurance.....				31.1	54.2	68.6	56.8	52.8	50.1	46.5	43.4
State temporary disability insurance, total ⁶			5.1	72.3	217.5	347.9	407.1	444.2	467.9	486.9	502.0
Hospital and medical benefits ⁷				2.2	20.0	40.3	45.5	48.4	50.4	50.7	56.0
Workmen's compensation, total ⁸	173.9	247.5	399.1	626.2	942.6	1,308.5	1,501.4	1,611.8	1,725.0	1,847.3	2,050.0
Hospital and medical benefits ⁷	65.0	90.0	122.0	193.0	315.0	420.0	475.0	510.0	545.0	585.0	625.0
Public aid.....	2,997.6	3,598.7	1,038.5	2,496.2	3,003.0	4,101.1	4,945.1	5,295.4	5,642.0	6,177.6	6,824.1
Public assistance ⁹	623.9	1,124.3	1,028.8	2,490.2	2,941.1	4,041.7	4,675.0	5,028.7	5,381.3	5,873.8	6,455.9
Vendor medical payments ⁷				51.3	211.9	492.5	812.4	1,000.7	1,147.6	1,367.1	1,620.0
Other ¹⁰	2,373.7	2,474.4	1.7	6.0	61.9	59.4	270.1	266.7	260.7	303.8	368.2
Health and medical programs ¹¹	434.4	681.7	2,331.0	2,067.1	3,054.4	4,454.8	5,225.8	5,608.7	6,010.5	6,429.8	7,179.8
Hospital and medical care.....	259.8	440.0	1,955.7	1,230.1	1,980.7	2,817.0	3,115.1	3,248.8	3,504.7	3,607.1	3,989.6
Civilian programs.....	231.8	340.5	354.7	914.5	1,217.3	1,952.2	2,132.0	2,274.5	2,446.8	2,511.8	2,593.9
Defense Department and medicare.....	28.0	99.5	1,631.0	315.6	763.4	864.8	983.1	974.3	1,057.9	1,095.3	1,395.7
Maternal and child health services ¹²	6.7	13.8	62.1	29.8	92.9	139.4	174.1	186.2	201.0	222.5	258.2
Medical research ¹³		3.0	15.0	69.2	132.8	448.9	780.5	920.3	1,042.5	1,166.6	1,347.5
School health (educational agencies).....	9.9	17.9	23.3	30.6	65.9	101.0	129.0	128.4	127.7	132.0	135.0
Other public health activities ¹⁴	119.7	166.6	195.0	358.6	404.6	431.6	506.0	576.5	602.3	718.2	843.5
Medical facilities construction.....	38.3	40.4	50.0	368.8	377.5	516.9	521.1	548.5	532.2	588.4	606.0
Defense Department.....					33.0	40.0	24.0	23.0	42.4	34.8	28.6
Other.....	38.3	40.4	50.0	368.8	344.5	476.9	497.1	525.5	489.8	553.6	577.4

See footnotes at end of table, p. 16.

TABLE 2.—Social welfare expenditures under public programs, selected fiscal years, 1934-35 through 1965-66¹—Continued

(In millions; revised estimates)

PART A—Continued

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1961-62	1962-63	1963-64	1964-65	1965-66 ²
Total expenditures											
Other welfare services.....	\$53.0	\$77.0	\$159.0	\$422.7	\$573.4	\$1,014.1	\$1,304.0	\$1,448.4	\$1,562.9	\$1,948.9	\$2,739.2
Vocational rehabilitation, total.....	2.2	4.1	10.2	30.0	41.4	100.4	135.3	156.6	194.3	222.5	328.2
Medical rehabilitation ⁷.....	.2	.4	1.4	7.4	9.2	17.7	22.5	26.0	31.2	34.2	54.3
Institutional and other care ¹⁵	24.8	27.9	45.9	96.1	103.3	176.0	306.5	386.9	366.4	398.5	419.0
School lunch ¹⁶			47.4	191.7	293.6	526.2	615.8	636.6	688.7	797.1	752.0
Child welfare ¹⁷	26.0	45.0	55.5	104.9	135.1	211.5	246.4	268.3	313.4	352.4	381.6
Special programs ¹⁸										178.4	858.0
Veterans' programs ¹⁹	449.8	535.1	892.1	6,380.8	4,369.5	5,106.4	5,389.8	5,584.6	5,749.2	5,965.1	6,333.5
Pensions and compensation ²⁰	390.2	447.8	755.9	2,092.8	2,712.5	3,425.7	3,774.8	3,947.4	4,033.1	4,186.1	4,465.1
Health and medical services.....	58.9	86.3	116.5	745.8	761.1	957.1	1,047.0	1,121.7	1,179.4	1,250.6	1,330.8
Hospital and medical care.....	56.0	72.1	98.3	585.9	722.6	834.5	968.0	1,022.0	1,069.9	1,132.8	1,205.4
Hospital construction.....	2.9	14.1	16.2	156.2	33.0	57.5	52.1	69.8	76.4	80.9	83.2
Medical and prosthetic research.....		.1	2.0	3.7	5.5	15.1	26.8	29.9	33.2	36.9	42.2
Education.....			9.7	2,689.1	699.9	404.7	153.3	97.5	66.1	41.4	35.4
Welfare and other ²¹.....	.7	1.0	10.0	853.1	196.0	318.7	414.6	418.1	470.6	487.0	502.2
Education.....	2,098.3	2,647.3	3,017.5	6,698.3	11,299.2	18,003.9	20,949.9	22,766.9	24,878.4	28,591.5	32,248.4
Elementary and secondary, total.....	1,890.1	2,360.5	2,656.4	5,724.3	10,066.8	15,598.6	18,028.8	19,369.7	20,805.9	23,105.1	25,805.3
Construction.....	157.3	289.0	83.7	1,018.7	2,362.4	2,868.7	3,071.6	3,227.7	3,203.7	3,510.0	3,796.0
Higher and other, total.....	208.2	286.8	361.1	974.0	1,292.4	2,405.4	2,921.2	3,397.2	4,072.5	5,486.4	6,443.1
Construction ⁷	23 30.0	32.6	23 9.1	315.5	198.8	395.0	409.8	519.8	550.4	1,158.1	1,392.8
Public housing ²³		4.2	10.4	14.5	89.3	176.7	216.4	246.9	271.9	314.3	347.5

PART B

Total.....	From Federal funds										
	\$3,107.2	\$3,466.8	\$4,083.2	\$9,998.1	\$14,230.9	\$24,724.3	\$30,630.4	\$32,967.1	\$35,591.4	\$38,786.9	\$46,804.5
Social insurance.....	98.9	354.9	759.8	2,028.1	6,404.7	14,298.0	18,295.6	19,395.6	20,638.3	21,778.8	25,608.3
Old-age, survivors, and disability insurance ³		28.1	266.8	784.1	4,436.3	11,032.3	13,984.6	15,344.3	16,200.8	16,997.2	20,292.3
Railroad retirement.....		115.7	143.7	304.4	575.6	925.4	1,033.2	1,073.8	1,103.5	1,126.7	1,204.9
Public employee retirement ⁴	90.0	107.5	184.8	433.4	808.5	1,519.9	1,903.7	2,145.3	2,486.7	2,780.6	3,225.8

Unemployment insurance and employment service ¹	70.5	145.5	330.4	321.0	473.5	1,086.2	584.4	628.3	673.5	707.5
Railroad unemployment insurance.....	18.9	4.3	119.6	158.6	215.2	163.3	122.8	92.6	76.7	54.4
Railroad temporary disability insurance.....			31.1	54.2	63.6	56.8	52.8	50.1	46.5	43.4
Workmen's compensation total ²	8.9	14.2	14.7	25.1	50.5	63.1	67.8	72.2	76.3	80.0
Hospitalization and medical benefits ⁷	3.0	5.2	4.7	5.2	6.9	9.0	8.4	10.2	10.4	12.0
Public aid.....	2,373.7	2,245.9	420.1	1,103.2	1,504.2	2,116.9	2,741.0	2,999.1	3,207.1	3,488.1
Public assistance ⁸		281.1	418.4	1,097.2	1,442.3	2,057.5	2,470.9	2,732.4	2,946.4	3,184.3
Vendor medical payments ⁷					23.3	199.6	394.8	510.0	593.0	743.0
Other ¹⁰	2,373.7	1,964.8	1.7	6.0	61.9	69.4	270.1	266.7	260.7	303.8
Health and medical programs ¹¹	50.1	159.9	1,775.6	586.0	1,174.4	1,748.9	2,237.8	2,456.3	2,751.1	2,951.5
Hospital and medical care.....	39.6	124.4	1,650.6	362.0	829.8	967.9	1,096.1	1,093.8	1,188.7	1,539.0
Civilian programs.....	11.6	24.9	29.6	46.4	66.4	103.1	113.0	119.5	130.8	143.9
Defense Department and medical care.....	28.0	99.5	1,631.0	315.6	763.4	864.8	983.1	974.3	1,057.9	1,095.3
Maternal and child health services ¹²		7.8	55.2	20.1	23.7	33.3	50.1	50.8	59.1	69.6
Medical research ⁷					2	6	8	1.0	2.7	4.3
Medical research ¹³		3.0	15.0	69.2	132.8	425.9	743.5	875.3	992.5	1,111.6
Other public health activities ¹⁴	7.2	24.3	44.8	67.9	70.6	87.9	112.0	176.9	233.6	239.5
Medical facilities construction.....	3.3	4	(24)	66.8	117.5	233.9	236.1	259.5	287.2	299.4
Defense Department.....					33.0	40.0	24.0	23.0	42.4	34.8
Other.....	3.3	4	(24)	66.8	84.5	193.9	212.1	236.5	244.8	287.4
Other welfare services.....	1.8	4.5	64.2	160.7	243.4	407.9	509.3	548.2	619.8	876.8
Vocational rehabilitation, total.....	1.0	2.0	7.5	21.0	26.4	64.3	86.7	100.9	127.1	145.7
Medical rehabilitation ⁷.....	.1	.2	.7	3.7	5.7	6.6	14.2	16.1	19.3	21.2
Medical research ⁷.....					.3	6.6	11.0	12.8	20.3	22.4
Institutional and other care ¹⁵.....	.8	.9	7.9	20.3	39.2	24.1	34.0	37.5	44.3	55.8
School lunch ¹⁶			47.4	121.2	170.7	306.1	370.4	383.2	419.1	504.7
Child welfare ¹⁷		1.6	1.4	4.2	7.1	13.4	18.2	20.6	29.3	34.4
Special programs ¹⁸									156.2	150.2
Veterans' program ¹⁹	449.8	535.1	892.1	5,918.8	4,307.9	4,994.3	5,294.6	5,564.6	5,730.3	5,944.7
Pensions and compensation ²⁰	390.2	447.8	755.9	2,092.8	2,712.5	3,425.7	3,774.8	3,947.4	4,033.1	4,186.1
Health and medical services.....	58.9	86.3	116.5	745.8	761.1	957.1	1,047.0	1,121.7	1,179.4	1,250.0
Hospital and medical care.....	56.0	72.1	98.3	585.9	722.6	884.5	968.0	1,022.0	1,069.9	1,132.8
Hospital construction.....	2.9	14.1	16.2	156.2	33.0	57.5	52.1	69.8	74.4	80.9
Medical and prosthetic research.....		1	2.0	3.7	5.5	15.1	26.8	33.2	36.9	42.2
Education.....			9.7	2,689.1	699.9	404.7	153.3	97.5	66.1	35.4
Welfare and other ²¹.....	.7	1.0	10.0	391.1	134.4	206.8	319.4	398.1	451.7	466.6
Education ²²	132.9	162.3	161.0	180.8	521.6	1,014.8	1,378.9	1,811.9	2,438.4	3,512.6
Elementary and secondary, total.....	69.2	74.2	48.2	73.1	341.8	507.2	557.8	614.7	665.9	880.6
Construction ⁷	42.0	31.0	7.6	5.2	139.3	79.8	71.6	67.7	63.9	59.4
Higher education and other, total.....	63.7	88.1	112.8	107.7	179.8	507.7	821.2	1,197.2	1,772.5	2,632.0
Construction ⁷	30.0	12.0	9.1	10.9	5.4	38.3	59.8	169.8	200.4	678.1
Public housing ²³		4.2	10.4	14.6	74.7	143.6	173.2	191.4	200.4	234.4

See footnotes at end of table, p. 16.

TABLE 2.—Social welfare expenditures under public programs, selected fiscal years, 1934-35 through 1965-66¹—Continued

In millions; revised estimates)

PART C

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1961-62	1962-63	1963-64	1964-65	1965-66 ¹
	From State and local funds ²²										
Total.....	\$3,309.8	\$5,294.0	\$4,775.8	\$12,974.6	\$18,012.1	\$27,429.9	\$31,600.4	\$33,575.8	\$35,490.4	\$38,718.6	\$40,773.7
Social insurance.....	285.0	862.8	658.7	2,844.9	3,449.5	4,999.4	5,904.3	6,196.3	6,328.5	6,299.4	6,297.5
Public employee retirement ⁴	120.0	147.0	198.0	310.0	580.0	1,050.0	1,286.0	1,424.0	1,570.0	1,740.0	1,925.0
Unemployment insurance and employment service ⁴		482.5	71.2	1,861.5	1,759.9	2,356.1	2,777.6	2,788.5	2,641.9	2,302.8	1,900.5
State temporary disability insurance, total ⁶			5.1	72.3	217.5	347.9	407.1	444.2	467.9	486.9	502.0
Hospital and medical benefits ⁷				2.2	20.0	40.3	45.5	48.4	50.4	50.7	56.0
Workmen's compensation, total ⁸	165.0	233.3	384.4	601.1	892.1	1,245.4	1,433.6	1,539.6	1,648.7	1,769.7	1,970.0
Hospital and medical benefits ⁷	62.0	84.8	117.3	187.8	308.1	411.0	466.6	499.8	534.6	573.7	613.0
Public aid.....	623.9	1,352.8	610.4	1,393.0	1,498.8	1,984.2	2,204.1	2,296.3	2,434.9	2,689.5	2,969.2
Public assistance ⁹	623.9	843.2	610.4	1,393.0	1,498.8	1,984.2	2,204.1	2,296.3	2,434.9	2,689.5	2,969.2
Vendor medical payments ⁷				51.3	188.6	292.9	417.7	490.7	554.6	663.8	877.0
Other ¹⁰		509.6									
Health and medical programs ¹¹	384.3	521.8	555.4	1,501.1	1,880.0	2,705.9	2,988.0	3,152.4	3,259.4	3,478.3	3,662.0
Hospital and medical care.....	220.2	315.6	325.1	868.1	1,150.9	1,849.1	2,019.0	2,155.0	2,316.0	2,376.0	2,450.0
Maternal and child health services ¹²	6.7	6.0	6.8	9.7	69.2	106.1	124.0	135.4	142.0	152.9	176.0
Medical research.....						23.0	37.0	45.0	50.0	55.0	61.0
School health (educational agencies).....	9.9	17.9	23.3	30.6	65.9	101.0	129.0	128.4	127.7	132.0	135.0
Other public health activities ¹⁴	112.5	142.3	150.2	290.7	334.0	343.7	394.0	399.6	378.7	473.4	550.0
Medical-facilities construction.....	35.0	40.0	50.0	302.0	260.0	283.0	285.0	289.0	245.0	289.0	290.0
Other welfare services.....	51.2	72.5	94.8	256.1	330.0	606.2	794.6	900.3	943.1	1,072.1	1,219.7
Vocational rehabilitation, total.....	1.2	2.1	2.7	9.0	15.0	36.1	48.6	55.7	67.2	76.8	96.3
Medical rehabilitation ⁷	1	2	7	3.7	3.5	6.5	8.3	9.9	11.9	13.0	20.6
Institutional and other care ¹⁵	24.0	27.0	38.0	75.8	64.1	151.9	272.5	349.4	322.1	362.7	380.0
School lunch ¹⁶				70.6	122.9	220.1	245.4	253.5	269.6	292.4	324.0
Child welfare ¹⁷	26.0	43.4	54.1	100.7	128.0	198.1	228.1	241.7	284.2	318.0	341.4
Special programs ¹⁸										22.2	78.0
Veterans' programs ¹⁹				462.0	61.6	111.9	95.2	20.0	18.9	20.4	21.0
Education.....	1,965.4	2,485.0	2,856.5	6,517.5	10,777.6	16,989.1	19,571.0	20,955.0	22,440.0	25,078.9	26,506.1
Elementary and secondary, total.....	1,820.9	2,286.3	2,608.2	5,651.2	9,665.0	15,091.4	17,471.0	18,755.0	20,140.0	22,224.5	23,552.0
Construction ¹	115.3	258.0	76.1	1,013.5	2,223.1	2,788.9	3,000.0	3,160.0	3,180.0	3,450.6	3,735.0
Higher education and other, total.....	144.5	198.7	248.3	866.3	1,112.6	1,897.7	2,100.0	2,200.0	2,300.0	2,854.4	2,954.1
Construction ⁷	(27)	20.6	(27)	304.6	193.4	356.7	350.0	350.0	350.0	480.0	510.0
Public housing ²³					14.6	33.2	43.2	55.5	65.6	80.0	98.2

PART D.—SUMMARY OF TOTAL EXPENDITURES AND PERCENTAGE DISTRIBUTION BY SOURCE OF FUNDS

Program	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66 ¹
Federal funds as percent of total expenditures												
Total.....	48.4	39.6	46.1	43.5	44.1	47.4	47.1	40.2	49.5	50.1	50.0	53.4
Social insurance.....	25.8	29.1	53.6	41.6	65.0	74.1	71.4	75.6	75.8	76.5	77.6	80.3
Public aid.....	79.2	62.4	40.8	44.2	50.1	51.6	52.6	55.4	56.6	56.8	56.5	56.5
Health and medical program.....	11.5	23.5	76.2	28.1	38.4	39.3	40.0	42.8	43.8	45.8	45.9	49.0
Other welfare services.....	3.4	5.8	40.4	39.4	42.4	40.2	37.7	39.1	37.8	39.7	45.0	55.5
Veterans' programs.....	100.0	100.0	100.0	92.8	98.6	97.8	98.4	98.2	99.6	99.7	99.7	99.7
Education.....	6.3	6.1	5.3	2.7	4.6	5.6	5.9	6.6	8.0	9.8	12.3	17.8
Elementary and secondary.....	3.7	3.1	1.8	1.3	3.4	3.3	3.0	3.1	3.2	3.2	3.8	8.7
Higher and other.....	30.6	30.7	31.2	11.1	13.9	21.1	24.1	28.1	35.2	43.5	48.0	54.2
Public housing.....	-----	100.0	100.0	100.0	83.7	81.2	81.2	80.0	77.5	75.9	74.5	71.7
State and local funds as percent of total expenditures												
Total.....	51.6	60.4	53.9	56.5	55.9	52.6	52.9	50.8	50.5	49.9	50.0	46.6
Social insurance.....	74.2	70.9	46.4	58.4	35.0	25.9	28.6	24.4	24.2	23.5	22.4	19.7
Public aid.....	20.8	37.6	59.2	55.8	49.9	48.4	47.4	44.6	43.4	43.2	43.5	43.5
Health and medical program.....	88.5	76.5	23.8	71.9	61.6	60.7	60.0	57.2	56.2	54.2	54.1	51.0
Other welfare services.....	96.6	94.2	59.6	60.6	57.6	59.8	62.3	60.9	62.2	60.3	55.0	44.5
Veterans' programs.....	-----	-----	-----	7.2	1.4	2.2	1.6	1.8	.4	.3	.3	.3
Education.....	93.7	93.9	94.7	97.3	95.4	94.4	94.1	93.4	92.0	90.2	87.7	82.2
Elementary and secondary.....	96.3	96.9	98.2	98.7	96.6	96.7	97.0	96.9	96.8	96.8	96.2	91.3
Higher and other.....	69.4	69.3	68.8	88.9	86.1	78.9	75.9	71.9	64.8	56.5	52.0	45.8
Public housing.....	-----	-----	-----	-----	16.3	18.8	18.8	20.0	22.5	24.1	25.5	28.3

See footnotes at end of table, p. 16.

¹ Expenditures from Federal, State, and local revenues (general and special) and trust funds and other expenditures under public law; includes capital outlay and administrative expenditures, unless otherwise noted. Includes some expenditures and payments outside the United States. Fiscal years ended June 30 for Federal Government, most States and some localities; for other States and localities, fiscal years cover various 12-month periods ended in the specified year.

² Preliminary estimates.

³ Excludes net payments in lieu of benefits (transfers) under the financial interchange with the railroad retirement system.

⁴ Excludes refunds of employee contributions to those leaving the service; Federal expenditures include payments to retired military personnel and survivors. Data for administrative expenses not available for Federal noncontributory programs.

⁵ Includes unemployment compensation under State programs and programs for Federal employees, for ex-servicemen, and for veterans under the readjustment acts of 1944 and of 1952, payments under the temporary extended unemployment insurance programs and training allowances under the Manpower Development and Training Act and Area Redevelopment Act.

⁶ Cash and medical benefits, including payments under private plans where applicable in the 4 States with programs. Includes State costs of administering State plans and supervising private plans; data for administrative expenditures of private plans underwritten by private insurance carriers or self-insured are not available.

⁷ Included in total shown directly above; excludes administrative expenditures, not available separately but included for entire program in preceding line.

⁸ Cash and medical benefits paid under Federal workmen's compensation laws and under State laws by private insurance carriers, by State funds, and by self-insurers. Excludes administrative costs of State agencies before 1949-50 and all administrative costs of private insurance carriers and self-insurers. Beginning 1959-60, includes data for Alaska and Hawaii.

⁹ Includes cash and vendor medical payments under old-age assistance, aid to families with dependent children, aid to the blind, aid to the permanently and totally disabled; medical assistance programs; and, from State and local funds, general assistance. For 1939-40, Federal expenditures include \$1,000,000 in administrative costs for which distribution by source of fund is not available.

¹⁰ Work program earnings, other emergency aid programs, and value of surplus food distributed to needy families.

¹¹ Excludes expenditures (1) for domiciliary care in institutions other than mental or tuberculosis (included under institutional care); (2) for health and medical service provided in connection with State temporary disability insurance, workmen's compensation, public assistance, vocational rehabilitation, and veterans' programs (included in total expenditures for these programs); and (3) those made directly for international health activities and for certain subordinate medical programs such as those of the Bureau of Mines, the National Park Service, and the U.S. Civil Service Commission.

¹² Services for crippled children and maternal and child health services.

¹³ Medical research of the U.S. Public Health Service, Food and Drug Administration, Atomic Energy Commission, National Aeronautics and Space Administration, and Department of Defense.

¹⁴ Excludes expenditures for water supply, sanitation services, and sewage disposal but includes regulatory and administrative costs of these services; also includes expenditures for medical equipment and supplies for civil defense.

¹⁵ Expenditures for homes for dependent or neglected children and for adults other than veterans and the value of surplus food for nonprofit institutions.

¹⁶ Federal expenditures represent cash apportionment and the value of commodities purchased and distributed under the National School Lunch Act, the value of surplus commodities distributed under other agricultural programs, and, beginning 1954-55, special school milk program. Nongovernmental funds are also available from private organizations and from payments by parents (in 1965-66, parents' payments totaled an estimated \$835,000,000).

¹⁷ Includes foster-care payments and payments for professional and facilitating services; excludes expenditures of public institutions and public day-care centers, capital expenditures by courts and by youth authorities, payments from parents and relatives, and direct appropriations by State legislatures to voluntary agencies and institutions.

¹⁸ Programs authorized under the Economic Opportunity Act; excludes programs delegated to or reported with data for the Office of Education and the Welfare Administration.

¹⁹ Federal expenditures exclude bonus payments and expenditures from veterans' life insurance trust funds; State and local expenditures refer to State bonus and other payments and services (local data not available).

²⁰ Includes burial awards.

²¹ Includes vocational rehabilitation, specially adapted homes and automobiles for disabled veterans, counseling, beneficiaries' travel, loan guarantees, and domiciliary care.

²² Federal expenditures only, data for State and local expenditures not available.

²³ Federal and State subsidies (and administrative costs) for low-cost housing.

²⁴ Less than \$50,000.

²⁵ Represents Office of Education administrative costs; training of Federal personnel; and "grants" as reported in the summary table prepared by the Federal Education Program Branch, Office of Education, except (1) those covered under other social welfare programs such as veterans' programs and (2) the value of surplus property. Beginning 1937-38, includes revenue from public lands for education and, beginning 1950-51, includes training grants and basic research for which data were not available in earlier years.

²⁶ Except as otherwise noted (see footnotes 6 and 8).

²⁷ Data not available.

Source: Data taken or estimated from Treasury reports, Federal budgets, and available reports of Federal, State, and local administrative agencies.

Table 2 is a reproduction of tables 1 and 1a from Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966.

TABLE 3.—*Social welfare expenditures under public programs as percent of gross national product, selected fiscal years, 1889-90 through 1965-66*

Fiscal year	Gross national product (in billions)	Social welfare expenditures as percent of gross national product						
		Total ¹	Social insurance	Public aid	Health and medical services	Other welfare	Veterans' programs	Educa-tion ²
1889-90.....	\$13.0	2.4	(³)	4 0.3	0.1	(⁴)	0.9	1.1
1912-13.....	39.9	2.5	(³)	4.3	.4	(⁴)	.5	1.3
1928-29.....	101.6	4.2	0.3	4.5	.4	(⁴)	.5	2.4
1934-35.....	68.7	9.3	.6	4.4	.6	0.1	.7	3.1
1939-40.....	95.1	9.2	1.3	3.8	.7	.1	.6	3.8
1944-45.....	211.1	4.2	.7	.5	1.1	.1	.4	1.4
1949-50.....	263.4	8.7	1.9	.9	.8	.2	2.4	2.5
1954-55.....	379.7	8.5	2.6	.8	.8	.2	1.2	3.0
1959-60.....	495.6	10.5	3.9	.8	.9	.2	1.0	3.6
1960-61.....	506.5	11.4	4.4	.9	1.0	.2	1.0	3.8
1961-62.....	541.7	11.5	4.5	.9	1.0	.2	1.0	3.9
1962-63.....	574.5	11.6	4.5	.9	1.0	.3	1.0	4.0
1963-64.....	611.2	11.6	4.4	.9	1.0	.3	.9	4.1
1964-65.....	654.0	11.9	4.3	.9	1.0	.3	.9	4.4
1965-66 ⁵	711.0	12.3	4.5	1.0	1.0	.4	.9	4.5

¹ Includes public housing, not shown in distribution.

² Beginning 1954-55, includes basic research and training grants; data for earlier years not available.

³ Less than 0.05 percent.

⁴ "Other welfare" included with public aid.

⁵ Preliminary estimates.

Source: Table 3 is a reproduction of table 2 from Mrs. Merriam's article in the Social Security Bulletin December 1966, cited above.

During 1890-1929, and again from fiscal 1945 through 1955, education was the most important financially of the public social welfare programs. In fiscal 1935 and 1940, expenditures for public aid exceeded those for public education, and in fiscal 1960 through 1964, expenditures for social insurance were higher than for education. In each of those years, education ranked next highest in the volume of public expenditures. In fiscal 1965 and 1966, education again commanded larger sums of public expenditure than any of the other categories of social welfare programs.

The volume of public expenditures for education and for social insurance is far above that for other groups of programs in the social welfare field. In fiscal 1966, education and social insurance each involved approximately \$32 billion of governmental outlays. The next categories, health and medical programs and public aid, each accounted for approximately \$7 billion.

The "social welfare" series comprises some public expenditures that are not in the government sector of gross national product but may be in the total of personal income. These are primarily "transfer payments"—a category that comprises monetary income receipts of individuals from Government and business (other than Government interest) for which no services are rendered currently.⁸

Transfer payments included in the social welfare expenditures are predominantly for public assistance, social insurance benefits, and veterans' compensation and pensions. In the published series, transfer payments cannot all be clearly distinguished from outlays for other purposes because expenditures for administration are merged with those for benefits or assistance payments. Table 4 presents an

⁸ U.S. Department of Commerce, Office of Business Economics, National Income, 1954 edition (A Supplement to the Survey of Current Business, 1954) p. 60; and Survey of Current Business, August 1965, pp. 13-14. See also *ibid.*, The National Income and Product Accounts of the United States, 1929-65, Statistical Tables (A Supplement to the Survey of Current Business, 1966), p. x.

approximate division, based on a regrouping of items in table 2 according to whether the expenditures are predominantly transfers or for other purposes. Expenditures other than transfer payments are substantially all for the purchase of goods and services.

TABLE 4.—*Economic classification of social welfare expenditures under public programs in selected fiscal years, 1935-66*

[Amounts in millions of dollars]

Fiscal year and level of government	Total social welfare expenditures	Transfer payments ¹	Other expenditures ¹
1935, all public expenditures.....	6,417	3,760	2,657
From Federal funds.....	3,107	2,862	245
From State and local government funds.....	3,310	898	2,412
1950, all public expenditures.....	22,973	9,210	13,763
From Federal funds.....	9,998	5,213	4,785
From State and local government funds.....	12,975	3,997	8,978
1960, all public expenditures.....	52,154	26,342	25,812
From Federal funds.....	24,724	19,573	5,152
From State and local government funds.....	27,430	6,239	21,190
1966, all public expenditures.....	87,578	40,526	47,052
From Federal funds.....	46,804	32,805	13,999
From State and local government funds.....	40,774	7,721	32,805

¹ "Transfer payments" as shown here may include relatively small sums for administrative expenses and other purchases of goods and services. "Other expenditures" may include relatively small sums for transfer payments.

Source: Compiled from table 2 above.

The distribution in table 4 indicates that, despite the expansion of social insurances, transfer payments are relatively less important in the 1960's than they were in 1935 as a component of public expenditures for social welfare programs. This situation apparently results largely from the fact that State and local government expenditures for social welfare expenditures are predominantly for goods and services. In 1935 and 1950, between one-third and one-fourth of State and local expenditures for social welfare were transfer payments. In 1960, only 23 percent, and in 1966, only 21 percent were transfer payments.

In Federal Government expenditures for social welfare, the emphasis has been different. In each year reported in the table, the largest part of the expenditures was for transfer payments—in 1935, 92 percent; in 1950, 52 percent; in 1960, 79 percent; and in 1966, 70 percent. These proportions may be altered for 1967 and subsequent years as a consequence of the major legislation which added medicare insurance to the social security system and authorized substantial increases in Federal public assistance grants to finance medical care for persons who need help in paying medical bills. Benefit payments under the medicare insurance program—both the compulsory insurance for hospital services and the voluntary insurance for physicians' bills—are classified in national income accounts as transfer payments.⁹ Federal Government outlays for the medicaid program under public assistance are classified in the first instance as "grants-in-aid to State

⁹ See "Medicare in the National Income and Product Accounts," in Survey of Current Business, August 1966, pp. 6-7.

and local governments." In the consolidated accounts showing the gross national product, the final outlays appear as State and local government purchases of goods and services.

FEDERAL GOVERNMENT EXPENDITURES REPORTED IN THIS SURVEY

As part of the inquiry relating to human resources programs, the Joint Economic Committee asked Federal departments and agencies to supply an economic classification of program expenditures for the fiscal year 1965. The request was not limited to Federal Government expenditures. It sought comprehensive information about actual or estimated expenditures for each human resources program reported by any Federal agency, with separate indications of the amount of Federal Government expenditure and the amount of associated non-Federal expenditures financed by State or local governments, individuals or nonprofit organizations, business enterprises, or others. Amounts were to be subclassified, insofar as possible, into the following categories:

Purchases of goods and services:

Wages and salaries.

Other.

Transfer payments:

To individuals and nonprofit organizations.

To others (with the types of recipients specified).

Aids to State and local governments:

Grants and shared revenues.

Loans.

Other forms of aid.

Other categories (to be specified).

The question was designed in part to indicate the relative (and varying) importance of Federal financing in those human resources programs in which there is Federal Government participation. With a few exceptions, the responses to the questionnaire omitted information about non-Federal financing. In addition, some replies did not adequately show the economic classification of even the Federal expenditures. These difficulties are discussed further in part II of this report.

The reported Federal outlays are not strictly comparable for different programs. They are used in this report as "order of magnitude" data only and are added together as though they were comparable, but only as a rough measure of the extent of Federal Government financing for these programs.

TABLE 5.—Federal Government expenditures for human resources programs, by broad economic categories, fiscal year 1965

[Dollar amounts in millions]

Department or agency	Total ¹		Purchases of goods and services	Transfer payments	Grants to State and local governments	Loans (net of repayments)	Other or unclassified
	Amount	Percent of total					
Total, all departments and agencies.....	\$43, 631	-----	\$8, 034	\$29, 291	\$6, 086	\$1, 322	\$-1, 103
Percent of total.....		100. 0	18. 4	67. 1	13. 9	3. 0	-2. 5
Department of Health, Education, and Welfare.....	\$23, 118	53. 0	\$1, 382	\$17, 061	\$4, 496	\$4	\$176
Veterans' Administration.....	5, 910	13. 5	1, 578	4, 887	8	147	-711
Department of Defense.....	5, 256	12. 0	3, 677	1, 420	0	0	159
Department of Labor.....	² 3, 119	7. 1	154	² 2, 551	414	0	0
Civil Service Commission.....	1, 988	4. 6	36	1, 924	0	0	28
Department of Agriculture.....	1, 500	3. 4	565	37	334	564	0
Railroad Retirement Board.....	1, 251	2. 9	18	1, 233	0	0	0
Department of Housing and Urban Development.....	455	1. 0	167	0	522	310	-544
Small Business Administration.....	301	. 7	7	0	0	221	72
Department of the Interior.....	216	. 5	95	22	95	4	(³)
Office of Economic Opportunity.....	196	. 4	62	0	117	17	0
National Science Foundation.....	171	. 4	0	102	69	0	0
Commerce Department.....	82	. 2	4	0	10	55	12
Treasury Department.....	73	. 2	36	37	0	0	0
Atomic Energy Commission.....	17	(⁴)	1	10	6	0	0
National Aeronautics and Space Administration.....	14	(⁴)	0	0	14	0	0
Department of State.....	8	(⁴)	0	8	0	0	0
Department of Justice.....	8	(⁴)	8	0	0	0	0
Federal Power Commission.....	(⁵)	(⁵)	(⁵)	0	0	0	0
Appalachian Regional Commission.....	(⁵)	(⁵)	(⁵)	0	0	0	0
Smithsonian Institution.....	(⁵)	(⁵)	(⁵)	0	0	0	0
Tennessee Valley Authority.....	-50	-1	245	0	0	0	-295
Selective Service System.....	(⁵)	-----	(⁵)	0	0	0	0

¹ Reported "expenditure" amounts are not strictly comparable. Some figures represent obligations.² Includes \$2,303,000,000 of unemployment insurance benefit payments financed by State withdrawals from their accounts in the unemployment trust fund in the U.S. Treasury. These are classified as Federal Government transfer payments to individuals in national income accounts, and as Federal cash payments to the public in Federal fiscal reports.³ Less than \$500,000.⁴ Less than 1/2 of 1 percent.⁵ Not reported. (See text, pt. III.)

NOTE.—Because of rounding, details will not necessarily add to totals as shown.

Source: Compiled from answers to question 10 of the Joint Economic Committee inquiry, as reproduced in pt. III of this report.

Summary by major categories.—Obligations, expenditures, or other amounts reported as Federal outlays in the fiscal year 1965 for human resources programs in the survey totaled approximately \$43.6 billion. (See table 5.) Within this sum are the following major subdivisions, as derived from the agency replies:

Purchase of goods and services.....	\$8. 0
Transfer payments.....	29. 3
Grants to State and local governments.....	6. 1
Loans.....	1. 3
Other (negative expenditures—net).....	-1. 1
Total, Federal "expenditures".....	43. 6

Expenditures reported in this survey comprise 37 percent of the \$118 billion of Federal expenditures for all purposes in fiscal 1965, measured on the national income basis. (The base excludes loans and other financial transactions; their omission from the human resources total would not alter this percentage appreciably.)

Predictably, the Department of Health, Education, and Welfare reported more than half of all expenditures by Federal departments and agencies in fiscal 1965 for human resources programs. The Department total exceeded \$23 billion.

As table 5 indicates, six other agencies each reported more than \$1 billion. With the Department of Health, Education, and Welfare, they accounted for 96.5 percent of all reported outlays for human resources programs.

Two-thirds of the outlays are for purposes designated in national income accounts as transfer payments—expenditures which constitute personal income to the recipients but are counted in the total of the gross national product only as they are spent by the recipients. Federal Government transfer payments are chiefly for old-age, survivors, and disability insurance benefits, veterans' compensation and pensions, annuities for retired Government personnel and their families, and unemployment insurance benefits. Until the Department of Commerce revised the national income and product accounts in 1965, "transfer payments to persons" included Government payments and corporate gifts to nonprofit institutions; now, however, Government payments to nonprofit institutions to finance research and development are classified in national income and product accounts as Government purchases of goods and services.¹⁰

Almost all Federal Government transfer payments were in the human resources programs—\$29.3 billion in a Government-wide total of \$30.3 billion for fiscal 1965.¹¹

Purchases of goods and services, as identified in the responses in this survey, exceeded \$8 billion, approximately 18 percent of Federal expenditures in human resources programs. Most of this is for personal services, but a subdivision between salaries and wages and other goods and services is provided in only a few of the agency responses. The Department of Defense reported the largest volume of purchases of goods and services in human resources programs—\$3,677 million. Of this sum, \$2,259 million was for wages and salaries and \$1,418 million for other procurement. The Veterans' Administration was second, with \$1,578 million, of which \$983 million was for wages and salaries.

The \$8 billion for purchases of goods and services in human resources programs was barely one-eighth of the Government total of \$64.5 billion for this category.

The total for human resources programs includes \$6.1 billion of grants to State and local governments. Nearly 75 percent of these payments are reported by the Department of Health, Education, and Welfare. Ten other departments and agencies contributed to the remainder.

Grants to State and local governments in these programs were 56 percent of the Federal Government total of \$10.9 billion. Nearly all other grant payments were for highways and other construction.

In national income and product tables, Federal grants to State and local governments are reported as a subdivision of Federal Govern-

¹⁰ U.S. Department of Commerce, Office of Business Economics, National Income, 1954 edition (a supplement to the Survey of Current Business, 1954), p. 60; and Survey of Current Business, August 1965, pp. 13-14. See also *ibid.*, The National Income and Product Accounts of the United States, 1929-65, Statistical Tables (A Supplement to the Survey of Current Business, 1966), pp. viii, ix.

¹¹ For budget totals on the national income basis, see the Budget of the U.S. Government for the fiscal year 1967 (January 1966), p. 379.

ment expenditures and a source of State and local government receipts. State and local purchases of goods and services, transfer payments to persons, and other State and local government expenditures reported in the consolidated accounts may be financed in part by Federal aid.

For fiscal 1967 and years immediately following, transfer payments may be expected to rise substantially, both as an element in human resources programs and in the total of Federal expenditures, as the medicare insurance system comes into full operation and old-age, survivors, and disability benefits are increased. Grants to State and local governments also may show considerable growth, both in human resource programs and in the Government total, because much recent legislation has authorized either new or enlarged programs in the fields of health, welfare, housing and urban development, education, and training.

Among expenditures for human resources programs, \$1.3 billion were in the form of loans during the fiscal year 1965. Most of these expenditures were reported on a net basis; i.e., with loan repayments deducted from new loans issued during the year. On this basis, the Departments of Agriculture and Housing and Urban Development and the Small Business Administration were the principal lending agencies for human resources programs.

In most instances, the gross amount of loans and the amount of repayments were not specified. The Small Business Administration, for which both gross and net amounts are identified, made gross loans of \$433 million—nearly twice the \$221 million of net loans shown in table 5. The Small Business Administration loans were for business, disaster, and local development company programs.

Department of Agriculture loans in fiscal 1965 were for rural electrification and telephone systems, housing, water and waste disposal, and rural renewal.

Department of Housing and Urban Development loans were principally for college housing, with \$170 million net expenditures against \$262 million gross; housing for the elderly and handicapped, with \$40.4 million net against \$42.6 million gross; urban renewal; public facilities; and public housing.

The Veterans' Administration and Commerce Department also had substantial loan expenditures. Commerce Department outlays in this category comprise most human resources expenditures reported by the Department.

Most loan programs reported in response to the human resources inquiry are classified as Government enterprises in national income accounts.

Expenditures offsets of \$1.1 billion reported for human resources programs in fiscal 1965 were not classified in any of the foregoing standard categories, although it is evident that detailed analysis would result in shifting some of the positive expenditures out of the "Other" column of table 5 into purchases of goods and services. To the extent that these items include administrative expenses, in particular, those expenditures, if they could be identified, should be classified at least in part as purchases of goods and services.

The largest negative amounts are in the Veterans' Administration, Department of Housing and Urban Development, and Tennessee Valley Authority. The Veterans' Administration negative expenditures comprise premiums and receipts other than loan repayments in the veterans' insurance, loan, and loan guarantee programs.

The Department of Housing and Urban Development negative expenditures are dominated by program receipts—\$975 million of receipts in FHA and \$526 million in FNMA. Against these are charged operating and other outlays of \$767 million for FHA and \$144 million for FNMA. The Public Housing Administration reported a similar, though relatively small, amount of receipts and reimbursements in excess of "other" expenditures. The college housing program had administrative and interest costs of more than \$50 million.

TVA negative expenditures represent receipts from sales of electric power, used in part to finance goods and services purchased for the power development program.

The Department of Health, Education, and Welfare reported \$176 million of "other" expenditures, all in the Office of Education. These outlays were contributions to student loan funds, either as capital or to cover loan cancellations, and grants to institutions of higher education for conducting institutes and paying allowances to trainees.

The Department of Defense reported "other" expenditures of \$159 million debt payment for the family housing program. These payments were directed to the reduction of indebtedness assumed in acquiring Capehart, Wherry, and surplus commodity housing and for related expenses.

The Small Business Administration had "other" expenditures of \$72 million for interest, administration, and other costs.

For the Civil Service Commission, \$28 million of similar expenditures represents net outlays from the Federal employees' group life insurance trust fund, after offsetting \$196 million of receipts against \$224 million of life insurance expenditures. The receipts were a combination of employee contributions, Federal agency contributions, and interest earnings. The expenditures were premium payments and administrative expenses.

Comparison with "social welfare" series.—The total of \$43.6 billion, representing roughly the magnitude of Federal Government expenditures in the fiscal year 1965 for human resources programs reported in the current survey, is higher than the 1964–65 total of \$38.8 billion of Federal expenditures for "social welfare" programs reported in table 2, above. As it emerges from the replies to the Joint Economic Committee inquiry, the area of programs nominated as "human resources" programs is, then, more extensive than the area defined as "social welfare" in the annual compilations of the Department of Health, Education, and Welfare.

This was expected, though the degree of difference was not measured in advance. The "human resources" area encompasses programs that are peripheral to or clearly outside the series on "social welfare" or "health, education, and welfare" as defined by the Social Security Administration Office of Research and Statistics. Moreover, the "human resources" total derived from part III of this report is a summation of agency responses, with no effort to superimpose definite, predetermined boundaries on the area to be covered. A definition can best be formulated after deliberate review of the responses. It is quite possible that analysis of the materials in part III, in the light of potential analytical and policy uses of the data, will yield concepts and definitions which would exclude some programs now included in the \$43.6 billion and would add others that the respondents omitted. This kind of analysis remains for the future.

The largest differences between the human resources and social welfare estimates for 1965 are described in the following paragraphs. In order to make the presentation more generally useful than a mere identification of differences between compilations, attention is directed to a variety of conceptual, classification, and measurement problems that must be dealt with in any definitive assessment of human resources programs of the Government. Comparable problems occur in the analysis of Government programs that present no major quantitative differences between the two compilations, but these are left for discussion elsewhere. The cases noted here should illustrate the need for further examination of definitions, classifications, and quantitative indicators.

(i) Department of Defense programs: In replying to the inquiry about human resources programs, the Department of Defense identified nearly \$5.3 billion of its expenditures in fiscal 1965 as pertinent to the Joint Economic Committee study. The social welfare series includes approximately \$3.0 billion of Defense Department expenditures for the same fiscal year, showing them in three categories—health, education, and social insurance. The difference of \$2.3 billion is substantially accounted for by in-service and technical training programs and outlays for family housing not included in the social welfare series.

(ii) Department of Labor: A major difference, amounting to \$2.3 billion, results simply from a difference in treatment of State unemployment insurance benefits. In part III of this report, the Labor Department reply on economic classification of unemployment insurance expenditures designates as non-Federal expenditures the \$2,303 million withdrawn by States in fiscal 1965 from their accounts in the unemployment trust fund in the U.S. Treasury and used to pay benefits to individuals. A note explains, however, that in national income accounts these payments are classified as Federal Government transfer payments to individuals. In Federal Budget accounts, these withdrawals and payments are included in Federal cash payments to the public, and the unemployment tax collections are included in Federal cash receipts from the public.

This study follows the classification in the national income accounts and the Federal budget. It therefore includes the \$2.3 billion of withdrawals in Federal expenditures. However, the tax collections deposited in State accounts in the unemployment trust fund are collected initially by States, and unemployment insurance benefits financed by the withdrawals are paid by States, in accordance with State legislation. The social welfare series—with considerable justification—counts these payments as State rather than Federal expenditures. The variation in classification does not alter the reported U.S. total of social welfare expenditures under all public programs, but it does affect the division of expenditures between the Federal Government and the State and local governments.

(iii) Department of Agriculture: Expenditures for Department of Agriculture programs reported in part III were approximately \$1.5 billion in the fiscal year 1965. This is almost twice the sum included in the social welfare series for the school milk and surplus food distribution activities of the Department. Most of the difference is in rural electrification and telephone programs, rural housing, the rural water and waste disposal program, extension work, and selected agricultural research activities.

(iv) Department of the Interior: The Department of the Interior is concerned primarily with the administration and conservation of natural resources, such as the vast public domain and the national parks system. Nevertheless, human resources programs reported by the Department entailed expenditures of \$216 million in fiscal 1965. This sum includes \$101 million for the Federal Water Pollution Control Administration, an organizational unit that was part of the Public Health Service, Department of Health, Education, and Welfare, during fiscal 1965 but was subsequently transferred to the Department of the Interior. The water pollution control program is in the social welfare series under health.

Interior Department programs included in the human resources total but not in the social welfare series are those of the Bureau of Indian Affairs for welfare, employment assistance, and related purposes; and small amounts reported by the Bureau of Mines for accident prevention and by the Bureau of Commercial Fisheries for its fisheries loan fund.

(v) Department of Housing and Urban Development: Materials supplied by the Department of Housing and Urban Development in response to the human resources inquiry cover a broad range of programs. These include urban renewal, public housing, housing for the elderly and handicapped, low-income housing demonstrations, a rent supplement program, college housing, urban mass transportation, neighborhood facilities, public facilities loans, advances for public works planning, open-space land, urban beautification, urban studies and housing research, and various credit programs of the Federal National Mortgage Association (FNMA) and Federal Housing Administration (FHA). Although not all these programs operated during fiscal 1965, the statements from the Department show expenditures amounting to a net sum of \$455 million for human resources programs in that year.

The social welfare series includes, for this Department, only the subsidies and administrative expenses of low-cost housing programs—\$234 million in fiscal 1965.

The \$455 million of net expenditures stands for a much larger amount of gross expenditures and credit assistance. The entries for FNMA and FHA together comprise net negative expenditures of \$459 million (receipts which exceeded expenditures by this amount). Loan repayments and other amounts received during the fiscal year are deducted from loan advances and other disbursements made during the same period.

This process of offsetting program receipts against expenditures during the fiscal period applies not only to FNMA and FHA, but also to such other programs as college housing and public facility loans. Within the \$455 million of net expenditures reported for programs of the Department in fiscal 1965, \$121 million of net expenditures was for the programs just named and several others that are presented on a net basis (urban renewal loans, housing for the elderly and handicapped, public housing, and advances for public works planning). Gross expenditures for this group of programs were in excess of \$2,246 million. (The extent of the excess over \$2,246 million depends on the amount by which applicable expenditures for FNMA secondary market operations and urban renewal loans exceeded net amounts included for these programs. Gross amounts are not specified separately for

these two programs.) All DHUD programs reported in the human resources survey entailed gross Federal expenditures of more than \$2,579 million in fiscal 1965.¹²

In the case of programs considered "Government enterprises" for purposes of national income accounts, only the net expenditure (or, more accurately, the net excess of their expenditures over their revenue) is carried in the Government accounts. This procedure and the significance of gross and net amounts are considered further in part II of this report. Here it may be noted that the responses to question 10 in the human resources inquiry record both the gross and net expenditures for the following DHUD programs: College housing, public facility loans, FNMA special assistance functions, and FHA.

(vi) Civil Service Commission: The present report includes programs of Federal employees' and annuitants' health benefits and group life insurance. These are treated in the social welfare series as private employee benefit plans.

Retirement and survivorship annuities paid to Federal personnel and their families are included in both compilations. Also included in both reports are Government employees' education and training programs, with obligations or expenditures of \$1.5 million by the Civil Service Commission and \$34.2 million by other Federal agencies in fiscal 1965.

Items covered only in the human resources survey comprised more than \$500 million of Federal expenditures in fiscal 1965.

(vii) Tennessee Valley Authority: Inclusion of several activities of the Tennessee Valley Authority results in a net negative expenditure of some \$50 million in the human resources total. This is because the program designated "regional supply of electric power" had income of \$295 million against expenses of \$240 million, resulting in net receipts of \$55 million (negative expenditures) in fiscal 1965. Net expenditures for other TVA programs reported in the survey were \$4.5 million. (Gross amounts are not stated.)

The regional electric power program is barely inside, if not outside, the borderline of the area of Government activity described as programs relating to human resources. The response from the TVA to the committee's inquiry emphasizes that human resource development was a basic objective of the original TVA program and that the regional supply of electric power has served this objective. In further studies seeking to delimit more precisely the scope of the human resources concept, it will be necessary to examine the implications of including or excluding a natural resource program, such as regional power development. Also, if such programs are within the complex of human resources programs, it becomes necessary to settle on an appropriate fiscal measurement. Yearly amounts of net receipts, gross receipts, or gross expenditures may none of them serve as properly representative sums to include in a compilation that aims to summarize investments and other expenditures for human resources.

Despite such reservations, in this initial report on pertinent Federal Government programs, the TVA regional electric power program is reported in part III and included (in terms of negative expenditures)

¹² The complete total of gross expenditures is \$2,579 million plus program expenditures financed by applying proceeds from urban renewal loan repayments and from FNMA secondary market operations. Treatment of the FNMA secondary market operation transactions is complicated by the fact that part of the financing is from business and individual sources rather than government.

in the aggregate of reported expenditures in fiscal 1965. It is not included in the social welfare series.

Of the other selected TVA programs described in this report, those concerned with employee retirement, a study of the alleviation of rural poverty, and public health vector control are within the social welfare concept. The rural poverty investigation had not begun in fiscal 1965. Retirement system benefits are in the social welfare series.

(viii) Other agencies: Human resources programs covered in this report include National Science Foundation, Atomic Energy Commission, and National Aeronautics and Space Agency programs with \$202 million of expenditures in the fiscal year 1965. Of this sum, \$122 million was for science education programs of the NSF and \$49 million for basic research facilities financed by NSF, included in the social welfare series under education. The selected NASA and AEC programs are primarily fellowship and special training programs, and are not in the social welfare series.

Small Business Administration expenditures of \$301 million, included in the human resources total, are not in the social welfare estimates. These represent almost wholly the net amount of outlays for loans in excess of repayments received. The gross amount of loans was \$433 million in fiscal 1965. With other related expenses of the loan programs and expenditures for other selected programs, the reported gross total of SBA outlays was \$512 million. (The figures appear to combine "costs" and "obligations," so that the sums are not "expenditures" as defined in the budget.)

THE RANGE OF FEDERAL GOVERNMENT ACTIVITIES AFFECTING HUMAN RESOURCES

Programs reported in this survey affect the welfare and development of the American people directly or have substantial secondary effects of this kind. The test for inclusion, as specified in the committee request to Government departments and agencies, was that those Government activities should be selected which are directed primarily toward the maintenance and development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources.

The list of programs designated by the Government agencies is long and varied. The reports are reproduced in part III in an organizational grouping, in which programs and activities of each department or other agency are described in sequence. An alternative grouping might have been adopted, based on broad social objectives or areas of service, such as the categories used in reporting expenditures for public programs in the social welfare series reviewed in an earlier section. Another arrangement, directed more specifically to the economic role of Federal programs in national development, might employ the following broad categories:

Environmental improvement programs.

Education and training programs.

Health care and improvement programs.

Income maintenance and family support programs.

Other programs.

The first four of these headings are used in later sections as the basis for a review of the scope of Federal Government activities in selected areas, in terms of their relationships to investments in people and other economic considerations. First, however, attention is directed to some general considerations affecting appraisals of human resources programs. These may be described as (1) current emphasis on the use of a cost-benefit approach in the evaluation of services and applications of this approach to human resources programs; and (2) several issues of general public policy that could significantly affect the role of the Federal Government in human resource development.

STUDIES OF COSTS AND BENEFITS

Comparison of governmental programs in terms of expenditures is deceptively simple and can be misleading as a basis for public policy choices. This is not only because the figures, with their appearance of precision, gloss over numerous difficulties, discrepancies, and ambiguities that inevitably beset the compiler. That kind of short-coming—a common attribute of analytical and accounting data—is serious enough. But the principal reason that expenditure comparisons are an inadequate basis for policy preferences is that they necessarily treat equal dollar expenditures as though they were equal contributions to the solutions of various problems when, in fact, the problems may be quite dissimilar in quality, resources marshaled for different purposes may be quite varied, and the effects of equal expenditures may differ in intensity as well as kind.

Some Federal outlays in human resources programs—most of them transfer payments—are essentially supportive. They are used by the individual recipients to buy food, clothing, shelter, and other minimum essentials. But such transfer payments as scholarships and fellowships may be used in part to buy education or specialized training which, among its other benefits, enhances the individuals' productivity and creativity. Federal outlays to purchase goods and services may, among other uses, pay the salaries of researchers, explorers, and demonstration agents who develop or disseminate new knowledge and instruct people in using it. Technical advice and assistance provided by Government personnel may be a stimulating force or serve as a coordinating influence for various economic groups. Planning, research, and demonstration grants, favorable interest rates, and credit guarantees have stimulative effects that ordinarily are large in proportion to the Government outlays directly involved. Government programs sometimes open new avenues for private investment or create new opportunities in neglected areas. An illustration is the TVA power program, which contributed to the development in its region of an extensive array of economic activities in which private capital was a vigorous force once the initial public thrust had been provided. The development of atomic energy opened new vistas. Government-sponsored medical research has had similar results. The rapid growth in volume of private personal insurance in recent decades has sometimes been credited in part to popular interest and understanding spurred by the old-age, survivors, and disability insurance program.

These illustrations suggest that an assessment and comparison of the economic impacts of expenditures for various Government pro-

grams require that different weights be given to payments for goods and services, transfer payments, and other broad categories. In fact, different weights may be required for differentiation among programs with the same types of expenditures. Quantitative measurement of Government programs is not easy—and it is beset with special complications in the case of programs concerned with human resources.

A conceptual complication, already noted, is the difficulty of distinguishing between expenditures for consumption and those for investment in human resources. Either private or public expenditures may be directed toward pure consumption, pure investment, or a mixture of these, and a separation is not easily made. Prof. Theodore W. Schultz has suggested that one approach may be to estimate human investment by its yield rather than by its cost:

While any capability produced by human investment becomes a part of the human agent and hence cannot be sold, it is nevertheless "in touch with the marketplace" by affecting the wages and salaries the human agent can earn. The resulting increase in earnings is the yield on the investment.¹³

Some analysts have noted that this technique ignores secondary benefits derived by other persons and by society at large—so-called spillover effects—and also omits from the calculation nonpecuniary and qualitative benefits and costs. Despite this insufficiency, this method of valuation has been used by Schultz and others in examining the relationships of returns to costs for such human-investment activities as higher education, on-the-job training, medical care and public health measures, and labor migration.¹⁴

Formal comparisons of estimated project costs with expected returns have long been standard prerequisites for river basin development programs of the Federal Government. Over the years, an extensive analytical and methodological literature on cost-benefit analyses for water resource projects has been produced. Official procedures and concepts have been standardized to a considerable extent. For some years they were subject to procedures and standards outlined in a Bureau of the Budget circular. This circular, however, was the basis for considerable contention, both as to substance and the propriety of its source. It was replaced in 1962 by a formal statement, approved by the President, spelling out policies and standards for the evaluation and review of plans for water and related land resource projects,

¹³ Schultz, "Investment in Human Capital," *American Economic Review*, vol. LI, March 1961, p. 8.

¹⁴ A few pertinent references may be cited; each contains other references:

Theodore W. Schultz, editor, "Investment in Human Beings," papers presented at a conference called by the Universities-National Bureau Committee for Economic Research, in *Journal of Political Economy*, vol. LXX, October 1962, supplement.

Schultz, "Investment in Human Capital," *American Economic Review*, vol. LI, March 1961, pp. 1-17 (presidential address for the American Economic Association, 1960).

Schultz, "Investment in Man: An Economist's View," *Social Service Review*, vol. XXXIII, June 1959, pp. 109-117.

Edward F. Denison, "The Sources of Economic Growth in the United States and the Alternatives Before Us: A supplementary paper of the Committee for Economic Development" (New York, 1962). Organization for Economic Cooperation and Development, Study Group in the Economics of Education, "The Residual Factor and Economic Growth" (Paris, France, 1964).

Rashi, Fein, "Health Programs and Economic Development" (with comment by Richard Goode) in "The Economics of Health and Medical Care: Proceedings of the Conference on the Economics of Health and Medical Care, May 10-12, 1962" (Ann Arbor, Mich., 1964).

Selma J. Mushkin and Burton A. Weisbrod, "Investment in Health—Lifetime Health Expenditures of the 1960 Work Force," in "The Economics of Health and Medical Care," cited above.

R. B. Melton, "Schultz's Theory of 'Human Capital,'" *Southwestern Social Science Quarterly*, vol. 46, December 1965, pp. 264-272.

Robert Dorfman, editor, "Measuring Benefits of Government Investments," *Brookings Institution Studies of Government Finance* (Washington, D. C., 1965).

G. H. Peters, "Cost-Benefit Analysis and Public Expenditures," *Eaton paper 8 of the Institute of Economic Affairs* (Worcester, England, 1966), esp. ch. v.

Anwar Tahnasp Khan, editor, "Cost-Benefit Analysis" (National Institute of Public Administration, Lahore, Pakistan, 1965).

including comparisons of their costs and benefits. The statement was developed at the direction of the President by the heads of four agencies with principal statutory responsibilities for affected projects—i.e., the Secretaries of the Army; Agriculture; Health, Education, and Welfare; and Interior.¹⁵

Analogous comparisons (though less rigorous) have been offered from time to time for various programs in the field of human resources. Budgetary justifications for the vocational rehabilitation programs often have included comparisons of the potential earnings and tax-payments of rehabilitated persons with the public costs of the services. The Public Health Service in 1964 published a symposium report on "Economic Benefits from Public Health Services: Objectives, Methods, and Examples of Measurement," in which a leading paper dealt with the problem of measuring economic benefits from public health services.¹⁶

An extensive "source paper" on the economic costs of cardiovascular diseases and cancer in 1962 was included in the report of the President's Commission on Heart Disease, Cancer, and Stroke. The Commission used these estimates of economic costs primarily to support a call for strong governmental action aimed at reducing the incidence of heart disease, cancer, and stroke. It compared the economic costs of these afflictions with expenditures for research to combat them. Its report did not, however, include comparisons of the costs of projected public programs with the potential reductions in the economic toll exacted by these diseases.¹⁷

Another report to the President, based on a study of the National Institutes of Health, included a brief examination along similar lines of economic and other criteria for determining levels of Federal Government support of health research. This study included an estimate of "demand" for medical research expenditures in 1970.¹⁸

Efforts to measure the potential benefits and to compare them with costs for particular public programs of health and education were part of a spreading pattern designed to improve the basis for planning and budgetary decisions. With growth in the relative importance of government in the national economy, it was increasingly evident that prudent governmental choices in the matter of resource allocation require full and explicit assessment of possible alternative programs and all their costs and benefits. In recognition of this need, President Johnson, in August 1965, announced that a planning-programming-budgeting system which had been developed in the Department of Defense would be extended throughout the Government. In this system, the formulation of cost-benefit comparisons is an important element, though only one element. The Bureau of the Budget

¹⁵ The statement and a brief sketch of its origins appear in 87th Congress, 2d sess., Senate Doc. No. 97, "Policies, Standards, and Procedures in the Formulation, Evaluation, and Review of Plans for Use and Development of Water and Related Land Resources, prepared under the direction of the President's Water Resources Council" (May 29, 1962). For the earlier documents, see Bureau of the Budget Circular A-47, esp. par. 9; and Bureau of the Budget, "Standards and Criteria for Formulating and Evaluating Water Resources Development: Report of a Panel of Consultants" (1961).

¹⁶ Clem C. Linnenberg, "How Shall We Measure Economic Benefits From Public Health Services?" in Public Health Service Publication No. 1178, "Economic Benefits from Public Health Services" (April 1964). See also Linnenberg, "Economics in Program Planning for Health," Public Health Reports, December 1966, pp. 1085-1091.

¹⁷ President's Commission on Heart Disease, Cancer, and Stroke, "A National Program to Conquer Heart Disease, Cancer, and Stroke," vol. I (December 1964). The source paper, prepared by Dorothy P. Rice, is in *ibid.*, vol. II (February 1965), pp. 440-630. Also in vol. II, at pp. 631-644, is a report of a conference of economists on the economics of medical research.

¹⁸ Dr. Joseph B. Platt, "Memorandum to the Committee Regarding Criteria for Determining Levels of Federal Support of Health Research," app. 3 in "Biomedical Science and Its Administration: A Study of the National Institutes of Health—Report to the President" (February 1965), pp. 77-84.

subsequently issued instructions to the executive departments and establishments for the application of the new system of planning and budgeting. It was to be applied immediately in the 21 largest departments and agencies, and 18 other agencies were encouraged to adopt formal systems.¹⁹

In the broad application adopted for the executive branch, the program budgeting aspects of PPBS were described by the Bureau of the Budget as placing increased emphasis in all Federal agencies upon (1) setting explicit goals and objectives; (2) searching out the most economical programs for meeting these objectives; and (3) subjecting costs and benefits to closer scrutiny. The system is based on the following concepts:

- (1) Continuing critical analysis by each agency of its objectives and programs, relating accomplishments to costs;
- (2) Multiyear planning and programing based on modernized information systems; and
- (3) A budgeting process which will sharpen and clarify budget decisions for review and action by the President and the Congress.²⁰

The Director of the Bureau of the Budget advised the Joint Economic Committee:

This new budgeting system will help focus attention more concretely and more precisely on program objectives. It will permit a broader evaluation of more effective and less-costly alternatives and will link longer term planning efforts more directly to budget decisions.²¹

The Joint Economic Committee inquiry into human resources programs was, of course, launched independently of the planning-programing-budgeting system developments in the executive branch. Because the questionnaire was issued soon after the President's announcement, the committee's questions on the economic aspects and impacts of Government programs were interpreted by many respondents in Federal Government departments and agencies as a preliminary application of the new requirements—and, in the view of some of them, a premature application because they were still unfamiliar with the PPBS concepts and procedures. The committee inquiry was actually much more limited in coverage and purpose and much less specific in its aim. The questions did not call for the extensive analytical effort, special studies, detailed program examinations, and financial tabulations that are required by the budget bulletin. The committee questions called for selected data which might also be utilized in the PPBS, but this was coincidental. Limited though they were, the economic questions in the questionnaire referred to types of information which apparently were unfamiliar or unavailable to some of the Government personnel who were called upon by their agency heads to prepare the replies. A result is the evident incompleteness or unresponsiveness of many replies. Agencies with experienced staffs for program analysis were able to respond more fully and explicitly. (Examples are the replies reproduced in pt. III of this report from the Social Security Administration, the Office of Manpower Policy, Evaluation, and Research, and several

¹⁹ Bureau of the Budget Bulletin No. 66-3, "Planning-Programing-Budgeting" (Oct. 12, 1965), and supplement to Bulletin No. 66-3 (Feb. 21, 1966). Bureau of the Budget press release, Oct. 13, 1965, OD-185.

²⁰ Bureau of the Budget press release, Oct. 13, 1965.

²¹ Statement by Charles L. Schultze, Director of the Bureau of the Budget, before the Joint Economic Committee on the Budget for fiscal year 1967, Feb. 2, 1966.

units of the Department of Defense.) Staff members in several Federal agencies advised the Joint Economic Committee subcommittee staff that their experience with the questionnaire helped them to understand the orientation and requirements of the PPBS procedure.

Difficulties of the kind which the committee encountered will gradually be overcome by the disciplines of the formal PPBS. This system carries its own internal sanctions, since the results will be used in making Presidential budgetary recommendations which are crucial to the departments and agencies. A transitional period may, however, be anticipated in which incomplete analyses and shallow comparisons of costs and benefits will be offered as justifications for many program proposals and budgetary estimates. Much work needs to be done in the clarification of objectives and concepts, the formulation of analytical techniques, the explanation of procedures to individuals called upon to produce the necessary studies, and the definition of criteria for the interpretation and evaluation of findings. This will require a continuous process of examination and instruction throughout the executive branch.

The task will be especially difficult in human resources programs. It is easiest to apply cost-benefit comparisons of alternatives to those public projects that most nearly resemble corporate investment in plant, facilities, and processes. No doubt this helps to explain the early application of this approach to water resources projects. It can be—and, indeed, it has been—argued that even in the physical resources programs, this approach often has omitted nonquantifiable and, especially, noneconomic values, so that policy decisions made in reliance upon the cost-benefit studies often have been too narrowly used.

The objective of PPBS is to broaden the basis of all public decision-making. The system provides explicitly for at least the identification and listing of costs and benefits that may be immeasurable and qualitative or secondary and incidental. The difficulties of making the analyses more nearly complete through a recognition of all such factors (and of inducing program advocates to identify extraneous social costs as well as benefits) are especially great in matters affecting education and training, health, urban renewal or development, family support, and income maintenance.²²

The questionnaire responses relating to the economic effects and implications of current Government activities in the field of human resources indicate that a great deal of analysis will be required to elicit data and judgments that will illuminate policy choices across the whole range of Government activities and national welfare.

Underlying the planning-programming-budgeting system is a presumption that the Government can determine policies most effectively if responsible decisionmakers are enabled to make rational choices among alternative courses of action with as full knowledge as possible of the implications of these alternatives. Rational choices, in this context, are those which assure the most effective allocation of scarce resources among alternative uses—including not only alternative governmental uses, but also the best division of resources between the

²² In a paper which became available while this report was in press, the difficulties of making analyses and a progress report on application of the system to some programs of the Department of Housing and Urban Development are presented by William B. Ross, Under Secretary for Policy Analysis and Program Evaluation, "A Proposed Methodology for Comparing Federally Assisted Housing Programs" (for the annual meeting of the American Economic Association, Dec. 28, 1966).

governmental and private sectors of the economy. That allocation is deemed best—that combination of uses is judged most effective—which yields the largest economic and social returns for any given application of resources.²³ These abstractions are not easily applied in practice.

The program budgeting system, as adopted, calls for rigorous program analyses that should help decisionmakers choose among alternative methods for achieving defined program objectives. That is, given an objective—a stated output—the analyses should provide comparisons of the differing inputs associated with various means of achieving that objective. This should go far to correct a deficiency indicated in the questionnaire responses, which make it appear that Federal agencies heretofore have had great difficulty either in measuring objectively the effectiveness of most of their programs and services or in reporting the results of such measurements.

The responses suggest further that these programs present a diversity of objectives, alternatives, issues, and outputs, and that extensive appraisal and analysis will be required for their objective and complete evaluation. They also present a multitude of opportunities for effective and essential public services.

But difficulties have been encountered not only in assessing the effectiveness of their services. It appears that, with some exceptions, the agencies have not been able to estimate the magnitude of the opportunities within particular program areas. That is, they have not succeeded in formulating measurements of the scale and range of needs in their respective fields. This creates an inability to gage current efforts against ultimate requirements or potential achievements.

The broader goal of attaining allocative efficiency among all government programs, and between government and the private sector, presupposes an external common denominator, a calculus, other than simple monetary measurements, for equating marginal returns of benefits over costs in diverse programs that have diverse objectives. The problem here involves comparisons between different kinds of outputs—choices among alternative objectives or combinations of objectives that might be produced with equal inputs. Explicit criteria for this kind of choice apparently are not yet included in the formal budgetary techniques.

Yet the assessment of individual programs must rest, in part, on comparisons and relationships between programs and their objectives. For example, it is difficult to project and define the potential role of such income maintenance programs as social insurance without similar projections of the role of veterans' benefits, public assistance, public employees' and military retirement systems, and private pensions.

The principal and most difficult budgetary decisions made by the President and the Congress are those which require choices between varying goals and the meshing together of a variety of aims into a coherent program. A central problem of governmental programing and budgeting has been to make these choices rational and objective, on the basis of full information and analysis. But a serviceable calculus for evaluative comparisons between programs is yet to be devised.

²³ Underlying concepts are discussed by Arthur Smithies in "Conceptual Framework for the Program Budget," in "Program Budgeting: Program Analysis and the Federal Budget," David Novick, editor; a Rand Corp.-sponsored research study issued in 1964 and published in an abridged edition by the Bureau of the Budget, 1965.

PUBLIC POLICY PROBLEMS

Human resources programs have been authorized and developed to deal with specific problems and seek particular objectives. They are not characterized by a coordinated, coherent pattern of operation. Interrelationships among programs and their several objectives are recognized through a variety of interprogram and interagency mechanisms, each developed as a need was recognized or a point of contact appeared.

Many of these mechanisms are informal and personal arrangements, stemming from the judgment and dedication of administrative personnel. Some mechanisms are limited to exchanges of minimum information; others extend to policy consultations and the cooperative provision of services through near-partnership arrangements. Some are confined to cross-program contacts within a single bureau, division, or office; others reach out from one Federal department or agency to others and to the agencies of State and local governments, community groups, and other interests.

The desirability of establishing comprehensive patterns and procedures for reconciling and balancing separate objectives and for promoting coordinated services—not only in terms of broad, national policies but specifically at the level at which the services are performed—has become increasingly evident. This need was recognized by Congress in the Comprehensive Health Planning and Public Health Service Amendments of 1966 (Public Law 89-749) and the Demonstration Cities and Metropolitan Development Act of 1966 (Public Law 89-754), both approved by President Johnson November 3, 1966. Further steps will be required in these fields, and similar needs remain for the promotion of coordinated programs and common procedures in other interrelated program areas. How to make progress in meeting these needs will be a major question of public policy in the years immediately ahead.

The problem will be increasingly important. Human resources programs of the Federal Government now entail expenditures roughly equivalent, in dollar volume, to nearly 7 percent of the gross national product. The social welfare series indicates that the Federal role is growing in both the amount of expenditures and the Federal proportion of public outlays for these programs.

This prospect is particularly interesting in view of issues raised by the committee's recent projection of economic developments over the next decade. As indicated in that study, the rising high employment surplus that normally would ensue from expected growth suggests at least four developments—or some equivalent combination of developments—if we are to maintain maximum employment: (a) increased private investment; (b) increased Federal Government expenditures; (c) decreased Federal taxation; and (d) increased State and local government expenditures financed either by higher State and local taxes or by enlarged Federal aid.²⁴ If expenditure increase is one of the avenues followed, then a portion of the increment unquestionably will be applied to the human resources sector; and further growth in the allocation of resources to these governmental activities will magnify the urgency of achieving balance and coherence in program objectives, policies, and operations.

²⁴ Joint Economic Committee, Subcommittee on Economic Progress, "U.S. Economic Growth to 1975: Potentials and Problems," a staff report (December 1966).

The alternative of tax reduction or adjustment likewise requires comparative evaluations of objectives and the effectiveness of particular measures, including comparisons with relevant public expenditure programs. Proposals have been offered to relate tax concessions to social purposes, e.g., for special tax deductions as inducements to business to invest in impoverished areas or to undertake more training of workers, and for selective tax credits for individuals to encourage more private expenditure for higher education. Each such proposal would involve some commitment of national resources, just as proposals for enlarging governmental programs involve such commitments. Consequently, it is essential that each tax proposal be appraised in terms of probable effectiveness and cost in comparison with alternative measures for serving the same objective. This necessity is not always recognized explicitly as an element in tax policy decisions.

PROGRAMS IN SELECTED FIELDS

The compilation presented in this report is a limited first step toward promoting a clearer definition and wider comprehension of the role of public programs in human resource development by describing what is now being done by the Federal Government.

Agency responses reproduced in part III are arranged on an organizational basis. The extent and detail of agency reports, late receipt of many of them, the desirability of their early publication, and pressure of congressional deadlines have prevented committee staff from preparing the extensive cross-analyses and summaries that would be required for an assessment of the whole broad range of Government programs. The remainder of part I is devoted to a grouping of programs in four major fields of Government interest, here designated as follows:

- (1) Environmental improvement.
- (2) Education and training.
- (3) Health care and improvement.
- (4) Income maintenance and family support.

Each list of programs is followed by a review of a few agency statements about the economic impacts and aspects of representative programs. This sampling is intended to indicate that the detailed reports in part III will prove a fruitful collection of source materials and a catalog of unresolved questions calling for further study from many points of view.

Particular Federal programs may serve more than one of these broad social purposes. For example, the school lunch and special milk programs promote both education and health at the same time that they fulfill broad objectives of agricultural policy which may be included in "environmental improvement," broadly construed. Programs for water and air pollution control and prevention aim at the conservation of human health by improvement of the physical environment. In the enumerations which follow, multiple-purpose programs such as these are named under more than one heading, though observations about the economic aspects of each program are included, insofar as possible, under the general purpose to which it seems to be oriented by organizational or other factors.

Each program named in the following sections is the subject of an agency statement in part III of this report.

ENVIRONMENTAL IMPROVEMENT

Many human resources programs are directed toward improving physical or social conditions of life generally and therefore may be designated as programs for improving the environment in which people live and work.

The following list illustrates the scope and variety of such programs:

Office of Economic Opportunity:

Community action programs.

Volunteers in Service to America (VISTA).

Treasury Department:

Coast Guard family housing.

Coast Guard procurement activities designed to assist small business and labor surplus areas.

Department of Defense:

Family housing.

Program to assist employees affected by base closures, consolidations, and reductions.

Procurement activities designed to assist depressed areas.

Procurement activities designed to assist small business.

Economic adjustment program.

Department of Justice: FBI field police training program (also listed for education and training).

Department of the Interior:

Indian welfare (primarily for income maintenance).

Indian industrial development.

Indian arts and crafts board (also listed for income maintenance).

Indian credit and financing (also listed for income maintenance).

Housing programs for Indians.

Guam rehabilitation.

American Samoa development.

Trust Territory of the Pacific Islands.

Water pollution control and prevention (also listed for health care and improvement).

Department of Agriculture:

Research programs of the Agricultural Research Service, Economic Research Service, and State agricultural extension stations.

Cooperative extension service (also listed for education and training).

Soil Conservation Service: Resource conservation and development.

Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for education and training).

Special milk program (also listed as primarily for health and also for education and training).

National school lunch program (also listed as primarily for health and also for education and training).

Food stamp plan (also listed as primarily for health and also for income maintenance).

Rural electrification program.

Rural telephone program.

Rural water and waste disposal program.

Rural renewal.

Farmers Home Administration housing programs.

Rural areas development program.

Department of Health, Education, and Welfare:

Consumer protection (Food and Drug Administration).

Public Health Service:

Community facilities for the mentally retarded (also listed for health and for education and training).

Environmental health programs of the Bureau of State Services (also listed as primarily for health).

National Institutes of Health training program.

Welfare Administration, Children's Bureau: Child welfare services.

Juvenile delinquency and youth offenses.

Administration on Aging:

Community planning, services, and training.

Grants and contracts for research, development, and specialized training (also listed for education).

Foster grandparents program (also listed for income maintenance).

Department of Housing and Urban Development: All programs described in part III (including some that are listed also for education and training and for income maintenance).

Appalachian Regional Development Commission programs.

Federal Power Commission:

Water resources appraisal program.

Recreation, fish, and wildlife program.

Small Business Administration: All programs described in part III.

Tennessee Valley Authority:

Regional supply of electric power.

Tributary area development.

Agricultural resources development: Farm test demonstration of TVA fertilizers.

Alleviation of rural poverty, investigation (also listed for education and training).

Recreation resource development:

Land between the lakes demonstration.

Reservoir shorelines.

Employee safety.

Veterans' Administration:

State veterans' homes and nursing homes (also listed as primarily for health).

Loan and loan guarantee programs.

Though it is long, the foregoing list is presented in abbreviated form by the use of summary entries incorporating all programs reported by the Department of Housing and Urban Development and the Small Business Administration.

The full list would make it evident that the Federal Government conducts a wide variety of programs concerned with housing and urban development. A second striking fact is that many of the programs administered by the Department of Housing and Urban Development and the Small Business Administration, and several programs of the Department of Agriculture and the Veterans' Administration, exert their influence on economic growth and development in ways that are not directly measured by the volume of Federal expenditure for the programs.

In large measure, these are lending programs or loan guarantee programs and insurance programs, in which Government outlays are reported as net amounts. Loan repayments, interest earnings, and other programs receipts are credited against new loans, insurance settlements, and other outlays. The concept of "net expenditures"—which, in some instances, are negative expenditures—is discussed briefly in an earlier section. Accounting conventions which use "expenditures" of essentially different kinds as a common denominator for different types of programs pose complicated problems for the analyst interested in determining the economic significance and repercussions of Government programs. Thus, "negative expenditures" and "net expenditures" present difficulties. A loan, loan guarantee, or insurance program may be expanding in one geographic region or one category of activity while contracting in another. The offsets of receipts against expenditures may merge divergent movements.

A program of urban planning assistance, if the planning is comprehensive and effective, will have diffuse economic effects over an extended period—a characteristic which complicates the application of cost-benefit measurements and, especially, the comparative ap-

praisal of alternative programs of urban planning. Insofar as the urban planning process is directed toward promoting the efficient allocation of economic and social resources and contributing to a rational interplay of such physical facilities as roads, transportation systems, industrial buildings, offices, residential sections, utilities, and public facilities, the process and the planning decisions are bound to have significant effects on employment, the initiation of new enterprises, personal incomes, property values, and other developments.

Activities like the open-space land and urban beautification programs are even more difficult to assess in traditional economic terms. Their chief contributions are to social and esthetic utilities, through improvements in the quality of the urban environment. In all likelihood, such benefits are accompanied by indirect contributions to national production, but their specific economic influence may be small; in any event, it is not separable from a multitude of other factors.

The rent supplement program in full operation would have identifiable, though not necessarily large, direct economic effects. It is intended to provide a minor redistribution of income, with consequent shifts in the consumption patterns of assisted persons. It will provide some stimulus for residential construction activity, and, through additions to payrolls in the building trades, some enhancement of consumer goods demand generally. The statement describing this program includes an interesting estimate of the potential effects on the value of construction, employment, and payrolls in the fiscal years 1966 through 1969. The subsidy element would attract to the low-rent housing market more investment than might otherwise occur. Whether this construction would simply replace activity that might otherwise be directed toward other objectives, such as higher rent dwellings or low priced sale housing, is an open question for which the answer might vary in different housing markets over the country and in different phases of the construction cycle. To the extent that the program improves the stability and continuity of effective housing demand for low-income families, it may contribute broadly to the general stability of the economy.

The report on urban renewal notes that its economic effects are wide-ranging and complex, owing to tremendous variation in the nature of projects, and that no generalized method has been developed for either describing or quantifying the economic effects. With respect to stimulation of private investment, the estimated ratio of private redevelopers' investment is \$5 for each \$1 of Federal capital grants in current renewal activities. On this basis, the fiscal 1965 capital grants of \$282 million may have evoked private investments of more than \$1.4 billion, in addition to an estimated \$266 million of local governments' matching expenditures and public facility investments. Federal Government obligations in fiscal 1965 for temporary loans and planning advances were reported in the budget at \$272 million.

Broader economic effects of urban renewal outside the project areas, in the form of enhanced values and possibly stimulated new investments, are said to be at least as great as within the project areas. The program report notes that some types of public facilities constructed in project areas may have negative effects on the local tax base, in the sense that they enlarge the volume of tax-exempt prop-

erties. At the same time, the upgrading of properties in private ownership often results in substantial additions to the property tax assessment rolls, resulting in some instances in after-development property assessments on the order of $4\frac{1}{2}$ times the amount before urban renewal.

The urban mass transportation program, still relatively new, makes available \$150 million a year for grants and undoubtedly is beginning to affect the transportation resources of metropolitan centers. The program report notes that further research activity is needed before quantitative estimates of economic effects can be provided. Such research merits a high priority as a basis for early investment decisions and policy commitments. The provision of rapid, convenient, low-priced transportation is of crucial importance in all urban communities. It affects the movement of people between their homes and places of work. It has been pointed out that residents of the Watts neighborhood in Los Angeles were effectively cut off from available jobs in other parts of the metropolitan area by inadequacies of the transportation system. Similar situations have been reported in other major urban communities where slum dwellers and other impoverished persons cannot travel rapidly and cheaply to and from centers of employment. Efficient arrangements for the transportation and delivery of goods and materials are inextricably interwoven with the arrangements for transporting people, since highways and tracks clogged with vehicles cannot be used efficiently. The transportation network of each community therefore needs to be examined as a whole if solid conclusions are to be drawn.

The Economic Development Administration, Small Business Administration, and Appalachian regional development programs are among others in which economic research and evaluations seem to warrant more urgent attention than has been given. All these programs are directed specifically toward economic development, yet the effects in each case are said to be indeterminate at present.

The Appalachian program was barely started when the questionnaire response was prepared. It is evident that economic analysis will be essential to its future appraisal.

The Economic Development Administration report identifies generally several types of economic repercussion that may be anticipated. It notes that public works spending that will be generated by the program will be predictable within close limits, but the effects on the GNP that may be exerted by Economic Development Administration activities will be difficult to assess. Analyses aimed at such assessments might prove useful.

The Small Business Administration—which has operated on a substantial scale for some years—reported that it has been developing data storage systems to provide information about its loan programs on which it will base a sophisticated economic information system. Using this system, the agency foresees great improvements in data showing the specific economic effects of its programs. It expects, also, in applying the programing-planning-budgeting system concepts to its operations, to improve its analyses of the economic impacts of Small Business Administration programs upon the borrowers and upon various segments of the economy. The results of these analytical undertakings will be of considerable interest to the Joint Economic Committee and to others outside the executive branch.

The Department of Agriculture has a surprising number of activities directed toward improvement in the physical and social environment. These include rural renewal, housing, electrification, telephone, and water and waste disposal programs, and the rural area development program.

Agriculture Department programs involving subsidized or free distributions of food may be considered, in their human resources aspects, to be oriented primarily to the betterment of health and secondarily to family support. Some, at least, promote education. But altogether these food programs, with their overtones of agricultural policy and marketing relationships, seem to fit also into the broad category of environmental improvement. Therefore they are discussed here.

The major commodity distribution program involves distribution annually of approximately half a billion dollars worth of food acquired under surplus removal and price support operations. The food is delivered to State agencies in the United States for distribution to some 25 million persons, mostly children, in school lunch programs, summer camps, institutions serving needy persons, Indian reservations, and needy families. It is used also to assist disaster victims.

Closely related are the special milk and school lunch programs, which together account for Federal expenditures of about \$300 million and non-Federal expenditures of substantially more than \$1 billion.

Also closely related is the food stamp program. Its objective is to improve diets in low-income families and to expand markets for domestically produced food by supplementing the food purchasing power of these families. Federal obligations for this program were estimated to rise from \$36 million in fiscal 1965 to \$150 million in fiscal 1967. State and local governments finance part of the administrative expense, but the free stamps are financed by the Federal Government. Stamps are sold to low-income families or individuals who are either receiving public assistance or are designated by local welfare officials as persons who need food assistance. The coupons they buy have a face value above their cost and are used, the same as money, to buy food in retail stores. The lower the family income, the greater is the amount of assistance provided. The average additional amount represented by free stamps is \$6 a month per person. A research study indicates that all sizes of retail food stores share in the additional sales. The number of participants and the amount of food purchasing assistance vary inversely with employment and general economic conditions. As unemployment increases, the volume of food stamps likewise increases. Economic reports issued by the Department deal with the impacts of the program on nutrition levels and retail sales, but broader economic repercussions apparently have not been measured, nor are estimates available to show the volume of non-Federal expenditures associated with the Federal outlays.

In identifying economic effects of the several food programs, the Department points out that the distributed commodities, food stamps, and low-priced milk and lunches enlarge the effective purchasing power of recipient families and contribute to better diets, and that resulting improvements in nutrition promote health and productivity. In the case of the special milk and school lunch programs, and foods distributed through the lunch program, the major benefit is reported to be

in educational gains which are realized because children's receptivity to learning is significantly improved when they have been fed. Educational investments that might otherwise be frustrated by hunger and illness are made more productive by the milk and lunch programs and the distribution of commodities through these programs.

The program expenditures apparently have a multiplier effect in the economy, but the reports do not indicate that efforts have been made to measure this or other broad economic effects. Some specific characteristics are noted. For example, the availability of surplus foods is a boon to areas crippled by natural disasters.

Child-feeding constitutes the Nation's single largest market for food. Within this market, the school lunch program alone employs some 300,000 non-Federal workers. This \$1½ billion a year market is expanding at an annual rate of some \$50 million. Because it is a large and stable market, it has stimulated the successful development and distribution of new products for general commercial markets—among them, nonfat dry milk, rolled wheat, and bulghour—and has broadened or stabilized markets for familiar products.

In view of the size and scope of the several food programs, the fragmentary reports on their economic aspects leave many questions. Systematic examination of the economic effects appears to be needed. In such studies, attention should be given to interrelationships of these programs with public assistance and other family support programs.

EDUCATION AND TRAINING

Federal Government programs for education and training are the subject of a special crosscutting analysis which accompanied the Federal budget for the fiscal year 1967. That compilation, the first of its kind in recent years, identified programs for education, training, and related activities. Federal Government expenditures for these purposes from budget and trust funds were \$7.2 billion in the fiscal year 1965 and were estimated at \$9.7 billion for the then current fiscal year, 1966, and \$10.2 billion for the budget year, 1967.

Table 6 is a reproduction of a summary table from the special analysis.

TABLE 6.—Federal funds for education, training, and related programs by category, fiscal years 1965-67

[In millions of dollars]

Category or type of aid	New obligational authority			Expenditures		
	1965 actual	1966 estimate	1967 estimate	1965 actual	1966 estimate	1967 estimate
1. Preschool, elementary, and secondary:						
(a) General support:						
(1) Operations.....	522	752	685	497	549	643
(2) Facilities.....	206	194	160	127	158	169
(b) Education of special groups:						
Existing programs.....	197	1,318	1,539	94	540	1,446
Proposed legislation.....			6			6
(c) Teacher training.....	111	106	210	75	110	172
Subtotal, preschool, elementary, and secondary.....	1,036	2,370	2,600	793	1,357	2,436
2. Higher education:						
(a) Facilities, equipment, and institutional development of physical facilities:						
Existing programs.....	1,041	1,245	1,344	331	557	899
Proposed legislation.....			-300			-908
(b) Support of undergraduate students:						
(1) Support of individuals:						
Existing programs.....	337	555	551	315	405	446
Proposed legislation.....			18			13
(2) Institutional support.....	21	25	23	14	19	25
(c) Support of graduate and professional training:						
(1) Support of individuals:						
Existing programs.....	252	315	370	177	255	310
Proposed legislation.....			-13			-14
(2) Institutional support.....	197	260	314	117	185	248
(d) Research, except educational research.....	1,100	1,241	1,311	934	1,117	1,205
(e) Other.....	106	142	190	105	124	158
Subtotal, higher education.....	3,054	3,783	3,813	1,993	2,662	2,382
3. Vocational education, work-training and other adult or continuing education:						
Existing programs.....	1,123	1,382	1,393	635	1,055	1,303
Proposed legislation.....			34			30
4. Educational research, curriculum development, etc.	61	134	155	39	74	125
5. Training of Federal governmental personnel:						
(a) Military personnel.....	1,366	1,451	1,511	1,358	1,434	1,496
(b) Civilian personnel.....	68	87	96	72	82	86
6. International educational activities.....	276	291	346	195	219	255
7. Other.....	173	208	261	133	207	272
Subtotal, existing programs.....	7,154	9,710	10,462	5,214	7,090	9,259
Subtotal, proposed legislation.....			-255			-873
Total, budget and trust funds for education, training, and related programs.....	7,154	9,710	10,207	5,214	7,090	8,386

Source: Special Analysis G, "Federal Education, Training, and Related Programs" in U.S. Bureau of the Budget: "Special Analyses, Budget of the United States, Fiscal Year 1967" (January 1966), p. 89.

The budget to be presented in January 1967 may carry revised totals for the fiscal years 1966 and 1967 and a summation for fiscal 1968.

The scope of "education, training, and related activities" in the budget special analysis is considerably broader than the functional category for "education" used in the President's budget message. That category carried expenditures (payments to the public from budget and trust funds) of \$1.5 billion in fiscal 1965 and estimates of \$2.3 billion in 1966 and \$2.8 billion in 1967. The large difference results from the fact that substantial expenditures for education and training activities are incidental to programs reported in other func-

tional categories of the budget. They are included in the special analysis.

Similarly, the special analysis is broader in scope than the group of "education" programs which are part of the social welfare series compiled by the Social Security Administration. As shown in table 2 of this report, the social welfare series includes Federal expenditures for education of \$3.5 billion in the fiscal year 1965 and \$5.7 billion in 1966. The largest single item of difference is military training expenditures, included in the budget special analysis total, but not in the social welfare series. Other training programs also are outside the social welfare total.

Table 7 compares private and public expenditures for education during 1950-1966. In this table, which is part of the Social Security Administration's series, Federal expenditures for veterans' education and for all other education (exclusive of training programs) are included in the public expenditure totals. The amounts for public programs are derived from table 2.

The comparison indicates that public sources (Federal, State, and local governments together) have provided 82 to 86 percent of all U.S. educational expenditures during these years.

TABLE 7.—Expenditures for education, selected fiscal years, 1949-50 through 1965-66

[Amounts in millions]

Program	1949-50	1954-55	1959-60	1960-61	1961-62	1962-63	1963-64	1963-64	1965-66 ¹
Total amount.....	\$10,936	\$14,338	\$22,079	\$23,712	\$25,584	\$27,745	\$30,262	\$34,424	\$38,525
Public expenditures ²	9,388	11,999	18,409	19,654	21,103	22,865	24,944	28,632	32,283
Current.....	8,054	9,438	15,145	16,314	17,622	19,117	21,190	23,964	27,094
Elementary and secondary education.....	4,706	7,644	12,730	13,796	14,957	16,142	17,602	19,595	22,009
Higher education other than veterans' ³	659	1,094	2,010	2,265	2,511	2,877	3,522	4,328	5,050
Veterans' ³	2,689	700	405	253	153	98	66	41	35
Construction.....	1,334	2,561	3,264	3,340	3,481	3,748	3,754	4,608	5,189
Elementary and secondary education.....	1,019	2,362	2,869	2,968	3,072	3,228	3,204	3,510	3,796
Higher education.....	316	199	395	371	410	520	550	1,158	1,393
Private expenditures ³	1,548	2,339	3,670	4,058	4,481	4,880	5,318	5,792	6,242
Current.....	1,266	1,829	3,126	3,470	3,849	4,218	4,628	5,064	5,466
Elementary and secondary education.....	436	719	1,232	1,348	1,471	1,622	1,770	1,891	2,011
Higher education.....	830	1,110	1,894	2,122	2,378	2,595	2,858	3,173	3,455
Construction.....	282	510	544	588	632	662	690	728	776
Public expenditures as percent of—									
Total expenditures.....	85.8	83.7	83.4	82.9	82.5	82.4	82.4	83.2	85.7
Current expenditures.....	84.8	83.8	82.9	82.5	82.1	81.9	82.1	82.6	85.8
Elementary and secondary education.....	91.5	91.4	91.2	91.1	91.0	90.9	90.9	91.2	91.6
Higher education, total.....	80.1	68.4	56.0	54.3	52.8	53.4	55.7	57.9	59.5
Other than veterans' ³	41.7	56.8	51.5	51.6	51.4	52.6	55.2	57.7	59.4
Construction.....	82.5	83.4	85.7	85.0	84.6	85.0	84.5	86.5	87.0

¹ Preliminary estimates.

² Includes transfers to schools for supervision and training, aside from direct allowances for trainees, under the Manpower Development and Training Act, \$147 million in 1965-66; work-study, \$64 million; and adult basic education programs, \$20 million, under the Economic Opportunity Act; and that portion of expenditures, excluding loans, under the Cuban refugee program that is used for education. Also included (in elementary and secondary education) are Economic Opportunity Act projects Headstart,

\$147 million in 1965-66, and Upward Bound, \$20 million.

³ Includes expenditures by privately controlled schools, and private expenditures in publicly controlled schools for current educational purposes, in the form of students' tuition and fees and private gifts.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, table 9 and text, p. 18.

It has not been feasible to summate expenditures for education and training programs reported in agency responses to the human resources questionnaire. The following list names those programs reported by Federal departments and agencies and described in part III which appear to be directed at least in part to the education or training of individuals:

Office of Economic Opportunity:

- Job Corps.
- Neighborhood Youth Corps.
- Work experience.

Treasury Department:

- Coast Guard Reserve training.
- Coast Guard training program.

Department of Defense:

- Full-time training and education.
- Off-duty educational program.
- Dependents' education.
- Armed Forces information and education.
- Reserve Officers' Training Corps.

Department of Justice:

- FBI national academy program.
- FBI field police training program (also listed for environmental improvement).
- Bureau of Prisons casework, education, and vocational training program.

Department of the Interior:

- Indian education.
- Employment assistance for Indians (also listed for income maintenance).
- Bureau of Mines accident prevention education.

Department of Agriculture:

- Cooperative extension service (primarily for environmental improvement).
- Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for environmental improvement).
- Special milk program (also listed as primarily for health and also for environmental improvement).
- National school lunch program (also listed as primarily for health and also for environmental improvement).

Department of Labor:

- Manpower and automation research program.
- Manpower development and training program: Title II, excluding section 241 (also listed for Department of Health, Education, and Welfare, Office of Education).
- Manpower development and training program: Title II, section 241.
- Apprenticeship program.

Department of Health, Education, and Welfare:

- Office of Education, elementary and secondary education:
 - Education of children of low-income families.
 - School library resources, textbooks, and other instructional materials.
 - Supplemental educational centers and services.
 - Instruction in critical subjects.
 - Guidance, counseling, and testing.
 - Institutes for counselors and teachers.
 - Educational improvement for the handicapped.
 - School assistance in federally affected areas.
 - School construction in federally affected areas.
 - National Teacher Corps.
 - Fellowships for teachers.

Office of Education, higher education:

- Higher education facilities.
- College work-study.
- Language development.
- Graduate fellowships.
- National defense student loans.
- Low-interest insured loan and interest subsidy program.
- Educational opportunity grants.
- Strengthening developing institutions.
- Improving undergraduate instruction.
- College library assistance and related programs.

Office of Education, adult and vocational education:

- Vocational education.
- Manpower development and training.
- Occupational training in redevelopment areas.
- Adult basic education.
- Library services and construction.
- Educational television facilities.
- Community service and continuing education.

Office of Education, programs for educational research.

Vocational Rehabilitation Administration programs.

Public Health Service (the following programs are primarily for health but involve education and training):

- Fellowship program.
- Health professions student loan program.
- Nursing student loan program.
- Training grant programs:
 - Research training.
 - Public health traineeship program.
 - Public health training, schools of public health.
 - Graduate public health training grants.
 - Dental auxiliary utilization grants.
 - Traineeships for advanced training of professional nurses.
 - Partial reimbursement to diploma schools for costs attributable to Nurse Training Act.
 - Improvement of nurse training.
- Construction of teaching facilities.
- University-affiliated facilities for the mentally retarded.
- Community facilities for the mentally retarded (also listed for health).
- National Library of Medicine (also listed for health).
- St. Elizabeths Hospital: Health professions education.
- Administration on Aging: Grants and contracts for research, development, and specialized training (also listed as primarily for environmental improvement).

Department of Housing and Urban Development:

- Community development training programs.
- College housing program (also listed for health).

Atomic Energy Commission: Nuclear education and training.

Civil Service Commission: Education and training programs.

National Aeronautics and Space Administration: All programs described in part III.

National Science Foundation: All programs described in part III.

Tennessee Valley Authority: Alleviation of rural poverty, investigation (also listed as primarily environmental improvement).

Veterans' Administration:

- Readjustment benefits for veterans of World War II and Korean conflict.
- Disabled veterans vocational rehabilitation.
- War orphans' educational assistance program.

Agency responses for several Federal education and training programs include preliminary conclusions or general observations about the effects of the education or training programs on employability, workers' productivity, and potential earnings, and even the returns to the Government in the form of increased taxes on augmented incomes.

Programs of the Office of Economic Opportunity and the Department of Labor are aimed at training or retraining poor persons, young people without skills that enable them to meet labor market demands, and mature workers whose skills have been made obsolete by technological advance. The Office of Education shares administrative responsibilities with the Department of Labor for manpower development and training programs and has had a longstanding concern for vocational education. Still, the primary objective and dominant interest of this Office is in the improvement of general education at all levels.

The Office of Economic Opportunity response emphasizes that jobs are fundamental to the success of the war on poverty, and that deficiencies of basic education or lack of specific skills are among the important handicaps which need correction if a significant proportion of the poor people of the United States are to escape from poverty.

The OEO statement includes the following observations:

No causal relationship is clearer than the relationship between poor education and poverty. Poor communities have inadequate schools from which poor children drop out early, get low-paying jobs, form poor families, and in turn become parents of another generation of poor children. Thus, compensatory education for all ages of poor, for preschool and in-school children and youths, and for adults and out-of-school youths, is of especial importance.

Part III of this report includes, as part of the OEO response, a reprinting of its detailed analysis of the poor in the U.S. population—"Dimensions of Poverty in 1964." This compilation, giving the numbers, age distribution, color, family size and composition, and location of the 34.3 million people who were classified by government agencies as "poor" in 1964, serves the useful purpose of establishing a framework for analyzing the impact of specific programs. More recent analyses and descriptive studies have filled in other details—notably reports in the Social Security Bulletin.²⁵

When the OEO reported, in a period of relatively low unemployment and general national prosperity, there still were 1 million unemployed poor and at least another million "who can and should work" but were not counted among the unemployed. In addition, about 2 million underemployed poor persons needed training and job assistance in order to improve their earnings and productivity.

Of the 34 million persons counted as poor in 1964, 3 million were between the ages of 16 and 21, and 9.3 million were in the prime productive ages of 22 to 54. With their dependents, these groups comprised more than 25 million persons. Consequently, training and retraining programs aimed at workers in the prime earning years and youth about to enter this group could help potentially about three-quarters of the poor.

In this context, education, training, and retraining do not extend to higher education nor even necessarily to secondary education.

The needs are for the most rudimentary sorts of schooling and skill training required to equip large numbers of people who are physically and mentally capable but are not prepared to function as fully productive, fully participating members of the strongly standardized and highly specialized U.S. work force of the late 20th century.

Programs of the Job Corps and the Neighborhood Youth Corps are specifically designed to assist young men and women who are on the threshold of their best earning years. The Job Corps provides a residential program of vocational training, remedial education, and work experience for disadvantaged men and women 16 through 21 years of age who are out of school and unable to find suitable employment. For fiscal year 1965 the number of enrollees in the program was 10,241. It was expected to increase to 30,000 in fiscal year 1966 and to 45,000 in fiscal year 1967. The Neighborhood Youth Corps pro-

²⁵ The series includes the following articles by Mollie Orshansky, all in the Social Security Bulletin for months specified: "Counting the Poor: Another Look at the Poverty Profile," January 1965; "Who's Who Among the Poor: A Demographic View of Poverty," July 1965; "Recounting the Poor—A Five-year Review," April 1966; "More About the Poor in 1964," May 1966; "The Poor in City and Suburb," December 1966.

vides work experience opportunities for unemployed young men and women, through participation in State and community work training programs, so that their employability may be increased or their educations resumed or continued. In fiscal 1965 there were 278,426 young people enrolled. Openings for 366,305 and 354,000 were estimated for the fiscal years 1966 and 1967.

The OEO response provides an abbreviated cost-benefit analysis for the Job Corps program. On the basis of a cost of \$6,980 for each graduate and a success rate of 80 percent, OEO estimated a unit cost of \$8,725 for each successful case. Assuming further that the successful Job Corps graduates would have increased their earnings by an average of \$1,700 a year, from \$1,500 without benefit of the program to \$3,200 after completing it, the incremental earnings in 5 years would about equal the cost of Job Corps training.

Such an analysis is incomplete as to both costs and benefits. Among costs, it omits foregone earnings during the training period, however negligible these might be; secondary or indirect costs not charged to the particular program; and training plant outlays. Among benefits, the analysis apparently omits offsets for outside subsistence costs that would have been incurred during the training period; possible reductions in public assistance payments and other welfare expenses; and resultant reductions in costs of law enforcement, delinquency, or crime. The estimates for increased average earnings after training are modest assumptions rather than studied projections, and the calculations might justifiably consider the discounted value of lifetime increases in productivity. Also, the estimated average cost for successful graduates (those who hold a good steady job, return to school, or enter military service) includes all the costs for those who drop out before graduation or do not "succeed" after graduation; that is, the reckoning assumes that "failures" produce no benefits to offset any part of the costs incurred for them.

Costs in the Job Corps are reported to be six times as much for each individual as in the less intensive Neighborhood Youth Corps. If the Job Corps achieves a substantially higher percentage of successes than the Youth Corps, equips its graduates for work at higher pay rates, and provides them with greater ability to hold their jobs, it may yield benefits more than six times as great for each \$1 of expenditure as those of the NYC. In fact, if selection techniques could be perfected, the two programs might serve young people with wholly different potentials and needs. In that event, direct cost comparisons might prove irrelevant, since the Job Corps and Neighborhood Youth Corps might be complementary programs rather than alternatives. At present, the programs lack dependable methods for differentiating candidates. They also lack a solid quantitative basis for comparisons of costs and results of the two programs.

Despite shortcomings of available analyses, it is clear that the Job Corps and NYC programs reach only a fraction of the youth who might benefit. With more than 5 million 16- to 21-year-olds employed and nearly 300,000 in these OEO programs, there were in the fall of 1965 nearly 600,000 unemployed men and women in this age group who were not in school and were in the labor force. The number of unemployed had been reduced substantially in the preceding 12 months—by 100,000 for this age group. The unemployment rate for these former students was the lowest in a decade, 10.6 percent;

yet they accounted for 22 percent of all the unemployed—three times their share of the labor force.²⁶ In addition, according to the OEO more than 1 million students still in high school needed NYC in-school program employment and counseling assistance to help them stay in school.

Labor Department projections for the composition of the labor force—cited in the response from the Office of Manpower Policy, Evaluation, and Research—point to “dramatic increases” in the number of workers under age 25 in the rest of this decade. Although labor force participation rates for young people have been declining, there will be millions more teenagers and 20- to 24-year-olds seeking employment. Training efforts need to be broadened substantially to reduce unemployment and promote greatest productivity in this group. In addition, many young people who are presently employed are not sufficiently trained to meet future labor market skill demands. Retraining may be required to reduce their prospects for future unemployment.

Training and manpower assistance programs of the Department of Labor aim primarily at assisting unemployed or unskilled workers in the mature age group. The manpower development and training program and the redevelopment areas program focus on direct training and retraining. The apprenticeship program promotes industry training systems for trades and crafts and seeks their improvement and expansion. The employment service and farm labor service provide a broad range of services to jobseekers and employers to facilitate matching existing manpower needs with manpower resources.

The Labor Department in its response to the committee questionnaire, reported that a comprehensive effort to assess the economic impact of the Manpower Development and Training Act was in process, with completion scheduled for late 1966. Estimates were to be developed showing (1) private benefits and costs to participating individuals; (2) social benefits and costs, covering impacts on the national economy; and (3) budget impacts, covering changes in Government tax receipts and expenditures.

Two earlier studies also were reported. One of these, concerned with the effectiveness of the training program under MDTA, produced data on personal incomes, placement of workers, earnings, productivity, and other benefits. The other dealt with the costs and economic benefits of retraining unemployed workers.

The first study reported on both institutional and on-the-job training, but apparently the conclusions were not so sharply defined as to permit definitive comparisons of the two systems of training. Sizable increases in earnings were reported for individuals who completed training and held jobs. Other benefits—and some failures to retain jobs—also were indicated.

The second study found that, for the sample of workers for whom data were collected, the benefits of retraining were considerably greater than the costs, and that benefit-cost ratios for the Government and the economy were much greater than for the individual. For workers who completed retraining courses, there were increases in earnings and reductions in the average number of weeks of unemployment. This

²⁶ Forrest A. Bogan, “Employment of School Age Youth, October 1965,” *Monthly Labor Review*, July 1966, pp. 742-743.

study illustrated a policy problem that has been noted in other analyses—that successful retraining is often in occupations that have had labor shortages of long standing but for which employers are reluctant to provide on-the-job training because of the risk that the worker will shift to another employer after training. This, of course, implies that the training may be useful for jobs other than the one in which it is given, and this, in fact, is often the case. The study prepared for the Labor Department suggests that the gain to the economy may be significant and may warrant the Government investment.²⁷

As the Labor Department responses indicate, these formal studies leave many questions for further investigation. Among them are questions concerning the implications of intangible factors other than training programs themselves in improving the employability and productivity of individuals—factors such as previous education, motivation, family responsibilities, and the duration, recency, and continuity of employment before training.

Program operating statistics have shown, among other relationships, that the extent of formal schooling was a definite factor in placement in jobs after training. Placement rates progressed steadily upward with additional years of formal education and were highest for those who had at least a high school diploma. Also, the long-term unemployed continued to face job-finding problems after training, and their placement rate was lower than for those who had been without jobs for short periods before they began training. These and other conclusions suggested by operating experience merit systematic examination for their policy implications.

The Labor Department response includes some data on the economic effects of training programs in redevelopment areas and reports a broad conclusion that the economic well-being of participants was materially improved. The vast majority were unemployed, many for more than a year, when they were referred for training. Among some 21,000 persons who completed training during 1961-65, about 75 percent went to work—and nine-tenths of these found employment in training-related jobs. Much of the redevelopment area training was done in rural Appalachia, and it was credited with upgrading of skills and development of new skills, thereby contributing to a more flexible, hence more employable, labor force. Because many of the participants had had little or no earlier training, emphasis was on communication skills, understanding of the work situation, and social services. For example, basic literacy training oriented to specific occupations was added to regular courses. Other special programs were formulated to meet other special needs and likewise were credited with positive results. The report does not, however, indicate how the training affected employment, wages, production costs, production, or other aspects of economic activity. On these points raised in the committee inquiry, information was not available.

In conjunction with further studies of the other training and retraining programs, it would also be interesting, and possibly instructive for policy, to assess the economic impacts of work experience training programs for unemployed fathers and other needy persons—

²⁷ For references to the special studies, see the Labor Department report for the "Manpower development and training program, excluding section 241-MDTA title II," response to question 9, in part III of this report. On theoretical issues involved in evaluations of on-the-job training, see Gary S. Becker, "Investment in Human Capital: A Theoretical Analysis," and Jacob Mincer, "On-the-Job Training: Costs, Returns, and Some Implications," both in *Journal of Political Economy*, vol. LXX, supplement, October 1962.

particularly the impacts on reemployment and subsequent earnings of the aided individuals. These programs are administered under the Economic Opportunity Act by the Welfare Administration, Department of Health, Education, and Welfare, and State welfare agencies. The law specifies that the Director of Economic Opportunity, in expanding opportunities of these individuals for constructive work experience and other needed training, shall make maximum use of programs available under the Manpower Development and Training Act and the Vocational Education Act.

The role of labor training programs of all kinds invites intensive appraisal in the light of projected manpower needs, employment prospects, and the experience of recent years. Labor force and employment projections appear in various interrelated reports, including the report early in 1966 of the National Commission on Technology, Automation, and Economic Progress, "Technology and the American Economy"; and the manpower report of the President, transmitted to the Congress in March 1966, with the Department of Labor Report on Manpower Requirements, Resources, Utilization, and Training. In responding to the inquiry on human resources programs, the Office of Manpower Policy, Evaluation, and Research included references to the President's manpower report of 1965. The estimate of a 1970 work force numbering 86 million is unchanged in the manpower report of 1966. (The 1965 report includes projections for 1975 and 1980.)

Despite a projected doubling by 1970 of the number of persons to be trained annually under the Manpower Development and Training Act, these programs will provide for considerably less than 1 percent of the labor force. Projections for Government programs are based on assumptions that employment will continue high and that the private sector will produce more training.

Recent experience has demonstrated that dynamic growth of the economy can make significant reductions in unemployment. Long-term unemployment has been substantially reduced. Despite growth in the size of the labor force, the average number of long-term unemployed appears to be the lowest in a decade—whether "long term" is measured by joblessness lasting 15 weeks or more or by joblessness lasting 27 weeks or more. On either basis, in 1966 the long-term unemployed have comprised the lowest percentage since 1953 of the total number of unemployed. They have also comprised the lowest percentage since 1953 of the civilian labor force.

In the 12 months from November 1965 to November 1966, the number who had been unemployed 15 weeks or more declined from 644,000 to 483,000 or, as a percentage of the civilian labor force, from 0.8 percent to 0.6 percent. From June through November (except for a slight rise in the seasonally adjusted estimates for October), this ratio was steady at 0.6 percent. The number of unemployed who had been out of work 27 weeks or more dropped even more sharply, from 310,000 in November 1965, to 197,000 in November 1966.²⁸

Such gains are important. Since World War II there had been a sharp upward movement in long-term unemployment; this movement

²⁸ Monthly Labor Review, December 1966, p. 1414; Bureau of Labor Statistics, Employment and Earnings and Monthly Report on the Labor Force, December 1966, pp. 10, 27; and Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization, and Training, March 1966, pp. 153, 171. Data for 1966 in the text are based on reports for the first 11 months.

has been reversed. During 1948-63, each peak in the business cycle was accompanied by higher, more persistent long-term unemployment than the preceding peak. But the recent high levels of economic activity were accompanied by comparatively low levels of long-term unemployment.

Our ability to continue this rapid rate of improvement has been threatened by recent substantial advances in prices, more rapid than in earlier years of the current economic expansion. This suggests that we may have reached a stage where further reduction in unemployment is achieved at the cost of higher prices. It may be that further economic growth alone cannot greatly reduce the remaining unemployment. If this is so, one remedial measure would be the promotion of greater productivity through accelerated manpower training. By improving the skills of the unemployed and of new entrants into the labor force, and by upgrading unskilled and low-skilled jobholders, we may hope to increase the likelihood that reductions in the number of the unemployed will not carry a penalty of rising prices.

It is unlikely that even a doubling of MDTA training, as projected for 1970, would be enough to meet these needs for sustaining our high-employment economy. Only if the private sector increases greatly the volume and diversity of its training activities, so as to reach many of the long-term unemployed, the underemployed, and new entrants into the work force, as well as present workers with low skills, is there any likelihood that increases in the supply of trained workers will keep pace with the potential demand for them. A sufficiently rapid increase in private training probably could be achieved only if we offered substantial new incentives through the tax system or otherwise. Whether or not such measures are taken to enlarge private efforts, a major increase in public training programs appears to be urgently needed.

Whereas further reductions in long-term unemployment require expanded training and retraining programs, short-term unemployment can be countered to an appreciable extent through improved counseling and placement services. Most workers who are unemployed for only short periods have adequate skills to meet labor market requirements but often lack sufficient knowledge about job opportunities. The U.S. Employment Service and the Farm Labor Service, both in the Bureau of Employment Security of the Department of Labor, operate to fill this need.

The Federal-State Employment Service received new applications from nearly 12 million persons in the fiscal year 1966, it conducted about 2½ million counseling interviews, gave 3 million job tests, and made about 6½ million nonfarm placements. During the same year the Farm Labor Service placed 5½ million workers.

The impact of these programs upon the allocation of the Nation's labor resources is obviously substantial. Not only is short-term unemployment reduced, but many young workers who have never held a job are counseled and referred to employers for placement. These programs also cooperate extensively with the MDTA training programs in placing workers who have completed training. Through local public employment offices, the U.S. Employment Service and affiliated State services process applications for training and refer jobseekers to training programs and rehabilitative services. On the local level, the Employment Service works with educational, employer,

and labor groups in planning and developing programs to meet local manpower problems.

The Farm Labor Service also provides help to workers through counseling, training, and relocation opportunities. Updating of skills of agricultural workers is becoming increasingly important with the spread of industrial farming and mechanization. The farmworker has evolved from an apprentice farmer to a day laborer to a skilled wageworker as the family farmer has evolved into a business farmer. Chemical, biological, financial, and management innovations are as important as increased dependence on machinery in determining the number and types of workers needed in agriculture. By 1970, the principal role of the Farm Labor Service is expected to be that of training, recruitment, and placement of greatly increased numbers of skilled agricultural workers on the one hand, and developing a dependable, stable, seasonal work force with positive attachments to responsible employers on the other hand. At the same time, the program will be concerned with renewing and making salable for agricultural or other work the skills of displaced rural dayworkers and small marginal farmers.

In all these Employment Service and Farm Labor Service activities training and counseling services are of fundamental importance.

The foregoing comments on the economic significance of manpower training relates to only one facet of the many education and training programs listed at the beginning of this subsection and described in part III of this report.

Almost all the listed programs have significant economic impact, actual or potential. Each represents an avenue for investment in human capital. Some of them (for example, military, Coast Guard, police, or health services training) are for comparatively specialized purposes contributing to particular kinds of productivity. Other programs constitute general-purpose investments, adaptable to a wide variety of purposes or covering the broadest range of economic and social interests.

The wide range of Office of Education programs includes a few similar special-purpose programs (for example, educational improvement for the handicapped). Most of the special-purpose programs of this Office however, are oriented quite differently from those of other Federal agencies. Office of Education programs concerned with libraries and library resources, educational television, adult basic education, or instruction in critical subjects are not directed to the enhancement of particular skills of selected groups of individuals. They are "special purpose" in the sense that their focus and objectives are specialized or they are concerned with particular types of educational problems; the aim of each activity is, however, the general enrichment, strengthening, and improvement of educational services throughout our society. This makes the assessment of their economic effects more difficult but does not diminish the importance of these effects.

The Office of Education also administers several programs for providing financial assistance to students through scholarships, fellowships, institutes, and low-interest, long-term loans for students. These programs help to lower economic barriers to the pursuit of education, thereby contributing in some measure to the national objective of equalizing educational opportunities.

Several Federal agencies promote education in the sciences. Programs of the National Science Foundation are directed at increased and improved science education at all levels. Besides extensive student aid in the form of fellowships, traineeships, and institutes, the Foundation sponsors numerous educational research activities directed at improving the quality of science education. The Atomic Energy Commission and the National Aeronautics and Space Administration promote science education in their specialized fields. The AEC conducts a nuclear education and training program which encourages the development of strong curriculums in nuclear and related sciences in the Nation's colleges and universities, provides fellowships and traineeships for graduate students, and supports faculty institutes and conferences. NASA awards grants to colleges and universities to be used for (1) assisting predoctoral trainees in engineering and space related sciences, (2) providing special training activities for graduate scientists and engineers, and (3) conducting summer fellowship programs to update the scientific knowledge of faculty members. NASA also operates an Educational Programs Division which is responsible for developing and conducting programs to make available space-related facts and concepts in forms suitable for dissemination to schools, colleges, and other educational organizations.

The Public Health Service, and especially the National Institutes of Health, provides fellowships, traineeships, and other support for research in the medical and life sciences and for the training of teachers and research workers in these fields. The PHS also supports directly the professional education of physicians, nurses, public health workers, and other health-related personnel.

Returns from education in the form of increased individual incomes, aggregate productivity, and national economic growth probably have drawn more intensive analytical attention than any other area of investment in human resources.²⁹

The Office of Education general statement in part III includes the following observations:

In addition to its contribution to the economic progress of the Nation as a whole, education has a significant payoff to individuals. Studies show that personal income and economic mobility have a high correlation with educational attainment. For example, college graduates earn during their lifetime an average

²⁹ Leading references in this field include the following studies:

Gary S. Becker, "Human Capital: A Theoretical and Empirical Analysis, With Special Reference to Education" (National Bureau of Economic Research, New York, 1964).

Denison, "The Sources of Economic Growth in the United States and the Alternatives Before Us," especially ch. 7, "Education and Growth," and ch. 21, "The Advance of Knowledge, and Its Application to Production."

Organization for Economic Cooperation and Development, Study Group in the Economics of Education, "The Residual Factor and Economic Growth," especially ch. I by Edward F. Denison, "Measuring the Contribution of Education (and the Residual) to Economic Growth," and comments, pp. 13-100.

Selma J. Mushkin, editor, "Economics of Higher Education" (U.S. Department of Health, Education, and Welfare, Office of Education Bulletin 1962, No. 5; 1962), especially pt. II, "Higher Education as an Investment in People," and ch. 21 by Alice M. Rivlin, "Research in the Economics of Higher Education: Progress and Problems."

Burton A. Weisbrod, "Spillover of Public Education Costs and Benefits: pt. 1: Benefits" (U.S. Department of Health, Education, and Welfare, Office of Education Cooperative Research Project No. 1045; processed, August 1963).

Werner Z. Hirsch, Elbert W. Segelhorst, and Morton J. Marcus, "Spillover of Public Education Costs and Benefits" (U.S. Department of Health, Education, and Welfare, Office of Education Cooperative Research Project No. 1045-1045B; Institute of Government and Public Affairs, University of California, Los Angeles, processed, August 1964).

Weisbrod and William J. Swift, "External Benefits of Public Education: An Economic Analysis" (Princeton, 1964).

Weisbrod, "Education and Investment in Human Capital," *Journal of Political Economy*, vol. LXX, October 1962, supplement, pp. 106-123.

Further references appear in the National Science Foundation response to question 9, in pt. III of this report.

of \$180,000 more than individuals with only a high school diploma, while the lifetime earnings of high school graduates average \$68,000 more than those of persons with only an eighth-grade education. To the degree that individuals living in certain regions or belonging to certain groups do not have the opportunities to attain higher levels of education, their potential contribution to the economic system and their potential share in its benefits cannot be realized.

The gross differential of \$180,000 for college graduates' earnings is noted in several of the separate statements for higher education programs. These refer to the Department of Labor as a source for estimates that lifetime earnings of male high school graduates are \$272,600, whereas those of college graduates are \$452,000.

Census data assembled in a recent report of the Department of Commerce likewise associate large differences in individual incomes with differences in education. In 1964, the median income of males, 25 years of age and older, was \$3,983 for those with only 8 years of elementary school, \$6,266 for those with 4 years of high school, and \$8,805 for those with 4 years or more of higher education. The median amount for each group was much higher in 1964 than in either 1939 or 1949, but the rate of increase was considerably more rapid for high school and college graduates than for men with elementary education alone. Moreover, there was a substantial decline in current dollars from 1959 to 1964 in the median income of the group with the least schooling, whereas there were material increases for other groups.³⁰ Such data illustrate the increasing importance of education as a prerequisite to the better-paying jobs.

In a study of the sources of economic growth in the United States, Edward F. Denison estimated that the labor force of 1950, if it had been as well educated as that of 1960, would have contributed 10.3 percent more to production than it actually did. Similarly, he estimated that if the labor force of 1930 had been as well educated as that of 1960, it would have contributed about one-third more to production than it actually did. These estimates assume that males aged 25 and over are typical, and that differentials in labor earnings that are attributable to differences in education equal three-fifths of observed differentials in money income among adult males of the same age classified by years of education. A shift from three-fifths to any other assumed ratio would raise or lower the proportion of total product ascribed to education but would not alter the general conclusion. Denison noted that the average labor force member in 1960 had spent four-fifths again as many days in school as his counterpart in 1930. He went on:

With such enormous advances, it is not surprising to find that improved education has made a major contribution to economic growth. By my calculations, from 1929 to 1957 it raised the average quality of labor by 29.6 percent, or at an average annual rate of 0.93 percent. * * * The contribution was equivalent to an increase of the same amount in the quantity of work done, and the procedure used in that connection may be followed to estimate its contribution to the growth of national product. Multiplication of 0.93 by 73 percent, the average share of labor in the national income over the period, yields 0.68 percentage points, or 23 percent, of the 2.93 percentage point growth rate of the national product as the direct contribution of more education. (After further adjustments, my final estimate remains 23 percent.)

When related to the growth of national product per person employed, the contribution rate of additional education appears still more impressive. My

³⁰ U.S. Department of Commerce, Bureau of the Census, Economic Research and Analysis Division, "Long Term Economic Growth: 1860-1965" (October 1966), pp. 147, 197.

final estimate is that education contributed 42 percent of the 1.60 percentage point growth rate in product per person employed.³¹

These data indicate that education has a major economic role for both the individual and the Nation—a role so great, and potentially so much greater, that extensive and systematic evaluations are warranted to help assure the fullest possible realization of the benefits. In several studies that deal with this economic role, considerable attention is given to relationships between costs and benefits—and to the fact that the incidence of costs upon various groups in the community may be quite different from the distribution of economic benefits. This type of question is especially acute in the public programs, and it points to an area which calls for much further exploration.

The emphasis in this report is on the economic aspects of Federal programs in education and training. It cannot be too strongly emphasized that economic objectives are only one facet of the Nation's educational effort—and a comparatively narrow facet, at that. The beneficial effects of education reach to the very roots of our society and civilization. Good education and good health together embrace opportunities for each individual to use his full capacities and thereby to realize a rich and varied life and to communicate effectively with the world around him. A universally educated and enlightened citizenry is essential to our democratic system of government and to modern culture. But the economic aspects of education also are important.

HEALTH CARE AND IMPROVEMENT

Federal Government health programs are the subject of a special crosscutting analysis in the Federal budget, similar to the one for education and training. The special budgetary analysis for health has now been compiled and published for several successive years, so that the increase in expenditures for these activities may be shown by comparable data for the fiscal years 1958 and 1963–67, as follows:

Fiscal year:	<i>Millions</i>
1958 ¹	\$2, 966
1963.....	4, 658
1964.....	5, 103
1965.....	5, 160
1966 estimate.....	6, 316
1967 estimate.....	10, 322

¹ The total for 1958 is from Senate Committee on Government Operations, Subcommittee on Reorganization and International Organizations, "Coordination of Federal Agencies Programs in Biomedical Research and in Other Scientific Areas: Health Activities of the Federal Government" (87th Cong., 1st sess., S. Rept. No. 142; Mar. 30, 1961), p. 112.

Table 8 is a reproduction of a summary table from the special analysis that accompanied the budget for fiscal year 1967.

The budget to be presented in January 1967 may carry revised totals for the fiscal years 1966 and 1967 and a summation for fiscal 1968.

³¹ Denison, "The Sources of Economic Growth," p. 73.

TABLE 8.—Federal expenditures for medical and health-related activities by category, fiscal years 1965-67

[In millions of dollars]

Category	1965 actual	1966 estimate	1967 estimate
Hospital and medical care in Federal facilities.....	2,022.0	2,209.9	2,397.9
Federal grants and payments for hospital and health care in non-Federal facilities.....	913.8	1,374.9	4,623.1
Medical research, total.....	1,040.1	1,320.6	1,448.3
(a) Conduct of research.....	(965.5)	(1,214.2)	(1,325.1)
(b) Research facilities.....	(74.6)	(106.4)	(123.2)
Training, including training for research.....	316.9	448.9	546.1
Prevention and community services.....	417.6	493.7	634.5
Construction of hospitals and health facilities.....	449.9	468.4	672.3
Total expenditures from administrative budget and trust accounts.....	5,160.3	6,316.4	10,322.2

Source: Special Analyses of the U.S. Budget, 1967 (January 1966), Special analysis II, "Federal health programs," p. 108, table H-2.

The scope of "Federal health programs" in the budget special analysis is considerably broader than the related functional subcategory, "Health services and research" (budget functional code 651), used in the President's budget message and supporting budget tables. The subcategory carried expenditures of only \$1,882 million for fiscal 1965 and an estimate of \$2,481 million for 1966—considerably less than half of the totals shown in the special analysis. The largest differences arise from the fact that the functional subcategory, "Health services and research," does not include Department of Defense expenditures for hospital and medical care of military personnel and their dependents and Veterans' Administration expenditures for veterans' medical and hospital care benefits. These are classified as "National defense" expenditures in the case of the Department of Defense, and as "Veterans benefits and services" in the case of the Veterans' Administration. Many other health activities of Federal Government agencies likewise are classified in functional categories that focus on the basic purpose (such as public assistance or atomic energy research) rather than on the health-related aspects of the programs. A further (and larger) difference was introduced in the estimates for fiscal 1967, with trust fund expenditures for hospital and supplementary care insurance under the amended Social Security Act classified in the budget within a separate functional subcategory, "Retirement and social insurance" (code 654) rather than in "Health services and research." All these health-related programs in other budget categories are included in the special analysis total for "Federal health programs."

Somewhat narrower, but essentially similar, differences arise between the special analysis and the Federal "health and medical programs" segment of the social welfare series shown in table 2 of this report. In the social welfare series, Federal expenditures for public assistance payments to vendors of medical care are classified in "public aid;" health and medical services for veterans are classified in "veterans' programs;" and various other health-related items are identified with major purposes other than health and medical care. Expenditures by the military services for health and medical care are, however, included within this major category.

The social welfare compilations include data on total U.S. expenditures for health and medical care, public and private, over the years since 1928-29. The latest data in this series are in table 9, in which the lines representing "public expenditures" bring together those Federal, State, and local government expenditures which in table 2 are designated, "Health and medical programs," "Veterans' health and medical services," "Vendor medical payments" for public aid, "Hospital and medical benefits" for State disability insurance and workmen's compensation, and "Medical rehabilitation" in the vocational rehabilitation program.

TABLE 9.—Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928–29 through 1965–66

[In millions; data corrected to Sept. 30, 1966]

Type of expenditure	1928-29	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66 ¹
Total	\$3,621.5	\$3,138.5	\$3,881.4	\$7,906.0	\$12,151.0	\$17,875.2	\$26,385.0	\$28,109.1	\$30,285.1	\$32,667.6	\$35,660.3	\$39,141.1	\$42,966.9
Private expenditures	3,112.0	2,580.0	3,023.0	5,335.0	9,065.0	13,517.0	20,020.0	21,074.0	22,670.0	24,362.0	26,697.0	29,423.0	32,094.0
Health and medical services.....	3,010.0	2,570.0	2,992.0	5,305.0	8,850.0	13,192.0	19,542.0	20,479.0	21,899.0	23,472.0	25,647.0	28,190.0	30,770.0
Direct payments.....	2,900.0	2,500.0	2,900.0	4,875.0	7,146.0	9,448.0	13,087.0	13,187.0	13,776.0	14,632.0	16,006.0	17,649.0	19,004.0
Insurance benefits.....	.....	.....	.....	.....	880.0	2,358.0	4,698.0	5,346.0	6,019.0	6,662.0	7,393.0	8,269.0	9,242.0
Expenses for prepayment.....	.....	.....	.....	.....	274.0	596.0	792.0	912.0	1,023.0	1,069.0	1,111.0	1,212.0	1,329.0
Industrial in-plant services.....	30.0	30.0	40.0	90.0	150.0	210.0	265.0	275.0	299.0	309.0	319.0	330.0	345.0
Philanthropy.....	80.0	40.0	52.0	340.0	400.0	580.0	700.0	759.0	782.0	800.0	818.0	830.0	850.0
Medical facilities construction.....	102.0	10.0	31.0	30.0	215.0	325.0	478.0	595.0	771.0	890.0	1,050.0	1,233.0	1,324.0
Public expenditures	509.5	558.5	858.4	2,571.0	3,086.0	4,358.2	6,365.0	7,035.1	7,615.1	8,305.6	8,963.3	9,718.1	10,872.9
Health and medical services.....	410.5	517.3	803.9	2,504.8	2,561.0	3,947.7	5,790.6	6,476.5	7,041.9	7,687.3	8,354.7	9,048.8	10,183.7
General hospital and medical care.....	216.6	231.8	340.5	354.7	914.5	1,217.3	1,952.2	2,202.8	2,132.0	2,274.5	2,446.8	2,511.8	2,593.9
Defense Department facilities.....	29.2	28.0	99.5	1,631.0	315.6	763.4	804.7	848.7	909.9	899.3	982.5	1,017.0	1,310.4
Dependents' medical care (Department of Defense).....	.....	.....	.....	.....	.....	.....	60.1	61.0	73.2	75.0	75.4	78.3	85.4
Veterans' hospital and medical care.....	30.0	56.0	72.1	98.3	585.9	722.6	884.5	953.8	968.0	1,022.0	1,069.9	1,132.8	1,205.4
Public assistance (vendor medical payments).....	.....	.....	.....	.....	51.3	211.9	492.5	588.6	812.4	1,000.7	1,147.6	1,367.1	1,620.0
Workmen's compensation (medical benefits) ²	25.0	65.0	90.0	122.0	193.0	315.0	420.0	450.0	475.0	510.0	545.0	585.0	625.0
Temporary disability insurance (medical benefits) ³.....	.....	.....	.....	.....	1.4	6.0	16.3	19.6	21.5	25.7	29.3	29.0	33.0
Medical vocational rehabilitation.....	.....	2	4	1.4	7.4	9.2	17.7	20.4	22.5	26.0	31.2	34.2	54.3
Maternal and child health services.....	5.0	6.7	13.8	62.1	29.8	92.9	138.8	151.8	173.3	185.2	198.3	218.2	252.4
School health (educational agencies).....	9.0	9.9	17.9	23.3	30.6	65.9	101.0	115.0	129.0	128.4	127.7	132.0	135.0
Medical research.....	.....	.....	3.1	17.0	72.9	138.9	471.2	603.9	819.1	964.0	1,068.7	1,230.2	1,425.4
Other public health activities.....	95.7	119.7	166.6	195.0	358.6	404.6	431.6	460.9	506.0	576.5	602.3	713.2	843.5
Medical-facilities construction.....	99.0	41.2	54.5	66.2	525.0	410.5	574.4	558.6	573.2	618.3	608.6	669.3	689.2
Veterans' Administration.....	4.0	2.9	14.1	16.2	156.2	33.0	57.5	53.7	52.1	69.8	76.4	80.9	83.2
Defense Department.....	(⁴)	(⁵)	(⁶)	(⁷)	(⁸)	33.0	40.0	44.0	24.0	23.0	42.4	34.8	28.6
Other.....	95.0	38.3	40.4	50.0	368.8	344.5	476.9	460.9	497.1	525.5	489.8	553.6	577.4
Total expenditures as a percent of gross national product.....	3.6	4.6	4.1	3.7	4.6	4.7	5.3	5.5	5.6	5.7	5.8	6.0	6.0
Public expenditures as a percent of total expenditures.....	14.1	17.8	22.1	32.5	25.4	24.4	24.1	25.0	25.1	25.4	25.1	24.8	25.3

See footnotes at end of table, p. 60.

HUMAN RESOURCES PROGRAMS

TABLE 9.—*Health and medical care: Private expenditures and expenditures under public programs, selected fiscal years, 1928-29 through 1965-66—Continued*

Type of expenditure	1928-29	1934-35	1939-40	1944-45	1949-50	1954-55	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66 ¹
Personal care expenditures ²	\$3,304.8	\$2,957.6	\$3,613.2	\$7,512.8	\$10,605.5	\$15,855.2	\$23,462.8	\$24,788.9	\$26,397.3	\$28,349.8	\$30,985.2	\$33,875.9	\$37,143.3
Private expenditures.....	2,990.0	2,560.0	2,979.0	5,220.0	8,476.0	12,451.0	18,575.0	19,377.2	20,680.5	22,203.0	24,331.5	26,770.5	29,228.5
Public expenditures.....	314.8	397.6	634.2	2,292.8	2,129.5	3,404.2	4,887.8	5,411.7	5,716.8	6,146.8	6,653.7	7,105.4	7,914.8
Percent from:													
Private expenditures.....	90.5	86.6	82.4	69.5	79.9	78.5	79.2	78.2	78.3	78.3	78.5	79.0	78.7
Direct payments.....	87.8	84.5	80.3	64.9	67.4	59.6	55.8	53.2	52.2	51.6	51.7	51.8	51.2
Insurance benefits.....					8.3	14.9	20.0	21.6	22.8	23.5	23.9	24.4	24.9
Public expenditures.....	9.5	13.4	17.6	30.5	20.1	21.5	20.8	21.8	21.7	21.7	21.5	21.0	21.3

¹ Preliminary estimates.

² Includes any insurance benefits and expenses for prepayment (insurance premiums less insurance benefits).

³ Includes medical benefits paid under public law by private insurance carriers and self-insurers.

⁴ Excludes medical benefits paid under public law in California and New York by private insured and self-insured plans; such benefits included in insurance benefits under private expenditures.

⁵ Data not available.

⁶ Includes all items shown under "Health and medical services," except (1) "Expenses for prepayment" and $\frac{1}{4}$ of "Philanthropy" under private expenditures and (2) "Medical research" and "Other public health activities" under public expenditures.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, table 5.

The totals in this compilation make it clear that the bulk of health and medical care spending in the United States is private expenditure—spending by individuals and families either directly or through health insurance. Substantial additional amounts are expended privately by industry and by philanthropic organizations. Governmental expenditures serve in a supplemental role. Before World War II, public expenditures in this field rose from one-seventh of the U.S. total in 1929 to 22 percent in 1940. From 1950 through 1966, the public share has stood at approximately one-fourth of the national total.

The total—public and private expenditures together—has increased over the years more rapidly than the gross national product. It equalled 3.6 percent of the GNP in 1929, 4.6 percent in 1950, and 6 percent in 1965 and 1966.

Federal Government expenditures for health and medical care have grown much more rapidly than those of State and local governments and now comprise more than half of all public expenditures for such purposes. This is not evident in table 9, since it does not subdivide the expenditures between levels of Government, but table 10 brings out the relationship. In the fiscal year 1935, Federal Government expenditures for health and medical care were 20 percent of the \$559 million total of public expenditures. In fiscal year 1966, Federal expenditures were 52.1 percent of the many-times larger total, \$10,873 million, of public expenditures.

TABLE 10.—Public expenditures for health and medical care, by source of funds, selected fiscal years, 1934-35 through 1965-66

Fiscal year	Amount (in millions)			Percent of total	
	Total	Federal	State and local	Federal	State and local
1934-35	\$559	\$112	\$446	20.1	79.9
1939-40	858	252	607	29.3	70.7
1944-45	2,571	1,898	673	73.8	26.2
1949-50	3,086	1,341	1,745	43.5	56.5
1954-55	4,358	1,972	2,386	45.3	54.7
1959-60	6,365	2,982	3,433	46.1	53.9
1960-61	7,035	3,277	3,758	46.6	53.4
1961-62	7,615	3,713	3,902	48.8	51.2
1962-63	8,306	4,127	4,179	49.7	50.3
1963-64	8,963	4,573	4,390	51.0	49.0
1964-65	9,718	4,960	4,758	51.0	49.0
1965-66 ¹	10,873	5,667	5,206	52.1	47.9

¹ Preliminary estimate.

Source: Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, table 7.

The special analysis published with the budget for the fiscal year 1967 opened with brief explanatory comments and a summary of recent trends, as follows:

This analysis provides a comprehensive summary of expenditures for all the medical and health-related activities of the Federal Government. It includes those activities classified in the "health" function as well as health programs included in other groupings. Government cash payments to the public in this broad category will rise to an estimated total of \$10.3 billion in 1967. This total is derived from \$7.8 billion expenditures from administrative budget accounts and \$3.3 billion from trust funds, less interfund transfers of \$0.8 billion. This spending will finance a wide variety of activities—hospital care and medical treatment in

Federal and non-Federal facilities, construction of health facilities, health research and training, and a multitude of preventive and community health and health-related programs in Federal, State, and local governmental institutions and by private hospitals, research organizations, and individual practitioners. The expenditures from administrative budget funds continue to be the largest segment of health spending and they will account for 7 percent of total administrative budget spending. However, the program for hospital insurance and supplementary medical benefits for the aged under the social security system will be financed through trust funds which will account for 29 percent of health expenditures in 1967.

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

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

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

For the health care and improvement programs reported in responses to the human resources inquiry, as with the other broad categories of purpose, it has not been feasible to summate Federal Government expenditures. The list that follows identifies programs described in part III which appear to be directed at least in part to those general purposes. Not all the separate programs are named here; the large number of Public Health Service programs and a group of St. Elizabeths Hospital programs are covered by summary references.

Department of Defense: Medical care of military personnel and their families.
Department of the Interior: Water pollution control.

Department of Agriculture:

Consumer and Marketing Service:

Commodity distribution program (also listed for environmental improvement and education).

- Special milk program (also listed for environmental improvement and education).
- National school lunch program (also listed for environmental improvement and education).
- Food stamp program (also listed for environmental improvement and income maintenance).
- Department of Health, Education, and Welfare:
- Public Health Service: All programs described in part III (including several programs which are listed also for environmental improvement or for education and training).
 - St. Elizabeths Hospital: All programs described in part III.
 - Social Security Administration: Old-age, survivors, disability, and health insurance—health insurance aspects (also listed as primarily for income maintenance).
 - Welfare Administration:
 - Grants to States for public assistance—health and medical care aspects (also listed as primarily for income maintenance).
 - Children's Bureau:
 - Grants for maternal and child health services.
 - Services for crippled children.
 - Special project grants for maternal and infant care.
 - Special project grants for health of school and preschool children.
- Department of Housing and Urban Development:
- College housing program—housing at hospitals (also listed as primarily for education).
 - Federal Housing Administration: Nursing home program (also listed as primarily for environmental improvement).
- Atomic Energy Commission: Division of Biology and Medicine.
- Civil Service Commission: Federal employees' health benefits program.
- Railroad Retirement Board:
- Railroad unemployment insurance and sickness (temporary disability) insurance—sickness insurance aspects (also listed as primarily for income maintenance).
 - Hospital and health care insurance.
- Tennessee Valley Authority:
- Public health—vector control.
 - Employee health services.
 - Employee health—industrial hygiene services.
 - Employees hospital and medical insurance plans.
 - Employee safety (also listed as primarily for environmental improvement).
- Veterans' Administration:
- Hospital and domiciliary care and facilities.
 - State veterans' home and nursing home program (also listed as primarily for environmental improvement).

Measurement of economic impacts and effects of expenditures for medical care and health improvement is beset by many difficulties. Basically, families and the Nation pay for health services and preventive measures because people want to enjoy good health—not because they identify it as a prudent investment. Good health, in short, is a consumer good and, thus considered, is an end in itself. Much of the content of education (as distinguished from training) shares this quality of ultimate desirability for its own direct contribution to the quality of individual human lives; but good health is even more universally prized than good education as a final product from which no separable secondary returns need be derived to justify the costs of its acquisition.

Yet everyone recognizes that for most persons, good health enhances productivity and contributes to uninterrupted and long continuing earning power. Such gains are even more discernible when health improvements accrue to a group of people, a community, or an entire population. Estimates can be made of economic losses attributable to sickness, incapacity, and premature deaths, and of economic gains

that may be realized from their reduction or alleviation. Neither the losses nor the potential gains are elements in the gross national product. Such explicit costs as physicians' and laboratory fees, hospital care expenses, and medications, drugs, treatments, and appliances are valued as part of the GNP, however. Their values, in fact, represent resources that could be allocated to other uses if we could further reduce illness and accidents and extend lives without proportionately increasing outlays for health and medical care. Reallocation of resources within a given volume of GNP might result even if the healthier and longer lives were not economically more productive, since this would alter the pattern of consumers' demand for goods and services. Expansion of the GNP would result if the gains in health and longevity made possible for some members of the population a fuller and longer participation in productive activities.

In commenting on the problem of assessing economic contributions of health services, a statement from the Office of the Surgeon General, Public Health Service (included in pt. III of this report), takes note of conceptual difficulties that arise when net additions to the GNP are used as a direct measure of benefits. Since the GNP is simply the sum of payments for goods and services—

a statement that another \$1 million worth of health services has been added to the GNP gives no clue as to whether this was relatively desirable or undesirable apart from the increase in GNP. For example, a million-dollar consignment of thalidomide would provide precisely the same direct increment to GNP as a million-dollar consignment of a clinically more trustworthy drug. Health services need to be appraised, if that be possible, in the light of the good that they do to people who receive them, whether the recipients are workers, prospective workers, retired persons, the hopelessly ill, or anyone else. From the standpoint of an overall appraisal of the economy and consideration of what the national effort is being used for, there is good reason for considering the health services component of GNP. This approach, however, does not provide an appropriate appraisal of the usefulness of health services to humanity.

Cost and benefit comparisons are among alternative approaches that have been tried. Several instances of their use to justify Federal Government outlays for health improvement programs are noted in an earlier section, "Studies of costs and benefits." As in the case of education and most other human resources programs, it is practically impossible, in assessing the economic impacts of the Government programs, to separate the effects of Federal Government expenditures from those of State and local governments and private individuals and entities. Moreover, many indirect variables affect human health and longevity—changes in diet and nutrition, heating and air-conditioning technology, population concentrations, changing techniques and patterns of transportation, the diffusion of education and general affluence, the introduction of housekeeping appliances and supplies, shifts in clothing fashions and materials, and countless other influences.³²

The Federal Government share of health-related expenditures is considerably larger for research and development and for preventive measures than for the care and treatment of illness. The proportions may be altered with full-scale operation of medicare insurance and medicaid under public assistance, since each of these categories involves large shifts from private to public budgets and substantial additions to the total of expenditures for health care. Nevertheless, the former broad relationships are likely to persist for quite some time,

³² See also Linnenberg, "Economics in Program Planning for Health" (cited in footnote 16, above).

with private and State-local finances dominant in the field of health care.

If research, development, and prevention have greater multiplier and stimulative effects than other types of health-related expenditures, as is sometimes suggested, it may be a plausible hypothesis that the economic effects of Federal Government outlays in the broad field of health care improvement are relatively high in proportion to their amount. This is a proposition that might well be tested in future studies.

Agency statements in part III include some observations on the economic costs of various diseases and potential benefits from reducing their incidence. A few of these comments are cited here, to suggest issues and possibilities.

The Public Health Service symposium report on "Economic Benefits From Public Health Services: Objectives, Methods, and Examples of Measurement," cited in an earlier section, illustrates methods of using the following ideas in anticipating or appraising the economic effects of a health program—

(1) that health services can pay off in terms of the productivity of workers whose early death is averted or whose sickness is avoided, shortened, or made less severe; and

(2) that some types of preventive health service are much cheaper than the treatment which is needed if the preventive approach is not used.

The initial paper in the report, by Clem C. Linnenberg, Jr., Ph. D., raises the question: How shall we measure economic benefits from public health services? and notes that the applicability of cost-benefit analysis is not limited to the field of public health, however that field is defined. Dr. Linnenberg suggests that in the realm of measuring benefits from health services, the following approaches appear to be possible and useful:

(1) Measures of a physical sort, such as the reduction in typical duration of disability from a specified disease when one drug or form of therapy is used instead of another.

(2) Procedures specifically designed to measure economic benefit—some relating to medical care, others to environmental health services, and so on—that will enable the analyst, within limits, to say in which program the economic returns from a given increment of expenditure will be greatest.

(3) Concerning research, especially of any relatively basic sort, any cost-benefit analysis probably cannot be more than a very rough indicator as to how resources should be allocated. Comparison of the economic benefits that would result from reducing each of two financially burdensome diseases to negligible importance still leaves unanswered the question of what it would cost to achieve that result. Major uncertainties cloud the outcome and costs of proposed research. Moreover, the knowledge derived from medical research often is useful in more than one field. Nevertheless, an estimate of the existing economic burden of each of two diseases will be of some use in allocating research funds between the two.

Also considered in Dr. Linnenberg's paper is the question: What is meant by costs and what is meant by benefits in cost-benefit analyses of health services? Among other pertinent questions considered are the

relevance of unemployment to increased potential productivity, methods of measuring a worker's productivity, the valuation of unpaid work, and the significance of transfer payments. Other papers in the report examine cost-benefit questions in terms of Latin American experience with health services, dental care problems, and vocational rehabilitation of the mentally disabled.

The statement from the Office of the Surgeon General is a comprehensive comment on community health programs of the Bureau of State Services. An introduction to the program statements on community health notes difficulties in measuring, in economic terms, the benefits the American people derive from their investment in health protection, as well as difficulties in estimating the costs of disease itself.

The introduction cites estimates for cancer and cardiovascular diseases reported by the President's Commission on Heart Disease, Cancer, and Stroke. The Commission estimated for these diseases that—

In 1962, the direct costs of prevention, treatment, rehabilitation, facilities, etc., amounted to \$4.3 billion and the costs of estimated losses in the gross national product traceable to death and disability caused by these diseases was \$38.8 billion. These estimates do not cover hidden costs—special diets, special housing facilities, additional household help, etc.—much less the pain and grief diseases and death cause.

The response covering immunization grants notes that the total economic costs of measles and measles-related complications cannot be calculated but suggests that a program to eradicate the disease would cost less than the sum of direct costs for medical treatment and the financial losses incurred by local school districts in the form of State aid based on average daily attendance in the schools. A similar approach is adopted in the report on tuberculosis project grants.

In the case of venereal disease project grants, an estimate of direct costs of hospitalization is supplemented in the agency response by reference to indirect benefits in terms of effects on workers' productivity. The discounted total present value of syphilis eradication in the United States, based on data for 1962, is on the order of \$3 billion, according to an estimate by an independent analyst. This includes medical care expenditures.³³

For the Hill-Burton program of grants to aid in financing construction of hospitals and other medical facilities, the Public Health Service response identifies "measurable benefits" in three categories:

- (a) Greatly increased availability and accessibility of general hospital facilities;
- (b) Employment for construction workers; and
- (c) Employment of staff in health facilities and other economic activities represented by direct operating costs.

In the case of facilities for the mentally retarded—both university-affiliated facilities and community facilities—the response indicates the potential field of operation but does not assess actual or expected results. The report states that "vast sums" are expended currently for care and treatment of the 3 percent of the U.S. population who are mentally retarded, and, in addition, the Nation is denied a large

³³ The \$3 billion estimate is from Herbert E. Klarman, "Syphilis Control Programs," in Robert Dorfman (editor), "Measuring Benefits of Government Investments" (Washington, the Brookings Institution, 1965), pp. 404, 405.

amount of economic output because of the underachievement, underproduction, or complete incapability of the retarded persons.

A general statement on community health programs similarly illustrates economic effects by indicating the magnitude of economic costs and losses from accidents, dental decay and periodontal disease, and infectious diseases. Thus, national health survey data indicate that during 1963-64, infective and parasitic diseases (other than upper respiratory infections, such as the common cold and influenza, and common childhood diseases) caused losses of 20,735,000 days from work. Evidence is cited to suggest that improvements are being achieved through reductions in the incidence of various infections that can be credited directly to efforts at control and prevention. Benefits attributable to training in tularemia control during 1950-64, in the form of savings in medical expenses, wage loss, and related costs are estimated at nearly \$11 million. This is compared with expenditures of only \$3.5 million over the last 25 years for training in all vector-borne disease (including some 100 diseases besides tularemia).

Air pollution control and prevention is a subject of wide current interest and concern, with numerous and substantial economic ramifications. The response to the question on economic effects indicates only that present efforts to reduce or eliminate pollution will have varying influences on the economy, including some that will raise prices to consumers (as in the case of automobiles with control devices). It notes the possibility that some changes in manufacturing processes to abate pollution could make the processes more efficient or generate salable byproducts. The statement does not undertake further identification of economic aspects or assess their magnitudes.

The brief comment on economic aspects of the air pollution control program contrasts with a more extensive statement for the older water pollution control program (for which administrative responsibility was transferred in 1966 to the Department of the Interior). This statement notes that the conventional economic analysis of benefit-cost evaluation that is applied to all Federal water resource development projects is applied also to water pollution control, but the importance of health and esthetic aspects in water pollution control means that the analytical results are less conclusive than for other water projects. A study of pollution enforcement in the Colorado River Basin is cited to illustrate this situation. The statement on water pollution control does not give quantitative estimates or specific conclusions. It indicates that systematic studies of effects on public expenditure, employment, and income distributions are yet to be made, and that such studies are to be instituted in conjunction with comprehensive river basin studies now being made.

Food protection activities, the national shellfish sanitation program, and interstate carrier food and water sanitation controls are segments of public health activity in which impacts upon particular industries are direct and significant. The statements for these programs suggest that difficulties beset any efforts to estimate the number of cases of illness prevented. On the other hand, inferences about the importance of these programs may be drawn from estimates of losses incurred when illnesses actually do occur. Conservative estimates indicate that 1 million persons are made acutely ill each year by some foodborne health hazard and each loses 2 to 4 days of work, for a total

loss of more than \$60 million a year in productive time. For the water supply segment of the interstate carrier program, a different type of information is given, that is, that more than \$100 million was applied in the last 3 years to goods and services required for improvement of water supplies. The special engineering services program of the Bureau of State Services has its effects in, for example, improved standards which reduce the cost of residential plumbing installations, and in economies achieved through other types of technical standards, guides, and procedures in the field of environmental health.

The Division of Occupational Health in the Bureau of State Services—Environmental Health reported several examples of benefits from its work relating to occupational diseases and health hazards but commented that statistical data to measure the economic impacts are not maintained or available. Noting that no single agency or event can be isolated as the sole source of specified health improvements, the Division suggested that its research and investigations have made important contributions to prolonging the life expectancy of Americans at birth, reducing the sickness accident rate in industry to one of the lowest rates among major industrial nations, and increasing the number of professional health personnel employed by industry. In particular fields, it pointed to the reduction or prevention of silicosis, TNT poisoning, lead poisoning, mercury poisoning, and lung cancer in the chromate industry.

The National Institutes of Health reports on several programs concerned with mental health emphasize that mental illness and retardation are among our most critical health problems:

They occur more frequently, affect more people, require more prolonged treatment, cause more suffering by the families of the afflicted, waste more of our human resources, and constitute more financial drain upon both the public treasury and the personal finances of the individual families than any other single condition.

The total cost in public outlays for services in 1962 was about \$1.8 billion for mental illness and \$600 million for mental retardation. Indirect public outlays, in the form of welfare costs and wasted human resources, are said to be even higher; and, of course, the suffering of the afflicted and their families transcends financial statistics. Direct costs increased by 63 percent in the short period 1956-62. These estimates, attributed to the Blue Cross Association, are characterized as substantial understatements of the total economic cost of these afflictions.

Other aspects of the NIH programs are subject to similar comments although the economic and social costs of particular disease categories are smaller than for the broad fields of mental illness and retardation. A general answer to the inquiry about economic effects makes the point that NIH activities are directed to the conquest of disease and advancement of human well-being through medical research and the application of research findings, and that the furtherance of economic growth is not a central objective. The statement recognizes that the activities have direct effects on the economy through the employment of researchers and other workers, and that they also have indirect effects stemming from reductions in morbidity and mortality. The indirect effects may be of greater economic significance than the direct effects, because of wider implications for potential economic growth.

Notwithstanding "deep reservations concerning the full applicability of economic reasoning to health programs," the NIH report

recognizes that "the techniques and disciplines of economics may provide some insight for developing cost-benefit and cost-effectiveness analyses." Accordingly—

As a necessary prelude to a possible research effort in this area, NIH has supported a recent conference managed by the Brookings Institution. The purpose of this conference, attended by economists and public administrators, was to consider the feasibility of initiating a research program to measure the economic consequences of medical research. Recommendations of the conference will be submitted to NIH by the end of the year [1966] and will include a system of support. On the basis of these recommendations and other considerations, further steps may be undertaken.

Quite different from NIH in the economic relationships of the programs are the health insurance portions of the old-age, survivors, disability, and health insurance system (OASDHI) and the health and medical care portion of the Federal-State program of public assistance. Whereas NIH activities are concerned directly with the specific causes of ill health and means of prevention or cure, the health insurance and assistance programs offer mechanisms for financing the treatment of individuals who need medical care. For the health insurance and assistance programs, economic and financial relationships are central considerations.

The health insurance system (medicare) was not yet in operation when the Social Security Administration prepared its response to the human resources programs questionnaire. Accordingly, the response necessarily deals with prospective consequences of the new program and treats it in the context of the whole broad OASDHI system. It asserts that—

The health insurance protection for those 65 and over will not only assure better medical care for many older persons but will greatly ease the financial situation of younger families, as well as of the aged persons themselves.

Nearly all persons now 65 or over are eligible for the hospital insurance benefits and the voluntary supplementary medical insurance plan.

Similarly, the major new expansion of health assistance as part of the public assistance system was not yet underway when the Welfare Administration prepared its response. The earlier law included provisions for giving medical assistance to persons on the federally aided public assistance rolls and to aged persons who were unable to pay for medical care although they were not otherwise in need of public assistance. The new authorization, enacted in 1965, establishes a single matching formula for medical assistance for all persons receiving federally aided public assistance payments and for certain other medically needy persons in all age groups. This new program is generally called "medicaid." In the statement in part III, neither the earlier provisions for payments to vendors nor the new program of medicaid is discussed separately from the public assistance program as a whole. The earlier program of medical assistance for the aged is, however, described in an appendix to the Welfare Administration response.

The immediate substantial impact of the "medicare" insurance system is suggested by the magnitude of estimates included in the budget transmitted to Congress in January 1966. Payroll tax collections and related receipts of the hospital insurance trust fund in the fiscal year 1966 were then estimated at \$856 million (actual receipts

in the fiscal year proved to be \$862 million), and in the fiscal year 1967, at \$2,731 million. Benefit payments did not begin until the fiscal year 1967; in fact, nursing home benefits would not be provided until the middle of that fiscal year, January 1, 1967. The budget estimates of January 1966, indicated that expenditures from the hospital insurance trust fund in the first fiscal year of benefit payments, 1967, would be \$2,426 million.

Premium collections and benefit payments in the separate Federal supplementary medical insurance trust fund (the voluntary insurance program for payment of physicians' bills) also did not begin before the fiscal year 1967. The estimates for that fiscal year were for a total of \$1,104 million in receipts, about half in contributions from general Federal revenues; and \$899 million of benefit and other payments from this trust fund.

Hospital and medical insurance for railroad workers and their beneficiaries aged 65 or over is provided jointly by the Railroad Retirement Board and the Social Security Administration, in a program substantially the same as the medicare program of the Social Security Act. The Railroad Retirement Board reported, in its response to the inquiry on human resources programs, that information about economic aspects of the health insurance system was not yet available.

Besides the new hospital and medical insurance program, the Railroad Retirement Board operates an older sickness insurance system for the industry. Cash benefits are paid to workers during periods of illness (including maternity sickness). This program is operated in conjunction with the unemployment insurance systems. These benefit payments, like the unemployment benefits, are primarily directed to maintenance of family incomes.

The Civil Service Commission administers a staff system of employees' health benefits for Government personnel. This is an insurance program in which the employees pay most of the premiums and their employing agencies pay a part. Employees may choose among several types of coverage that provide either services or reimbursements for expenditures, or they may choose not to be in the insurance system. The Tennessee Valley Authority response in part III of this report describes the similar but separate employees' hospital and medical insurance plan operated by that agency.

All Federal Government departments and agencies with 300 or more civilian employees in any one area provide limited health services either in their own health rooms or in facilities operated for them by the Public Health Service. Services include treatment for illness or accidents at work and physical examinations for employment. Expenditures for these on-the-job services are included in other overhead outlays of the several departments and agencies and are not identified separately in any of the program descriptions excepting that for the TVA. The TVA statement describes its employee health-industrial hygiene services which have been operated since 1936 as means of enhancing productivity.

Major Federal programs in the health field are administered by the Department of Defense and the Veterans' Administration, which provide by far the largest part of the direct hospital care or medical treatment given in Federal Government facilities. In hospitals operated by these two agencies and the Department of Health, Education,

and Welfare are almost 10 percent of all hospital beds in the United States. In the fiscal year 1967, the total number of operating beds in Federal Government facilities is as follows (estimates in the 1967 budget):

Veterans' Administration (including 3,000 nursing home beds).....	120, 034
Department of Defense.....	61, 858
Department of Health, Education, and Welfare.....	15, 220
Other agencies.....	3, 159
<hr/>	
Total, Federal Government hospitals, operating beds.....	200, 271

Prior to the fiscal year 1967, hospital and medical care in Federal facilities accounted for the largest part of Federal expenditures for medical and health-related activities. In estimates for the current year, however (as shown in table 8, earlier), the large new medicare insurance program and medicaid grants under public assistance raise the total of expenditures for Federal grants and payments for hospital and health care in non-Federal facilities to a sum surpassing the amount for direct care in Federal facilities. Federal Government expenditures in fiscal 1967 for hospital and medical care in Federal facilities are estimated at \$2.4 billion, compared with \$4.6 billion for care in non-Federal facilities.

More than one-sixth of the population of the United States is potentially eligible for direct hospital care and treatment in Federal facilities. The largest single group of eligibles is approximately 22 million living war veterans, including some 2 million with service-connected disabilities. For this group, however, hospital care for ailments not related to military service is provided only to the extent that the veteran certifies that he is unable to pay for his care in private facilities.

In commenting on economic effects of the veterans' hospital programs and related domiciliary and nursing home care, and related community nursing care provided at Government expense, the Veterans' Administration indicated that it had no means of assessing the impacts:

We can merely state * * * that an expenditure in the magnitude of more than \$1 billion on an annual basis * * * has a very considerable impact in every segment of the country in which these funds are used.

The Department of Defense operates an extensive medical care program for military personnel and their families. The primary purpose is to maintain the health of the Armed Forces. A secondary purpose is to provide services to dependents who otherwise might not receive adequate care, and, through this assurance, to promote good morale among military personnel. Active duty and retired uniformed service personnel numbering 3.2 million and their 5.6 million dependents are covered by this program. Expenditures for military and dependents' medical care exceed \$1 billion a year.

Like the Veterans' Administration, the Department of Defense reported that the overall economic effects of the medical care program are difficult to determine. The Department noted that the program reduces pressures on civilian medical facilities, which are themselves experiencing difficulties in caring for the civilian workload. It mentioned also that retired personnel tend to settle near military medical installations, thus benefiting nearby communities.

Both the Department of Defense and the Veterans' Administration mentioned that communities adjacent to Government hospitals derive

economic benefits from the salaries of Government personnel employed in the installations.

Besides military personnel, their families, and veterans, other groups eligible for medical care administered directly by the Federal Government are 380,000 American Indians and natives of Alaska, 118,000 American seamen, 21,500 inmates of Federal prisons, civilians in the Panama Canal Zone, narcotics addicts, and patients with leprosy.

As table 8 shows, research is the third largest category of health-related Federal Government expenditures, with \$1,448 million estimated for the fiscal year 1967. Of this sum, \$1,325 million is for the conduct of research, and \$123 million for research facilities. Most health-related research expenditures are made by the NIH, but other units of the Public Health Service and several other Federal agencies contribute to the total. Sizable health and medical research expenditures outside the Department of Health, Education, and Welfare are made by the Department of Defense, Atomic Energy Commission, National Aeronautics and Space Administration, and National Science Foundation. By far the largest part of the Federal outlays for health-related research are for extramural work, performed in universities, medical schools, laboratories, clinics, and other research centers outside Government establishments.

Outlays for research training generally are not included in the foregoing totals but are combined with other health-related training in a separate category in table 8. Research training and other health-related training expenditures were estimated at \$546 million for fiscal 1967.

The primary importance of the Federal Government as a source of research financing is indicated in table 11, covering all U.S. expenditures for the conduct and support of medical and other health-related research during the fiscal years 1960 through 1966. Expenditures for research facilities and for research training are not included. During this period, national expenditures for performing research in this field rose from \$845 million to more than \$2 billion a year, and the Federal Government share of the total advanced from 53 percent in 1960 to 66.5 percent in 1966.

TABLE 11.—National expenditures for performance of medical and health-related research, by source of funds, fiscal years, 1959–60 through 1965–66

[In millions]

Source of funds	1960	1961	1962	1963	1964	1965 ¹	1966 ¹
Total	\$845	\$1,045	\$1,290	\$1,486	\$1,652	\$1,825	\$2,050
Government	471	604	819	964	1,099	1,230	1,425
Federal	448	574	782	919	1,049	1,175	1,364
State and local	23	30	37	45	50	55	61
Industry	253	312	336	375	400	435	460
Private support	121	129	135	147	153	160	165
Foundations and health agencies	76	77	78	85	88	90	90
Other private contributions	12	15	18	21	22	25	28
Endowment	19	19	19	19	19	19	19
Institutions' own funds	14	18	20	22	24	26	28

¹ Preliminary estimates.

Source: Resources Analysis Branch, Office of Program Planning, National Institutes of Health, Department of Health, Education, and Welfare Appropriations for 1967, Hearings before House Subcommittee on Appropriations, 89th Cong., 2d sess., pt. 4, p. 179. Reproduced in Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966, as table 6.

It should be noted that the amounts attributed to the Federal Government in this table are larger than the budget expenditures for conduct of medical research shown in table 8 for the fiscal years 1965 and 1966. Table 11 is based on an annual survey of Federal agencies conducted by the National Institutes of Health; amounts reported for both these years in this table are preliminary estimates.

Quoted earlier in this section is the NIH reservation concerning the applicability of economic reasoning to health programs. The response suggests that there may have been a misconception of the purpose of the inquiry. In any case, the general NIH comment on the economic effects of human resources programs points out that the direct effects of research and construction programs are not particularly different from those of other Federal programs for which there is a similar combination of personal services, equipment, and construction. The answer seeks, however, to distinguish the direct economic effects of research programs of the NIH from those of other Federal agencies, by implying that the larger programs of other agencies which focus on the introduction of new products or hardware may involve the direct employment of more workers and the use of larger volumes of other resources, or the employment of different categories of workers and resources. This is not, however, a qualitative distinction between programs.

The committee questionnaire, incidentally, did not propose or seek a distinction between "direct" and "indirect" effects. Nor did the questionnaire suggest that the economic effects of a Government program are more important than its noneconomic effects, though it did single out the economic effects as the subject of this inquiry. The questionnaire sought information about "Federal programs that involve investment in people"—information that would enable the committee to indicate "the effects of the programs on the functioning of the economy."

As to indirect economic effects, the reasons there have been little intensive investigation are summarized in the NIH response as follows:

Inherent conceptual and statistical difficulties, lack of general interest on the part of economists, and (perhaps of greater significance) deep-seated convictions on the part of many competent observers and dedicated administrators of programs in the health sciences that the achievement of better health is in itself a complete rationale for the Nation's health effort.

As already noted, the NIH reported that, notwithstanding the expressed reservations about the usefulness of economic reasoning in matters of health research, it was, in fact, awaiting a conference report on the feasibility of initiating a research program to measure the economic consequences of medical research and that it expected to have "a system of research priorities and recommendations for mechanisms of support."

Reference has been made to a study of the NIH which included an examination of economic and other criteria for determining levels of Federal support of health research. This memorandum made the point that research, as a venture into the unknown, is necessarily a risky enterprise, in which the most likely outcome is that a new fact—will turn out to be like a musician, adding a good deal of interest to the world but contributing no great wealth.

However, some medical researches have paid off spectacularly in past years and on the average our Nation has enjoyed a very high economic return on medical

research * * *. [Several] examples indicate that it is impossible to guarantee and difficult to predict what medical research will prove to be of economic importance but that some medical research has been extremely "profitable" in the sense that limited funds invested in research and development have yielded very substantial costs savings.

* * * * *

What will the next decade's research bring? Nobody knows. Past experience lends some credence to the estimate that 1 year's increase in the life expectancy of the labor force, plus 1 day's decrease in working days lost due to illness, are plausible expectations. These gains would add 1.3 percent to our labor force. Assuming * * * that the GNP is proportional to the labor force, such a gain would today be "worth" \$8 billion annually to our economy, and would return \$1.6 billion annually to the Public Treasury.

* * * * *

The cost of medical research is only part of the cost of a medical advance; we need doctors and hospitals and pharmaceutical products and many other people and facilities to use any new knowledge. However, in the case of poliomyelitis, the cost of research was the dominant cost, and research may well be the dominant cost for other new developments.³⁴

Analyses of the kind just quoted serve as powerful justifications for health-related research—if justification is indeed required at this stage in U.S. history. But they provide comparatively little guidance for judgments about the central questions of public policy. These questions concern (1) the point at which other uses of resources may be socially as important and as promising as health research, and (2) the most effective possible deployment of resources within the broad field of health research.

A conference specifically devoted to the economics of health research was held in 1964 under the auspices of the chairman of the President's Council of Economic Advisers and at the request of the President's Commission on Heart Disease, Cancer, and Stroke. The economists were asked to discuss criteria for allocating support to research, training, and patient care, as well as to research by disease categories. The discussion was organized around half a dozen major questions, each with many subquestions. These principal questions merit quotation as a way of identifying types of problems that must be considered in assessing the economic aspects of medical research:³⁵

(1) How much can this Nation afford to spend, or how much should it spend, on medical research?

(2) Are there any economic criteria for determining the proper roles of the several levels of government in financing medical research?

(3) Are there criteria to guide the allocation of funds between general and specific medical research?

(4) How should one handle certain complicated aspects of the economic calculation, such as the value of pain and grief, the implications of interrelated diseases, and failure to apply new knowledge?

(5) What can be done to bring together the Federal Government's interests in medical research and in educating and training personnel?

(6) Can economists offer any guidance on the respective merits of project versus program research financing?

The conferees did not provide definitive answers to all these questions; the discussions did, however, produce some reformulations, subsidiary queries, and cogent observations or insights that might serve as steppingstones for further analysis.

³⁴ Dr. Joseph B. Platt, loc. cit.

³⁵ The questions are from "Source Paper: Conference on the Economics of Medical Research," in "President's Commission on Heart Disease, Cancer, and Stroke, a National Program to Conquer Heart Disease, Cancer, and Stroke," vol. II, February 1965, pp. 631-644.

Further economic questions, not covered directly in the foregoing list, concern the rising costs of research activity and the estimation of potential results.

It has been observed that medical research has been greatly spurred by public interest in a faster flow of research findings and their application. It has been spurred also by tremendous and rapid technological strides that now permit investigators to probe and discover significant new knowledge in areas where a few years ago they could only ruminates. Public interest and technical advances, however, are not the only major forces involved in the increased level of research outlays. The cost of conducting a given quantity of research (however "quantity" is to be defined in this context) also appears to have risen rapidly. Maintenance of a given level of research effort apparently requires a larger financial commitment with each successive year. Advancing costs are not at all peculiar to health-related research. The problem is that for the health field, as for other fields of research, there appear to be no specialized cost indexes or other guides whereby real outlay may be compared from year to year. We may be sure that a general-purpose price index is not a dependable measure for estimating how many more technicians' man-years or other units of resources and effort this year's health-research appropriations will buy than were obtainable with appropriations of prior years. Presumably a special index could be devised to measure these relationships, though the task would be exceedingly complex.

More difficult conceptually, and perhaps unattainable in practice, is another type of explicit measurement which would be of great help to administrators and legislators concerned with our health research programs. Apart from dollar costs and numbers of researchers engaged, there are no standard units for measuring research effort and, of course, none for assessing research output. The findings, products, discoveries, insights, and applications that flow from research seem to defy quantitative summary. Yet each decision on research financing requires implicit judgments about the comparative return to be expected from given increments of research effort. When action is taken to increase the manpower, equipment, and other resources allocated to any given field of research, an impressionistic or intuitive judgment is necessarily made, to the effect that knowledge will be significantly increased, that the additional knowledge will be at least commensurate with the additional effort, and that no part of the incremental effort is apt to prove more productive if devoted to applications of present knowledge instead of the search for new knowledge.

With the national health research effort measured in billions of dollars and employing thousands of scientists and technical assistants, it is now more important than ever that we seek to make explicit the multitude of factors and the variety of questions that are involved in decisions affecting the magnitude and orientation of these efforts.³⁶

All these questions concern economic aspects of medical research. Some call for evaluations from the special point of view of medical re-

³⁶ On questions raised here, see also the report (cited at p. 59) of the Senate Committee on Government Operations, Subcommittee on Reorganization and International Organizations, 87th Cong., 1st sess., S. Rept. 142, pp. 90-93. See also the introduction to the National Science Foundation general answer to question 9, in pt. III of this report.

searchers and educators; others call for economic analysis and comparisons. Even tentative judgments on the specific issues would contribute to better informed public decisions on broad questions involving the extent and direction of support to be given to health-related research activities.

There is a popular expectation—indeed, a national hope, as evidenced in a long history of favorable congressional actions on the subject—that medical research is a major highway that can lead to outstanding opportunities for beneficial national investment in people. Comparative assessments, developed in detail, might enlighten the many choices that must be made by the Congress, the Executive, and program administrators—choices among the many attractive avenues of inquiry that compete for exploration.

INCOME MAINTENANCE AND FAMILY SUPPORT

Most Federal Government expenditures for income maintenance and family support take the form of cash disbursements—benefit payments to individuals, such as old-age, survivors, and disability insurance benefits; or grants to State and local governments for redistribution by them to individuals and families, as in the case of public assistance benefits.

The payments made directly to persons are classified in national income accounts as Federal Government transfer payments. Those made by State and local governments, with the help of Federal financing, are considered State and local government transfer payments. Unemployment insurance benefits, though financed largely by State-imposed payroll taxes, are counted among Federal Government transfer payments. The concept of transfer payments is defined in an earlier section.

Some of the Federal payments in the income maintenance and family support programs are for the purchase of commodities or redemption of food coupons made available to needy families and individuals.

Under the medicare hospital and health insurance programs, the Federal Government either directly or through intermediary contracting agencies reimburses hospitals and other suppliers of health care and services to insured persons. These Federal Government expenditures are transfer payments in national income accounts.

The public assistance grants to State and local governments similarly are applied in part to pay insurers and suppliers of health care and services for public assistance beneficiaries and for other eligible persons who are medically indigent. The final outlays appear in national income accounts among State and local government purchases of goods and services.

Low-rent housing programs, housing for the elderly and handicapped, and rent subsidies for low- and moderate-income families also are named as programs for income maintenance and family support in the list that follows.

For income maintenance and family support programs, as with each of the other broad categories by purpose, it has not been possible to recapitulate Federal expenditures for the designated programs from the questionnaire responses. Each program named below is, however, described in part III of this report. Several are listed for other broad categories of purpose, as well as for income maintenance and family support.

The annual budget carries no single classification or analysis that is as comprehensive as the category defined here, and it is difficult to compile a reasonably comparable group of subfunctions or programs from budget summaries.

Office of Economic Opportunity:

Rural loan program.

Work experience program (also listed for education and training).

State Department:

Foreign Service retirement and disability system.

Treasury Department:

Coast Guard retired pay.

Department of Defense:

Retired pay.

Mustering-out pay and other similar allowances.

Programs to assist employees affected by base closures, consolidations, and reductions (also listed for environmental improvement).

Department of the Interior:

Indian welfare (also listed for environmental improvement).

Employment assistance for Indians (also listed as primarily for education and training).

Indian Arts and Crafts Board (also listed for environmental improvement).

Indian credit and financing program (also listed for environmental improvement).

Bureau of Commercial Fisheries: Fisheries loan fund.

Department of Agriculture:

Consumer and Marketing Service: Commodity distribution program (also listed as primarily for health and also for environmental improvement and education).

Food stamp program (also listed for environmental improvement and for health).

Department of Labor:

Trade adjustment assistance program (also listed for environmental improvement).

Unemployment insurance program.

Minimum wage program (also listed for environmental improvement).

Department of Health, Education, and Welfare:

Social Security Administration: Old-age, survivors, disability, and health insurance (also listed as partly for health).

Welfare Administration: Grants to States for public assistance (also listed as partly for health).

Administration on Aging: Foster grandparents program (also listed as primarily for environmental improvement).

Department of Housing and Urban Development:

Housing for the elderly and handicapped.

Federal Housing Administration:

Below market interest rate rental housing program for low- and moderate-income families.

Housing for the elderly.

Public Housing Administration programs.

Civil Service Commission:

Civil service retirement program.

Federal employees' group life insurance.

Railroad Retirement Board:

Railroad employees retirement, survivors, and disability insurance.

Railroad unemployment insurance and sickness (temporary disability) insurance (also listed as partly for health).

Tennessee Valley Authority:

Group accident insurance program.

Retirement system.

Veterans' Administration:

Compensation and pension program.

Insurance and indemnity programs.

Soldiers' and Sailors' Civil Relief Act of 1940, as amended (protection of private life insurance policies).

This list is dominated (in terms of amounts involved) by programs which make up the "social insurance" and "public aid" categories of social welfare expenditures under public programs, as shown in the Federal Government section of table 2 in this report. Also included in the list are the large items of veterans' compensation and pensions and veterans' insurance and indemnity programs which are in the "veterans' programs" section of the social welfare series. Several items named here as income maintenance and family support programs are not in the social welfare series.

The Joint Economic Committee in the annual report for 1966 observed that the interest in income maintenance proposals attests to a recognition that the care of those who are unable to participate fully in the economic life of the Nation is a public responsibility. We noted in that report that transfers of income from higher income families to lower income families through organized public and private programs of income maintenance and social welfare expenditures totaled more than \$46 billion in 1965. This was a reference to a summation by the Social Security Administration, reproduced here (in a later revision) in table 12. Preliminary estimates for the fiscal year 1966 indicate total public expenditures of nearly \$52 billion for organized programs of income maintenance and welfare services.

TABLE 12.—*Expenditures from public and private funds for organized income-maintenance and welfare service programs, selected fiscal years, 1949-50 through 1965-66*

[Amounts in millions]

Source of funds	1950	1955	1960	1961	1962	1963	1964	1965	1966 ¹
Total amount (excluding expenditures for health).....	\$12,149	\$18,616	\$31,990	\$36,157	\$39,036	\$41,377	\$43,594	\$46,046	\$51,944
Public expenditures.....	10,499	15,871	27,357	31,064	33,488	35,352	37,152	39,131	44,399
Social insurance.....	4,678	9,519	18,837	21,887	23,679	25,034	26,371	27,442	31,224
Veterans' programs.....	2,946	2,908	3,744	4,018	4,189	4,366	4,504	4,673	4,967
Public aid.....	2,445	2,791	3,609	3,856	4,133	4,295	4,494	4,810	5,204
Other welfare programs ²	430	653	1,167	1,323	1,487	1,657	1,783	2,206	3,004
Private expenditures.....	1,650	2,745	4,633	5,073	5,548	6,026	6,441	6,915	7,545
Employee benefit plans.....	965	1,895	3,545	3,910	4,330	4,770	5,145	5,580	6,045
Philanthropy.....	685	850	1,088	1,163	1,218	1,256	1,296	1,335	1,500
Percent of total:									
Public expenditures.....	86.5	85.2	85.4	85.9	85.7	85.4	85.1	84.9	85.4
Private expenditures.....	13.5	14.8	14.6	14.1	14.3	14.6	14.9	15.1	14.6

¹ Preliminary estimates.

² Includes public housing.

Source: Table 12 is a reproduction of table 10 from Ida C. Merriam, "Social Welfare Expenditures, 1965-66," Social Security Bulletin, December 1966.

NOTE.—Federal Government expenditures included in public expenditures in this table are those shown in corresponding entries in table 2, above, in the section headed, "From Federal funds" (with expenditures for health omitted from table 12).

The public expenditures in these programs—Federal, State, and local governments together—comprise 85 percent or more of the reported totals and have held that ratio in each reported year. Private programs make up the remainder. As the Social Security Administration has pointed out, however, private expenditures for organized

income maintenance and welfare service programs—the expenditures reported in table 12—do not cover the whole range of income maintenance. Retired persons, disabled earners, and widows and orphans have sources of support that are not identifiable in statistics of income flows and therefore are not represented in the totals.

Moreover, public-private comparisons are complicated further by tax considerations. Federal and State tax systems extend direct advantages to incomes of families whose earning power is affected by age or infirmity or is spread thin in supporting a large number of dependents. Also, private programs enjoy substantial tax benefits.

In this connection, it should be noted that the Joint Economic Committee has given attention to various questions that have been raised about the income maintenance system of the United States. Partly as background for its consideration of public policy issues in this field, the committee has in recent years published studies of the status of low-income families in relation to economic growth, income distributions in the United States, and European social security systems. Currently the committee is studying selected aspects of private pension programs, as a basis for assessing their role in the income structure.

It may be significant that aggregate public and private expenditures for organized maintenance and welfare service programs have grown faster than the GNP over the past 15 years—and that the growth in the private sector relative to GNP has been the more rapid. Private expenditures reported in the table rose from 0.3 percent of the GNP in 1950 to 0.7 percent in 1955, passed 1 percent in 1961, and were estimated at 1.1 percent in 1966. Public expenditures—Federal, State, and local together—rose from 4.0 percent of GNP in 1950 to 5.5 percent in 1960 and fluctuated at 6.0 to 6.2 percent during 1961–66.

In the public programs, the maturing and extensions of coverage of the old-age, survivors, and disability and the unemployment insurance systems, first established on a much smaller scale in the depression of the 1930's, have been major factors in providing assured minimum incomes to millions of our people at times of special need. In an increase of nearly \$34 billion in public expenditures for income maintenance and welfare service programs from 1950 through 1966 (as shown in table 12), some \$26.5 billion was in the social insurance programs. In the years immediately ahead, the medicare program will be a major new element.

Now there is growing public attention focused on more effective governmental provisions to maintain or provide minimum levels of income. This includes measures to bolster the OASDHI and unemployment insurance systems. It may involve substantial reorientation of public assistance. It may require new comprehensive programs. There is growing recognition that every family or individual should have access at all times to purchasing power that will assure a socially acceptable minimum level of support; and that, to this end, steps should be taken to establish an effective income floor for all those who are incapable of self-support, whether by reason of age, ill health, physical or mental impairment, family burdens, or other handicaps.

The recent report of the Advisory Council on Public Welfare, appointed by the Secretary of Health, Education, and Welfare, began with the following comments:

Public welfare is the only governmental program operating in the United States today which has as its assigned task the provision of an ultimate guarantee

against poverty and social deprivation. Its role in society is to assure to individuals, families, and communities the recognized basic essentials of living within a framework of related governmental and voluntary measures.

The Council observed that—

All societies in order to survive must make provision for these needs within the limits of their resources and social pattern. The United States is, however, distinguished from other countries in the degree to which unprecedented resources combine with the unprecedented interdependence to make such basic protections both possible and essential.

The very concept of a guarantee requires that it be available to all it is intended to protect, be adequate to their needs, consistent with the standards of the society in which they live, and available on a dignified basis as a matter of legal right.

Today * * * our public welfare provisions fall short on all these counts.³⁷

Others have proposed measures that would reduce our reliance upon public assistance by meeting the minimum income needs of many more people in other ways. The best way, of course, is to improve the employability and productive capacities of individuals and to open sufficiently remunerative employment opportunities to all persons. Yet the vicissitudes and complications of life inevitably mean, even in a full and fair employment economy, that some people will continue to need incomes larger than the largest sums they can derive from either current employment or the fringe benefits of past employment of members of the family unit. Consequently, public measures become essential when earnings, pensions, social insurance, or other resources do not suffice for basic needs. It is clear from current public debate that the economic effects and impacts of existing programs need to be more thoroughly evaluated; and that the desirability and feasibility of new proposals need to be carefully studied.

We turn now to several major elements in the existing program structure, as described in part III. The response of the Social Security Administration contains interesting comments on the economic role of the old-age, survivors, disability, and health insurance system (OASDHI).

Since this is the program to which most Americans look for their major protection when work income is cut off or sharply reduced because of old age, death, or disability, or when health costs are high in old age, there can be little doubt that the comprehensive OASDHI system has a considerable impact on the American economy. It contributes to individual economic security and to the overall economic stability of the Nation.

Benefits under the system are expected to approach \$24 billion in the fiscal year 1967. By the calendar year 1970, contributions will amount to \$32 billion and benefits to \$27 billion under present law. Even in the burgeoning U.S. economy, these are substantial sums. Benefits in 1970 will equal very nearly \$1 in every \$20—5 percent—of all consumer expenditures.³⁸

A nationwide survey of the aged in 1963 showed, as had earlier surveys, that benefits from old age, survivors, and disability insurance were practically the only source of income for about one-fourth of the beneficiaries—almost one-fifth of the aged couples and more than one-

³⁷ The Advisory Council on Public Welfare, "Having the Power, We have the Duty," report to the Secretary of Health, Education, and Welfare, June 29, 1966, pp. xi, xii.

³⁸ Roughly calculated by adjusting the \$27 billion of estimated benefits in 1970 to 1958 dollars in terms of the implicit price deflator for total GNP (Economic Indicators, December 1966, p. 2) and comparing this amount with the range of estimated personal consumption expenditures shown in U.S. Department of Labor, Bureau of Labor Statistics, "Projections, 1970: Interindustry Relationships, Potential Demand, Employment" (Bull. 1536, 1966), p. 35.

third of the unmarried recipients. Some 5 million aged beneficiaries had total incomes below the poverty level in 1964 (that is, below \$1,500 for a single person and \$1,850 for a couple). About 5½ million were kept "out of poverty"—that is, above these low income levels—by their social security benefits. Only about one-fourth of the recipients had enough income from other sources to live above this level in the absence of OASDI benefits.

Beginning with payments for October 1966 the number of elderly recipients was increased by almost one-half million persons for whom benefits were authorized by the Tax Adjustment Act of 1966. This law provides special monthly cash payments to any person aged 72 or older who is not eligible for regular OASI benefits and is not receiving public assistance cash payments. These special benefits, at a rate of \$35 a month for a single person and \$52.50 for a couple, are financed from general funds and not from social security contributions except for those persons (less than 1 percent in the first month) who have three quarters or more of OASI coverage. The payments are subject to offsetting reductions in the cases of persons who receive a pension, retirement benefit, or annuity (other than workmen's or veteran's compensation) under any governmental pension system.

A more limited special provision, enacted in 1965, provided monthly benefits for men and women aged 72 or over on the basis of three to five quarters of covered employment. Under this provision, more than 125,000 persons were drawing benefits in October 1966.

Including these new groups of beneficiaries, 15.3 million persons aged 65 or older were receiving monthly OASDI benefits at the end of October 1966. This was five-sixths of the whole U.S. population aged 65 or over. Most of the others were eligible to draw benefits when they or their husbands stopped working. Of those not eligible, a large proportion received old-age assistance.

The regular OASDI system also provides cash benefits to millions of persons who are under age 65. The number of workers aged 62 to 64 who were drawing benefits under early retirement provisions was close to 2 million at the end of October 1966—an estimated 667,000 men and 1,299,000 women. At this time, 3.4 million children and 489,000 widowed mothers were receiving monthly survivors' payments.

In summary, by October 1966 there were 15.3 million beneficiaries aged 65 or older, 2 million aged 62 to 64, and 5.2 million younger recipients. The OASDI system was providing regular monthly cash income for 22.5 million persons—one of every nine Americans. (Numbers reported in the Social Security Administration response in part III are for the end of 1965, almost a year earlier in a period in which record numbers of benefit applications were approved.)

The hospital and health insurance program added to the number of beneficiaries in the older group, since some persons aged 65 and over (an estimated half-million through September 1966) established eligibility for health benefits without taking monthly income payments.

Surveys of recipients indicate that the disabled workers have almost no earnings of their own and usually have little in other resources besides their social security benefits. Fatherless families receiving the payments are financially more secure than most other fatherless families because of the assured income. For almost two-thirds of the survivor families in a 1963 survey, OASDI benefits were the largest source of income.

Health insurance protection—which became effective about the time the response was prepared—was expected to decrease the need of aged persons for public assistance. It was expected to ease considerably the financial situation of younger families, as well as of the elderly persons themselves. Preliminary reports indicate that in the first 6 months in which benefits were available, some 2½ million persons will have received hospital care with a substantial part of their expenses insured under this program, and some 3½ million will have had help in meeting physicians' bills.

The program as a whole results in a transfer of income from persons with current earnings to those with little or no earnings. For the individual, income is transferred from periods when he is earning to periods when his earning capacity is eliminated or reduced. The employer payroll taxes that provide part of the financing for these income transfers may be shifted to consumers to some extent in higher prices, thus reducing slightly the apparent redistribution of income.

The income transfers appear to be primarily from middle income groups to lower income and lower middle income groups, with little impact on high-income brackets. This likelihood results from a combination of several factors—a limit (now \$6,600 a year) on earnings taxable for OASDHI; the absence of exemptions from taxable earnings; and the formula for determining individuals' cash benefits which gives greater weight to low average earnings than to high ones within the taxable limit. The agency response cites a study which supports this generalization; it suggests the need for further research on redistributive effects of the system.

The OASDI program (now reinforced by the health insurance program) probably has increased labor productivity, though clear evidence on this point may be unattainable. At least three possibly favorable effects on productivity are indicated. First, a worker's knowledge that he will at least not face destitution in old age or if he becomes totally disabled, and that his death would not leave his family entirely without income, probably promotes his sense of security and his efficiency. Second, the withdrawal of workers from the labor force by retirement at age 65 or earlier changes the composition of the labor force. Earlier retirement has made possible the increased employment of women and teenagers. Although younger workers have less experience, they generally have greater educational attainments than most of the older generation. Also, dependent beneficiaries who might have been compelled to seek jobs as soon as a parent died or was disabled have been enabled by the benefit payments to continue their schooling. Third, to the extent that the OASDHI program is likely to encourage labor mobility (whereas private pension and insurance plans often tend to discourage movement), it can be argued that the program contributes to the efficient allocation of workers and thereby increases the productivity of the labor force as a whole.

Movement of elderly persons to Florida, California, and other areas with mild climate is one of the more conspicuous byproducts of OASDI. In general, the system has stimulated demand for goods and services consumed by elderly persons; this may have been offset to the extent that employed workers contributing to the trust fund have commanded less current purchasing power. It is possible that, in the absence of the social security system, younger families would

have increased their individual savings (or private retirement funds might have grown) even more than they actually have done in the last few decades—but this is a conjecture not easily verified.

In any case, the housing industry in all areas has responded to the increased ability of many OASDI recipients to maintain separate households instead of living with relatives or in roominghouses or institutions. This response has been aided by special Government programs in the field of housing. Nursing homes and other institutional arrangements for the elderly also have felt the increased effective demand of older persons with assured incomes—and these institutions, public and private, also, have had some help from other Government programs.

The health insurance program is increasing the amounts spent on medical care of the elderly. Because of limitations of professional manpower and facilities, this cannot all be an immediate net increase in the aggregate health and medical care expenditures of the Nation, but the pressures of need, reinforced by a new and steady source of effective purchasing power, will almost surely evoke a further expansion in the proportion of our national resources devoted to health care.

No clear consensus has emerged as to the effect of the employer portion of the payroll tax. This constitutes a nearly universal cost of doing business in the United States. It might therefore be considered an encouragement to employers to introduce laborsaving machinery, particularly in labor-intensive industries. There is little tangible evidence that the tax has had this effect. The pressure of the tax is, of course, only a fraction of the inducement generated by the wage payments on which it is based. Also, it may be presumed that employers who are able to shift the tax to customers or employees will do so, thus avoiding the real burden. Scheduled advances in the tax rates, and future legislation further raising rates and the wage base, might increase the relative importance of the employer's tax in economic decisions. In any case, the economic significance of payroll taxes for social security is a subject that merits intensive analysis as a basis for future judgments relating to changes in the financing of social security and to the formulation of general fiscal policies which will contribute most to economic growth and stability.

The OASDI system is regarded as one of the major automatic stabilizing influences in the U.S. economy. It exerts this stabilizing influence primarily by supporting consumer demand, reducing the amplitude of cyclical changes in the aggregate of consumption. During a decline in business activity (or a period of deceleration in the rate of growth), benefit payments increase because workers who are of retirement age or disabled may be forced out of employment or into part-time jobs. At the same time, OASDI tax collections slow their rate of increase or may decline because of curtailments in employment and payrolls. Conversely, in the upswing of the cycle (or in periods of accelerating growth), persons eligible for monthly benefits are able to take advantage of increased employment opportunities and postpone retirement. In such periods, trust fund income rises more rapidly than benefit payments because of expanding employment.

Social policy has to concern itself with the desirability of retirement compared with continued full-time or part-time employment for the elderly. The present "retirement test" based on earnings after age

65 is a complicated and ambivalent approach to this problem. It presents a policy issue that has never been fully resolved.

The OASDHI financing system also has impacts on the Government bond market and debt operations. To the extent that trust fund expenditures exceed receipts and require liquidation of some Government bonds during a period of economic slowdown, or the receipts exceed expenditures and require purchases of Government bonds during an upswing, the program may accentuate cyclical movements in the money markets. Sales of bonds, for example, decrease supplies of loanable funds and push up interest rates; purchases of bonds have the reverse effect. These effects can be, and probably are, offset by monetary policy, but they add to the task of monetary policy.

In its earliest years, the old-age system began accumulating a sizable balance while paying few benefits. This exerted a deflationary influence and was held by many analysts to have intensified the depression of the late 1930's. The large-reserve plan was soon modified; since 1940 annual increments to the fund balance have been comparatively limited. The largest appear to have been \$1.9 billion in each of the calendar years 1950, 1952, and 1954. During this period, 1950-54, the fund balance grew from \$12 to \$21 billion.

During 1958-65, the combined OASDI funds had disbursements exceeding income (including interest income) in 4 of the 9 calendar years—1959, 1961, 1962, and 1965. The largest year-to-year reduction in combined balances was \$1.5 billion in calendar 1962, and the next largest, \$1.3 billion, in 1965. In the fiscal year 1966, there was a reduction of \$629 million. For the fiscal year 1967, the budget indicated that these trust funds (omitting the new hospital and health insurance funds) would increase their assets by an estimated \$1.4 billion, out of total receipts of more than \$23 billion. The fund trustees indicated in their 1966 annual report that the fund balances, estimated under present law, will increase in the fiscal year 1970 by \$5 billion, to a total balance above \$31 billion. The \$5 billion addition to reserves would equal more than one-sixth of the annual income of the funds.³⁹ Whether this large prospective addition to reserves will create avoidable monetary or fiscal problems in 1970 is a question that merits close evaluation. It may have consequences for policy in these fields.

The agency statement notes that if inflationary tendencies develop in the next few years, the operations of the OASDHI system will tend to offset them. It adds that the effect of the OASDHI program is only a small part of the inflationary or deflationary effect of Federal Government operations on the economy. This, of course, is generally correct, though even the incremental amounts involved in these operations are not small by any standards. The real problem, in any event, is to achieve consistency—to mesh the fiscal effects of the social security programs with those of other Government programs, so that they will move together in the needed direction at the proper time and in appropriate degree.

In addition to direct benefits to the recipients and the economy at large, the OASDHI program is credited with indirect benefits in the form of savings in other programs. An outstanding case is the decline in the number of old-age assistance recipients from a peak of 2.8

³⁹ "The 1966 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds," Feb. 28, 1966 (89th Cong., 2d sess., H. Doc. 302), pp. 3, 26, and 30.

million in 1950 to about 2.2 million at the end of 1964 (and a further decline to 2.1 million in late 1966), despite a rise from 12 to 18 million in the population aged 65 and over. The number of recipients in other public assistance programs has increased (except in general assistance). Although expenditures have increased for old-age assistance as well as for other public assistance categories, it seems clear that without OASDHI these costs would have risen much more sharply.

Another incidental effect has been a narrowing of the income differential between aged Negroes and other elderly people. OASDHI benefits are the primary source of support for elderly Negroes as well as for elderly white persons. The generally lower earnings of Negroes means that their benefit amounts, on the average, are below those of white workers. However, the benefit formula is comparatively more generous to persons with low earnings. As a result, many aged Negroes find, for the first time in their lives, that their current income more nearly approximates that of white Americans in their age group.

The monthly cash benefits have relieved relatives of some of the burden of supporting the aged, disabled, and dependent children. The health insurance program similarly will reduce the need for contributions from relatives for meeting heavy costs of major illnesses affecting older family members.

In addition to increased concentrations of retired persons in favorable climates, the program may be presumed to have some varied regional impacts because of income redistribution effects. Proportionate benefits from the system probably are highest in areas with lower-than-average incomes or with relatively large numbers of retired persons and other dependent groups eligible for benefit payments. In economically depressed areas—and especially those communities from which able-bodied workers in their prime years have emigrated—OASDHI benefits are a particularly important source of family support. This kind of geographic differential may become more pronounced with the continued growth of the program.

The railroad retirement, survivors, and disability insurance system and Government employees' retirement and disability systems (including military retired pay) are large separate programs that are either closely related to the OASDHI system or have related economic effects. None of these other income maintenance programs has the magnitude of OASDHI, but each is large in its own field. Information about economic effects is sparse, but a few scattered points may be noted, as follows:

The railroad retirement system since 1961 has provided for about 40,000 retiring railroad workers each year, in a period when railroad employment was shrinking by an average of 23,000 a year.

The Civil Service Commission reported that in 1964 civil service annuities were 61 percent of the total income of the annuitants. The average annuity in that year was \$2,212.

The majority of persons who are retired from military service for nondisability reasons are young, often have family responsibilities, and in most cases cannot support themselves and their families on their military retired pay. They seek employment to supplement their retired pay. The majority of those retired for disability receive small incomes and normally, if their physical condition permits, will try to find gainful employment to supplement their benefits.

The Federal-State unemployment insurance system and the separate railroad unemployment insurance system are other major income maintenance programs. Through them, nearly \$2.5 billion of benefits were disbursed in the fiscal year 1965 and nearly \$2.1 billion in fiscal 1966—years of relatively high employment and declining unemployment.

For those unemployed workers who qualify under State laws (or under the Federal railroad unemployment insurance act), assurance is provided that at least a part of their wage losses will be offset by insurance benefits.

The Department of Labor statement about the Federal-State system discusses particularly the countercyclical stabilizing effects. The system is described as "one of the fastest and most effective devices developed for preventing recessions from becoming depressions and for alleviating the human suffering that occurs when the wage income of an individual ceases."

The statement goes on:

The effectiveness of a program which distributes some \$2.4 to \$2.5 billion a year in direct payment to unemployed workers in alleviating the hardship to these individuals and in maintaining their purchasing power and the volume of business in their communities is clear. At the same time, it should be recognized that the qualifications for drawing these benefits are strict, that the number of weeks of qualification is limited, and that the average weekly benefit check represents only about 30 to 35 percent of the weekly wage loss suffered by the claimant. This is clearly an insurance program, not a welfare program.

In the fiscal year 1965, unemployment insurance benefit payments accounted for about 6.5 percent of all transfer payments to individuals. With transfer payments equaling 8.6 percent of all disposable personal income, unemployment insurance provided about 0.6 percent of all purchasing power in the hands of individuals and families. The Department response observes that these percentages are low, but the volumes involved are large, and that insurance benefits provide purchasing power for such basic necessities as food, housing, medical care, and other essential goods and services.

The Railroad Retirement Board statement also emphasizes stabilization as an objective of the unemployment insurance program—in its field, stabilization of railroad employment. The tax structure is intended to give railroads some financial incentive to work toward that goal, and statistics are offered which suggest that turnover in railroad employment was appreciably smaller in the 1960's than it was in the late 1930's, before the unemployment benefit provisions became effective.

The preceding review of economic aspects of selected Federal Government programs by no means exhausts the avenues of inquiry that are suggested by the detailed statements in part III of this report. It should, however, indicate the diversity and importance of the many programs that support consumption or involve investments in people. It should suggest, also, that analytical exploration of this large area has barely begun and is urgently needed.

Part II. THE INQUIRY AND THE RESPONSES

CONTENTS

	Page
Introduction.....	87
Programs to be described.....	88
Timing and responsiveness of replies.....	88
Inconsistencies and omissions.....	89
Comments on the questions and answers.....	91

INTRODUCTION

The program descriptions and discussions that make up part III of this report were transmitted to the Joint Economic Committee in late 1965 and early 1966 in response to a questionnaire addressed by the chairman of the committee (who is also chairman of the Subcommittee on Economic Progress) to the heads of all departments and agencies of the Federal Government.

The questionnaire is reproduced at the beginning of part III. It was divided into two sections. The first part of the questionnaire asked eight principal questions calling for a description of the program. The second part asked for data bearing on economic impacts and aspects of the program.

The questionnaire was sent to each Cabinet Secretary and other agency head, with an explanatory letter from the chairman which began as follows:

The Joint Economic Committee is preparing a compilation of those Federal programs that involve investment in people.

The study is intended to provide a comprehensive view of these Federal activities, their modes of operation, their scope, and their influence on the functioning of the economy. Of particular interest are programs which involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income maintenance, family housing, and regional development, and the provision of facilities for such purposes. Research and development activities directed to these purposes also are pertinent.

In a public announcement of the inquiry, the chairman stated that the investigation was concerned with basic economic problems that the Nation will face in achieving the Great Society. He added:

The biggest factor in economic growth is neither natural resources nor machinery. It's people. President Johnson's Great Society programs are designed to assure continued growth and prosperity of our society by stepping up the national investment in people. They are not only the ultimate consumers and beneficiaries of society; they are equally its producers.

The subcommittee's economic investigations will focus on the new Great Society developments in order that the Congress and the public can have a more precise knowledge of their scope, their mode of operation, and their effect on the economy. Such information is vitally necessary to the Congress in making wise decisions on programs intended to reduce poverty and bring about economic and social improvement. (Committee press release, Sept. 7, 1965.)

The request for cooperation was sent to heads of departments and agencies responsible for programs that appeared to be clearly within the range of the inquiry, and these were listed in the questionnaire pamphlet. A similar letter was sent to heads of all other departments and agencies, with a request that the committee be advised if the particular organization was responsible for any programs that were judged pertinent to the study.

PROGRAMS TO BE DESCRIBED

The advance list covered those domestic activities of the Federal Government which committee staff identified as either concerned primarily with the maintenance or development of individuals or as having, as a secondary effect, a substantial impact on the development of our human resources.

In selecting programs for description, the respondents were advised as follows:

In each case, the test should be whether or not the program or activity is concerned primarily with the maintenance or development of people or has a substantial impact on the conservation and development of human resources.

Several agencies that were not represented in the original list suggested programs that, in their view, met this test. In most of these instances, formal replies to the questionnaire were invited and received.

Agencies with programs named in the original staff inventory were invited to modify, extend, or curtail the list in the light of their informal judgment and closer relationships to the programs. Comparatively few departments and agencies made such changes before preparing responses, although the tentative nature of the initial selection was emphasized in meetings and conversations with agency staffs.

The initial request, issued early in September 1965, called for replies by October 25, 1965. Before that deadline, however, in response to requests from several departments and agencies, the chairman postponed the deadline to January 28, 1966, and two of the descriptive questions (Nos. 4 and 6) were modified to call for data consistent with the President's budget for fiscal year 1967 and the President's program for legislation or for administrative and organizational changes that might be set forth in messages to be transmitted to Congress during January 1966. (The questionnaire as reproduced in pt. III incorporates questions 4 and 6 in amended form.)

TIMING AND RESPONSIVENESS OF REPLIES

Several departments and agencies formulated their replies before the extension of time was announced. A few transmitted these materials

without change; a few provided revisions early in 1966 to conform to the amended questions. Most departments and agencies submitted their responses in late January 1966, or during the next several weeks. The Department of Health, Education, and Welfare—with the greatest range of pertinent programs—was unable to complete its responses until August 1, 1966. This Department declined for most of its programs to reply at all to questions 5 and 6. These questions asked about the probable magnitude of the program in 1970 and prospective changes in program orientation.

These differences in the time of preparation of replies help to explain why there are variations between programs in the periods for which data are supplied. The reluctance of the Department of Health, Education, and Welfare, with its predominant role in administering human resources programs, explains the major deficiency of the report as a basis for charting prospective developments.

INCONSISTENCIES AND OMISSIONS

Through meetings of committee staff with agency staff and numerous informal discussions, some reduction was achieved in the inevitable differences in respondents' interpretation of the questions, the degree of detail supplied, and completeness of replies. That these efforts were not wholly successful is evident from the varied materials in part III.

It should be emphasized, however, that the committee staff sought to avoid stereotyped uniformity in the replies, and likewise to avoid suggesting the content of the statements. Since this was an exploratory approach to an uncharted field, the agencies were encouraged to exercise initiative and apply their own special insights in determining what material might be relevant to the broad objective. Words and phrases used in the questionnaire were explained on request (for example, "expenditures" as used in question 10 might be "obligations" if this concept were appropriate to the particular program, but in the questionnaire the word was used generically and not restrictively). Insofar as possible, agency staffs were advised to use whatever concepts and classifications seemed to them appropriate to the individual programs and to add enough explanations, qualifying statements, supporting details, and special comments to enable a reader of the response to understand the special point of view it might express.

A few examples may be given to indicate types and sources of inconsistencies and omissions.

(1) Some agencies failed to include administrative costs as part of their program expenditures. An effort has been made to identify these cases.

(2) There was a tendency to take literally the preliminary list of relevant programs, despite repeated assurances that it was tentative and illustrative and was "not intended to be limiting, either as to the extent of the governmental activities and services to be covered or the lines to be drawn between programs." In a few instances, supplementary requests were made informally for statements covering additional programs, but these were not always effective. Pressures of other work may have compelled respondents to forgo more extensive consideration of the relationship of additional programs to investment

in human resources, or they may have failed to record their determinations that some of the suggested programs should not be included in the report.

The National Science Foundation, for example, is represented only by its programs in science education and basic research facilities (which the questionnaire list enumerated); no statements appear for NSF programs concerned with science information services and studies of manpower and other national resources for science and technology. The report from the Office of Education does not comment on civil rights educational activities for alleviating problems occasioned by public school desegregation. Labor Department programs that were not in the original list and are not reported are those of the Bureau of Employees' Compensation and activities in the field of labor-management relations (the Labor-Management Service Administration, the Bureau of Labor-Management Reports, and the Bureau of Veterans' Reemployment Rights). No report was received for the Community Relations Service, which was transferred from the Department of Commerce to the Department of Justice by a reorganization plan effective in April 1966.

(3) Comparatively small programs in some instances are described in greater detail than other programs that affect directly many more people or wider geographic areas and involve much larger expenditures. In a few instances, separate statements cover specific activities that might have been described together as segments of a broad program. Some programs of major importance are described briefly.

This is not a criticism of the respondents. The programs and their problems vary widely in complexity; and the policy issues, legislative histories, coordinating arrangements, and available data necessarily differ greatly in length and scope. To illustrate this observation by specific reference is to risk unintended invidious inferences. Still, the different problems encountered by the several respondents should be recognized. Thus, it may be noted that the comprehensive program of the Social Security Administration is given no more space in part III than the responses from any one of the following agencies: The Atomic Energy Commission, National Science Foundation, Small Business Administration, and Tennessee Valley Authority. Aside from appendixes, the replies covering all the programs of the Office of Economic Opportunity are only a few pages longer. The varied and intricate program structure of the Public Health Service fills many more pages.

(4) A few agencies that appear to be in the human resources area are not represented in part III, either because they were not yet named in the Government Organization Manual that was current when the request was mailed or because of the small volume of expenditures. Some omissions may reflect failures of communication.

Examples of programs not reported are the Commission on Civil Rights, Equal Employment Opportunity Commission, National Council on the Arts, and the new National Foundation on the Arts and the Humanities; the President's Committees on Consumer Interests, on Employment of the Handicapped, on Equal Opportunity in Housing, on Manpower, and on Mental Retardation; the President's Council on Physical Fitness (financed from Public Health Service funds); and the President's Council on Recreation and Natural Beauty. Several of these agencies serve as advisory or interagency coordinating mechanisms, without separate programs of their own.

(5) The following agencies notified the chairman that they had no programs that should be described for this inquiry:

Post Office Department.
Farm Credit Administration.
Federal Communications Commission.
Federal Maritime Commission.
Federal Mediation and Conciliation Service.
Federal Trade Commission.
General Services Administration.
Indian Claims Commission.
Interstate Commerce Commission.
National Labor Relations Board.
National Mediation Board.
Saint Lawrence Seaway Development Corporation.
Securities and Exchange Commission.
U.S. Tariff Commission.
Selective Service System.

The letter from Gen. Lewis B. Hershey, Director of the Selective Service System, is reproduced in part III of this report because it describes relationships of this program to other manpower programs of the Government.

Letters of transmittal are printed in part III only if they contain substantive information supplementing the enumerated replies.

COMMENTS ON THE QUESTIONS AND ANSWERS

Fragmentation of programs eased respondents' problems in answering several questions, such as question 4 concerning the level of performance and training and question 8 calling for legal references. In most instances, fragmentation diminished the usefulness of the economic questions, 9 and 10, since these inquiries into effects on personal incomes, placement or productivity of workers, and other economic aspects were too broad to elicit meaningful estimates for individual small programs or activities.

Several agencies attempted to overcome this difficulty by providing for several questions single summary answers covering groups of programs. The questions thus grouped usually were not only the economic questions, 9 and 10, but also Nos. 5 and 6, and sometimes No. 7—the questions about prospective program developments over the next several years and about cooperation and coordination. This approach avoided considerable repetition and permitted the replies to focus on broad problems, needs, and economic effects.

Summary answers of this kind for one or more questions were provided by the Office of Economic Opportunity; the Department of Labor for manpower development and training programs; the Department of Health, Education, and Welfare for the National Institutes of Health; the National Aeronautics and Space Administration; National Science Foundation; and Small Business Administration.

In the Department of Health, Education, and Welfare responses, informative general introductions precede the numbered questionnaire replies from the Office of Education and the Public Health Service's Bureau of State Services (Community Health). In addition, the Office of the Surgeon General submitted a supplementary reply covering generally the wide range of programs of the Bureau of State Services (Community Health). The Welfare Administration of DHEW covers the large and complicated Federal-State public

assistance program as a single, unified program, and presents extensive details for each federally aided category in a series of appendixes. Responses from the Atomic Energy Commission, National Science Foundation, and Tennessee Valley authority include useful general introductions.

Undoubtedly some of the shortcomings of responses resulted from insufficiently detailed or insufficiently restrictive definitions and instructions in the questionnaire. A comparatively free rather than a tightly structured approach was used because this was an initial exploratory investigation. The questionnaire avoided a preliminary rigorous delimitation of the area to be covered and the interpretations to be adopted, because the committee wished not to foreclose or discourage responses that might offer unforeseen insights into the scope and significance of human resources programs.

In the light of this experience, however, and with the appropriate boundaries for inquiry now more clearly indicated, it may be concluded that further similar investigations should be preceded by a more detailed delimitation of the program areas to be covered and more restrictive definitions of terminology employed, particularly budgetary and economic concepts; and that provision be made in the work plan for returning the responses to the agencies for revision or completion following a review by the investigating staff. Indeed, further inquiries might be made more manageable by focusing each study on one predetermined part of the wide and complex field of human resources programs or on one selected aspect of the various types of programs.

During the present study, several replies were returned for clarification, correction, or explanation in the light of questions raised by committee staff. However, this procedure was held to a minimum in an effort to avoid shaping or reshaping the responses. Further limitations on the use of this procedure and its results arose from the pressure of deadlines in both the agencies and the committee, and from the unfamiliarity of many agency respondents with the budgetary and economic concepts involved in the questions.

A general impression that can be drawn from the responses is that either there is a scarcity of penetrating analysis in many program operating units of the executive branch or the assignment to prepare responses was often given to persons who were not familiar with program analysis. It is probable that the requirements of the planning-programming-budgeting system (discussed in pt. I) will stimulate development of economic and other evaluative analytical techniques in the departments and agencies. The committee staff was informed by staff members of several Federal agencies that their experience with the questionnaire helped them to understand and appreciate the orientation, requirements, and significance of the PPBS approach to their activities.

Concern with program analysis and evaluation has previously been expressed by the Joint Economic Committee. Earlier, the committee studied this subject with reference to the Federal budget, specifically in terms of making budgetary presentations more conducive to economic analysis. The committee's main criticisms were that the budgetary structure was oriented too strongly toward administrative and organizational structure and not enough toward end-product and activity goals or major policy objectives; and that the published pro-

jections did not look far enough into the future to provide an adequate basis for congressional and public judgments.¹

Responses received in the inquiry into human resources programs suggest that when the departments and agencies are asked to provide data that may be helpful for evaluating their programs and activities broadly in the general economic and social contexts in which they operate, their responses are considerably inhibited by a combination of factors. Among these factors appear to be the constraints engendered by the traditional budgetary presentation, a resulting unfamiliarity with analytical concepts outside the specific technical boundaries of the program, and a common disposition to avoid contributions to value-judgments which may prove controversial. Agencies with staffs experienced in program analysis generally responded most fully and explicitly, especially to the economic questions.

Questions 1, 2, and 3.—Replies to the questions about the objectives, operation, and history of the programs are generally unambiguous. Differences of approach are mainly in the extent of detail presented.

Program objectives or purposes are stated in almost every instance in terms of the specific aims or goals of the particular program or activity. This is the focus that was intended in the question, and this set of replies facilitates both the differentiation of separate programs and a recognition of cases in which purposes or objectives are nearly identical or closely intertwined. In a few instances, a broader context is indicated by references to basic goals of the administrative agency or an interrelated group of programs.

Question 4. Level of operations.—Most of the replies provide a table in the form that was suggested and define the units used in the several entries that indicate the level of operations or performance. For some programs, item (a), magnitude of the program, was measured by the number of applicants or participants reported also for item (b). Alternative measurements would have been appropriate in some instances—e.g., the number of training schools or units for the full-time training and education program of the Department of Defense, or the number of applicants for the Farm Labor Service of the Department of Labor.

Financial indicators were used as measures of (a) and (b) in a few instances where numbers of cases or some other physical unit would have been more informative and would have avoided duplication of the answer given in (c), Federal finances.

Some respondents encountered difficulties with (c), Federal finances, because their programs are financed by appropriations that cover other programs and activities as well. These respondents were invited (if they inquired) either to estimate the amount of obligational authority available for the particular program or to report instead the amounts of obligations or expenditures specifically for the program, with footnote explanations. Not all respondents adopted this approach, and the status of the reported amounts is not made clear in every case.

For purposes of economic review, grants and loans need to be differentiated from each other and from direct Federal expenditures. The treatment of these several types of outlays varies considerably.

¹ Joint Economic Committee, "The Federal Budget as an Economic Document," report of the Subcommittee on Economic Statistics (S. Rept. 396, August 1963), pp. 2, 8-11; "The Federal Budget as an Economic Document," hearings before the Subcommittee on Economic Statistics, Apr. 23, 24, 25, and 30, 1963, pp. 55-62. See also a report of the Subcommittee on Fiscal Policy, "Federal Expenditure Policies for Economic Growth and Stability" (Committee print, Jan. 23, 1958), pp. 6, 7, 13, 14.

In several statements, each is shown separately; in others, they are lumped together.

Differentiation of trust funds from administrative budget funds is less important for economic analysis, but it is essential when the replies are compared with budget estimates. Not all the answers make the distinction explicitly. Insofar as possible, committee staff has indicated that trust funds are used for financing particular programs, and has also identified business-type enterprises of the Federal Government. However, the editorial notes on this point are usually appended to the answers to question 10, on the economic classification of expenditures.

Because of the many variations in the basis for reporting the Federal financial data and in agency interpretations of the questionnaire terminology, committee staff concluded that the data given in separate answers could not be added together to yield a meaningful sum. Moreover, the amount of editorial review and agency consultations that would have been required to make the data homogeneous could not be undertaken with the staff and time available. As is evident in table 5 and the related text in part I, summation of even the seemingly simpler amounts reported in question 10 for a single fiscal year, 1965, involves substantial uncertainties and yields only order-of-magnitude totals. Combination of the amounts shown in question 4 for different programs should be undertaken with great caution and, in each instance, should be guided by a detailed examination of related data in the budget appendix.

A surprising number of agencies reported that they have no information about matching or additional expenditures made by State or local governments or other participants in the programs. Less surprising was their lack of definite information about the numbers of non-Federal personnel employed in their programs, since this is only occasionally a factor in applications for Federal grants, loans, administrative cooperation, or other assistance.

Question 5. Estimated magnitude of program in 1970.—One of the major gaps in the survey, and therefore a major omission from the report, results from a decision by the Department of Health, Education, and Welfare to omit estimates of the probable level or magnitude of performance of nearly all its programs in 1970. Among major constituents of the Department, only the Social Security Administration provided data on this point—perhaps because the projections were already published in congressional hearings and in the annual report of the trustees of the old-age, survivors, and disability insurance trust funds. The Children's Bureau, a unit within the Welfare Administration, also replied to these questions.

The absence of responses from the Public Health Service was underscored by a pointed observation, in the introduction for the Bureau of State Services—Community Health:

The statistical tools which have made it possible for us to gage the future needs more accurately, and the medical advances which have made so much possible in the way of prevention and treatment, have made the broadening of the base of action not only desirable but necessary.

Question 6(c) was designed to yield information about future needs and possibilities and their significance—information that might enlighten congressional and public judgments about the broadening of Federal Government programs.

The Department of Labor, Department of Defense, and several other agencies found the question manageable. The Labor Department, for example, gave estimates of likely budgetary needs in 1970 for several programs—e.g., unemployment insurance, Trade Adjustment Act assistance, and the minimum wage program. The Department of Defense and Department of Justice similarly made projections for several of their programs. Replies covering other programs of these Departments and those of other agencies (including the Office of Economic Opportunity, Department of Housing and Urban Development, and National Science Foundation) in many cases identify developments that may be expected to affect the numbers of persons who may be served by each program in 1970.

It must be acknowledged that too many responses to question 5 and related question 6(c) are generalized statements expressing hopes or expectations that programs will be expanded. Such replies must be expected in a setting in which administrative officials fear that however they set their sights—too low or too high—any projections they release will later haunt them. Nevertheless, the questionnaire elicited enough direct and substantive replies to demonstrate that a serious congressional effort to peer into the mists of the future is not altogether impractical, and that such an inquiry may yield some helpful insights even if it does not provide firm estimates. The possibilities for productive inquiries of this sort may be enhanced by developments within the executive branch—specifically, the requirements of the planning-programing-budgeting system for the preparation of comprehensive multiyear programs and financial plans for each Federal program and agency.

In retrospect, it appears that the question might have been improved and greater consistency in responses might have been generated if alternative sets of specific major economic and political assumptions had been provided as a basis for any projections. This would have been particularly helpful if the question could have suggested acceptable assumptions about the status of Vietnam, the size of the labor force, the volume of the gross national product, and a few other key factors. Assumptions about economic conditions in 1970 might now be based on Bureau of Labor Statistics estimates in a new report, "Projections 1970: Interindustry Relationships, Potential Demand, Employment" (BLS Bulletin No. 1536). This kind of systematic set of basic projections was not available when the questionnaire was formulated.

Question 6. Prospective changes in program orientation.—Parts (a) and (b) of this question asked for reports of pending legislative proposals and proposed administrative or organizational changes that might affect the particular activity or program. Part (c) asked for a statement on "probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social."

Answers to (a) and (b) are generally direct and explicit. They vary somewhat according to whether the reply was prepared before or after release of the President's budget and other messages in January 1966. Several respondents reported on legislative or organizational proposals that were under study in the agencies and were not yet part—at least formally—of the President's program.

Replies to part (c) were in some instances combined with those for question 5. This was understandable and acceptable, especially

since the intended difference between the two queries evidently was not so clear to many respondents as it seemed to Committee staff. Question 5 called for "estimates of the probable level or magnitude of performance of the program in 1970." The answers sought were approximations (projections) in terms of dollars, people, or other units indicating whether the program was likely to remain constant in size or would grow or shrink, and, if it changed, to what extent. The question mentioned technological, economic, social, and other factors among conditions to be taken into account in arriving at the projections. Question 6(c), quoted earlier, asked for a statement about prospective changes in the conditions under which the program will function—that is, "prospective or probable changes in program orientation or emphasis which may affect the particular activity or program." One question sought projections of magnitudes or proportions; the other sought information about prospective changes in conditions or orientation.

A substantial number of respondents made the distinction and supplied interesting data on both points. Among these are the Labor Department reports on manpower development and training, the employment service, and the farm labor service; the Department of Housing and Urban Development reports on the Federal Housing Administration and the rent supplement program; the National Science Foundation and Atomic Energy Commission statements on science education and training; and the Civil Service Commission replies for some of its programs.

The Department of Defense statement on dependents' education indicates innovations and changes that may be induced by increased national emphasis on education. Its report on medical care for military personnel and their families makes similar comments in the health field. The Veterans' Administration supplied estimates for the compensation and pension program, but it did not undertake to comment on the significance of the Vietnamese conflict for either this program or veterans' medical care.

The Department of Housing and Urban Development, in its statement on urban planning, notes that the introduction of computers has revolutionized planning but refrains from commenting on the significance of this development for the Federal program.

The Federal Water Pollution Control Administration was still in the Department of Health, Education, and Welfare when its reply was prepared; consequently answers were not given to questions 5 and 6, despite mounting public interest and technological activity in this field.

The generalized Office of Economic Opportunity answers note only that the general economic situation and the question of war or peace are important to the antipoverty effort.

Question 7. Coordination and cooperation.—The Committee asked a compound question, calling for reports on (i) aspects of each program in which opportunities for coordination and cooperation arise or might be created, and (ii) organizational arrangements, operating agreements, administrative regulations or procedures, and other devices or methods developed to promote coordination and cooperation.

For the most part, and not surprisingly, respondents ignored part (i). Possibly they assumed that an extensive report of actual cooperative and coordinating activities and arrangements would demonstrate that all opportunities of this kind were pursued assiduously. Omiss-

sions are particularly disappointing in the case of new programs, in which it could not be expected that all possibilities for cooperation had been exploited.

Statements from the new Department of Housing and Urban Development and a few other agencies mention possible avenues for improving interprogram and interagency or intergovernmental relationships or for working with non-Federal interests. Such instances attest that this aspect of public affairs is a fit subject for public discussion, without embarrassment or penalty, and that administrators who recognize problems of coordination merit support and assistance in their efforts to achieve improvements.

The replies given are most detailed and specific in identifying agencies or groups with which cooperative or coordinating relationships have developed, and in identifying the methods or devices of coordination. A few responses—notably from new agencies—merely note legal requirements for coordination that apply to the particular programs.

The question did not ask about the substance and intensity of the relationships, nor did it call for evidence of effectiveness, because it was recognized that this kind of inquiry would elicit subjective evaluations that might best be made by independent appraisers. The first step, represented in the replies to question 7, is to identify arrangements that actually exist. This the responses do in substantial measure.

Even from the limited scope of these factual replies, it is evident that there is opportunity for improved cooperation—and perhaps a greater measure of specific coordination—in the formulation and execution of broad policies and in specific program operations in such major fields as education and training, health and hospital care, income maintenance, and public works construction. Each of these is a field in which a multiplicity of Federal Government agencies share responsibilities and concern for some part of our population, some part of our national area, or some segment of the Government's activities.

Question 8. Laws and regulations.—Several lists of statutory references are impressively long. In some of these replies, a comprehensive reference to the current edition of the United States Code would be a useful supplement to the lists. Many other replies cite applicable sections in the United States Code, without indicating the statutory history of the program.

The request included references to appropriation authorizations and administrative regulations, as well as basic laws. Many replies omit the appropriations, regulations, or both.

Question 9. Economic effects.—The first of two questions calling for data bearing on economic aspects and impacts of each program, question 9 asks for a description of economic effects with particular reference to enumerated aspects of the program and the economy.

Quite a few responses are thin in substance. Generalities abound. A recurring theme is the need for more analysis, with expressions of hope that time and money soon will permit the effort. This is obviously a commendable objective.

Another view—that economic questions are inappropriate for programs that relate to ultimate human values—becomes explicit in a well-prepared statement from the National Institutes of Health. This

view may have been implicit in other responses. The point is discussed in part I of this report, in the section on "Health care and improvement."

Notwithstanding objections and the inadequacies of available data, many replies give evidence of serious effort to supply pertinent estimates and interpretive comments. For numerous small programs, taken individually, the unavoidable answer is that the various types of economic effects mentioned in the question are "not measurable" or "difficult to assess." Where several interrelated small programs are the responsibility of a single major agency, multiprogram answers are provided in a few instances for question 9 and also for question 10. This approach should be used more widely in any further inquiries along these lines. Also, it might be advantageous to formulate different sets of questions for different types of programs—i.e., for large and small programs, and for programs serving different major objectives.

The replies to question 9 provide much of the substantive discussion in part I of this report. Among the more notable responses are those of the Department of Labor for manpower development and training programs and the farm labor service; the Department of Health, Education, and Welfare for old-age, survivors, disability, and health insurance, vocational rehabilitation, Bureau of State Services—community health direct operations, the National Institutes of Health (general answer), and the Office of Education programs for educational improvement of the handicapped, college work-study, and vocational education; the Department of Agriculture rural water and waste disposal and rural housing programs; the Department of Housing and Urban Development for rent supplements (a new program) and for the Federal National Mortgage Association and the Federal Housing Administration; and the National Science Foundation.

The Office of Economic Opportunity statement for question 9 emphasizes national needs and problems to which antipoverty programs are directed. It does not discuss particularly the effects of the programs. Several other agency responses provide scattered data without conclusions as to the possible effects of the Government activities. A disappointing number of answers are impaired by vagueness about the economic aspects of the particular program and its setting. Evidently many of the respondents needed more explanations and instructions than were provided in the questionnaire and subsequent informal discussions with committee staff.

Question 10. Economic classification of expenditures.—Although the final question in the inquiry appeared simple in concept, it proved in fact to be the most complicated. It was answered in some measure by all respondents—but usually for Federal Government expenditures only. Non-Federal expenditures are not estimated even for many programs for which non-Federal participation is a condition of the Federal outlay.

The reported Federal Government amounts are not susceptible of simple summation, excepting to provide the crude order-of-magnitude totals presented in table 5 (pt. I). This is because there is insufficient uniformity in the agency responses. Extensive staff efforts to correct difficulties and eliminate major differences in the basis of the data met with limited success. Types of problems and the shortcomings that persist in the figures are indicated below.

Three major bases have been developed for comprehensive reports of Federal Government finances: (1) the administrative budget, (2) the consolidated cash statement of Federal transactions, and (3) the Federal sector of the national income and product accounts. (For explanation and reconciliation of these measures, with actual amounts for the fiscal year 1965 and estimates for fiscal 1966 and 1967, see special analysis A in the Budget for the fiscal year 1967, pp. 376-384. This is reprinted in Special Analyses, Budget of the United States, fiscal year 1967, pp. 3-11.)

In the national income accounts, only those receipts and expenditures are recorded which directly affect the current flow of income and output. All borrowing and lending transactions are excluded. Thus, the accounts for the Federal Government sector exclude transactions involving purely financial claims such as loans and purchases or sales of land, since these represent neither the production of current output nor incomes, even though they may have indirect effects on the level or composition of economic activity.

The original question 10 suggested, by the listing of categories, that national income account expenditures were to be reported, but this was not stated explicitly. In fact, confusion may have been compounded by a category for loans under aids to State and local governments—an item that was intended to assure separation of these transactions from grants and shared revenues. In any event, many respondents were quite unfamiliar with national income account concepts. A few disagreed with classifications or procedures used in those accounts. For nonspecialists, the concepts used in national income accounts are not particularly easy to understand, especially when they relate to complicated financial operations and involve the receipts and expenditures of programs that are classified as government enterprises. For 2 years, the Bureau of the Budget call for budget estimates has included requests that Federal agencies classify their expenditures on a national income account basis and supply this classification (exhibit 113) in their budgetary submissions. Apparently the responses from agencies were too diverse to be summarized without undue revision. Since governmentwide compilations based on national income accounts are prepared regularly by the Office of Business Economics, it can hardly be suggested that the data are not amenable to this classification. It is, in fact, an increasingly important mode of presentation of Government accounts and an essential part of the broad system of national accounts. Nevertheless, difficulties with responses to the committee's question 10 indicate that, even after staff review and discussions of problems identified in the initial replies, the staffs of Government departments and agencies generally are not prepared to fit data for their separate programs into the pattern of the national income accounts.

In general, the concept of Federal expenditures used in the final replies to question 10 corresponds to expenditures in the administrative budget. This reflects difficulties in estimating adjustments necessary in applying the national income concept to each agency or program. (For the Government as a whole, the adjustments and the amounts are shown in table A-1 in special analysis A of the budget, cited above.) Subdivisions by economic category generally follow national income definitions.

Another source of confusion was the precise meaning of "expenditures." Because question 10 asked about outlays financed from both

Federal and non-Federal sources, the word "expenditures" was used generically, rather than with the special connotation that is given in Federal budgetary accounts—where "expenditures" differ from "obligations" and other concepts in terms of the step, the point in its consummation, at which a transaction is measured. The Budget in Brief for fiscal 1967 defines these terms as follows:

Obligations.—Commitments made to pay out money—as distinct from the actual payment for the product or service. They must be made within the amount authorized by Congress and are incurred, for example, when personnel earn salaries, purchasing contracts are made, or loan agreements are signed.

Expenditures.—Consist generally of checks issued and cash paid. The transactions of business-type activities which generate their own receipts (such as the Post Office) are normally recorded as *net expenditures*—that is, disbursements less receipts. If receipts exceed disbursements, the result is shown as a negative expenditure.

The accounting relationship of obligations to expenditures is illustrated in the Budget of the U.S. Government, fiscal year 1967—Appendix, p. 7.

Some respondents to the committee inquiry found it easier to report Federal Government obligations than expenditures for their programs. Committee staff tried to have the data adjusted to an expenditure basis for all programs, so they would be homogeneous and could be summed without confusion. Where the agency could not report expenditures, a note indicates that the amounts represent obligations. In some instances, both expenditures and obligations are reported for the totals but the subdivision into economic categories is available only for obligations.

Reports for Government enterprises presented special problems. In the national income accounts, capital formation of the enterprises (including both fixed capital formation and inventory change) is classified as a Government purchase of goods and services. Profits (or current surplus) are treated as a nonfactor charge against the value of output.² The profits are calculated without deduction of net interest paid or depreciation. This procedure serves to consolidate the surplus or deficit of Government enterprises with that of general Government. Net interest paid plus capital formation less the current surplus of Government enterprises measures the net excess of their expenditures over their receipts.³

Efforts to apply uniformly the approach of the national income accounts to Government enterprises were not successful. Many respondents contended that this type of analysis obscured the nature of their programs. They preferred to report *gross expenditures* as a measure of the magnitude of their programs. A result is that the responses for Government enterprises show each enterprise on the

² The reference to a "nonfactor charge" signifies a transaction that is not a payment for a "factor" of production. The concept of factor cost is explained in the following excerpts from Office of Business Economics, "National Income: A Supplement to the Survey of Current Business, 1954 edition" (1954), pp. 39-40: "Underlying the definition of 'national income' in terms of factor cost is the general idea that the output of the Nation is the result of the services rendered by agents of production who cooperate in the production of that output. These agents of production are the labor and capital, the entrepreneurial ability and natural resources which are used in the production process. It is the services of these agents or factors as valued in the market by their earnings for which a quantification is sought in the national income, to the extent permitted by the data available as statistical raw material.

"It is hardly necessary to stress the importance in studies of resource allocation of such a measure of the services rendered by productive agents. * * *

"It must be recognized, of course, that the concept of factors of production is not given precisely in economic theory but must, to some extent, be formulated with reference to the problem at hand. * * *

"In spite of * * * limitations and difficulties, the idea of factor costs has always been of fundamental importance in economic analysis, and national income defined as an aggregate of factor earnings is the only general measure by which the idea can be quantified."

³ For a more complete discussion, see *ibid.*, p. 49.

basis chosen by the reporting agency. Editorial footnotes identify Government enterprises and specify both gross and net expenditures in the fiscal year 1965.

According to the Office of Business Economics, the following Federal Government operations are classified as "Government enterprises" in national income accounts (August 8, 1966):

- Alaska Railroad.
- Army—Air Force Motion Picture Service.
- Army—Air Force post exchanges.
- Army—Air Force civilian post restaurant.
- Bonneville Power Administration.
- Commodity Credit Corporation.
- Direct loan program of the Veterans' Administration.
- Export-Import Bank.
- Federal Deposit Insurance Corporation.
- Federal Home Loan Bank Board.
- Federal Housing Administration.
- Federal intermediate credit banks.
- Federal National Mortgage Association.
- Federal Savings and Loan Insurance Corporation.
- Housing and Home Finance Agency (Office of the Administrator):
 - Liquidating programs.
 - Urban renewal.
 - Public facility loan program.
 - Community disposal fund.
 - College housing loan fund.
- Marine post exchange.
- Naval ships stores.
- Naval exchanges.
- Officers' and enlisted men's clubs.
- Panama Canal Company (including railroad).
- Post Office.
- Regional banks for cooperatives.
- Rural Electrification Administration.
- St. Lawrence Seaway.
- Southwest Power Administration.
- Southeastern Power Administration.
- Tennessee Valley Authority.

Analysis of economic impacts in the case of trust funds requires consideration of receipts as well as expenditures. Accordingly, agency responses were amended, as necessary after consultation, to include some discussion of the trust fund operations. The problem of relating trust fund transactions to the national income accounts is especially complicated for those which are considered Government enterprises.

Subdivision of Government expenditures into economic categories was not shown or was incomplete in some of the responses. Important cases of misclassification were corrected after consultation with respondents.

The treatment of research and development expenditures presented special complications, however, because of a recent change in the national income account concepts. Formerly, Government payments to private nonprofit institutions for research and development were classified as "transfer payments." In the revised system, they are considered Government purchases of goods and services.⁴ The Bureau of the Budget circular calling for agency submissions for the 1967 budget did not incorporate this change, and respondents to the committee questionnaire were not all aware of it. Except for the National Institutes of Health and the National Science Foundation,

⁴ For further comment, see the Survey of Current Business, August 1965, pp. 13-14.

research and development payments to nonprofit organizations are classified as "transfer payments" in most of those replies that subdivide the Federal expenditures.

Where grants-in-aid to State and local governments are reported in the replies to question No. 10 in terms of a concept that differs from the national income definitions, an editorial note has been added.

The tabular arrangement of the published replies is simpler than in the questionnaire. Where possible, Federal expenditures are subdivided by economic categories. For non-Federal expenditures, to the extent that these are reported, only totals are shown. Double counting has been eliminated.

Part III. DEPARTMENT AND AGENCY REPLIES

Part III includes the substance of the questionnaire which was sent to Departments and agencies of the U.S. Government in September 1965 and amended in October 1965. Attached to the questionnaire was a tentative list of domestic activities of the Federal Government which committee staff had identified as primarily concerned with the development of human resources. The list was not to be considered as exhaustive or limiting, and the agencies were invited to make whatever revisions they believed appropriate to the inquiry.

Replies were requested by January 28, 1966. Most of the material in this document is based on the information which was available as of that time. Some replies, however, were not submitted until several months after the January deadline. The committee requested that the estimates for 1966 and 1967 should be consistent insofar as possible with the estimates in the President's budget for 1967.

The Departments and agencies named in the list which follows are arranged in the order in which they appear in the Congressional Directory.

EXECUTIVE OFFICE OF THE PRESIDENT

Office of Economic Opportunity

DEPARTMENTS

Department of State
Department of the Treasury
Department of Defense
Department of Justice
Department of Interior
Department of Agriculture
Department of Commerce
Department of Labor
Department of Health, Education, and Welfare
Department of Housing and Urban Development

INDEPENDENT AGENCIES

Appalachian Regional Commission
Atomic Energy Commission
Civil Service Commission
Federal Power Commission
National Aeronautics and Space Administration
National Science Foundation
Railroad Retirement Board
Selective Service System
Small Business Administration
Smithsonian Institution
Tennessee Valley Authority
Veterans' Administration

INQUIRY RELATING TO HUMAN RESOURCES PROGRAMS

[AMENDED, OCTOBER 22, 1965]

SUBCOMMITTEE ON ECONOMIC PROGRESS

of the

JOINT ECONOMIC COMMITTEE

Questionnaire

This questionnaire is designed to aid the Joint Economic Committee in preparing a review of Federal programs that involve investment in people. In addition to a description and history of each program, the committee study will include information about the effects of the programs on the functioning of the economy.

Accompanying the questionnaire is a list of programs which committee staff have identified as being within the scope of the study. The test for inclusion is that the programs are directed primarily toward the maintenance or development of people in the United States or, alternatively, have as a secondary effect a substantial impact on the development of our human resources. The list is not intended to be limiting, either as to the extent of the governmental activities and services to be covered or the lines to be drawn between programs. If, in the opinion of the department or agency head, programs should be added or other changes made in the list, please advise the committee staff.

Of particular interest are programs which involve education and training, rehabilitation, employment and reemployment, health, children's welfare, income maintenance, family housing, and regional development, and the provision of facilities for such purposes. Research and development activities directed to these purposes also are pertinent.

Please prepare a separate reply for each separate program. Where identical answers are applicable to two or more programs, this may be indicated by specific cross-reference.

The concept of "program" should be kept as broad as is consistent with the provision of clear and definite answers which will contribute to a compilation useful for legislators, public officials, public interest groups, economists, and other users of the report. Questions about the scope of particular programs or the categories to be used in responses should be taken up with Joint Economic Committee staff.

Question 7 should be given particular attention, in view of the provision of the Employment Act of 1946 directing the committee "to study means of coordinating programs in order to further the policy of this Act."

Kindly direct questions by telephone to I. M. Labovitz (173-566) or J. R. Stark (180-5171) or, if written, to Mr. Stark at the office of the Joint Economic Committee, room G133, New Senate Office Building.

Replies should be made in duplicate and delivered to the Joint Economic Committee as soon as possible and, in any event, not later than January 28, 1966.

Questionnaire: Part I. Description of the Program

1. Objectives or purposes—what the program does or is intended to do.

2. How it operates (e.g., wholly a direct Federal operation, conducted in regional and field offices with headquarters supervision; technical assistance to ----; grant-in-aid or contract with ----; loans to ----; training programs for ----; etc.

3. Brief history of the program.

4. Level of operations or performance, fiscal years 1964–67. The estimates for 1966 and 1967 should report data consistent insofar as possible with the estimates in the President's budget for 1967. (Please supply a table based on this form:)

Program: -----
 Department or agency, and office or bureau: -----

Measure (see notes below for definitions and illustrative units)	Unit (see notes)	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (please specify unit) ----					
(b) Applicants or participants:					
State government agencies -----					
Local communities or governments (specify) ----					
Individuals or families (specify) -----					
Other (specify) -----					
(c) Federal finances:					
Unobligated appropriations available -----					
Obligations incurred -----					
Allotments or commitments made (specify) ----					
(d) Matching or additional expenditures for the program (specify nature of entries) -----					
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles) -----					
(f) Non-Federal personnel employed in the program ..					
(g) Other measures of level or magnitude of performance (specify nature of entries) -----					

NOTES FOR QUESTION 4

The letter preceding each explanatory note refers to the corresponding "Measure" in the tabular form above.

(a) Examples: Numbers of cases, persons, establishments, properties, stations, approved projects, completed structures or projects, contracts awarded or completed, items produced or sold, or other units indicating magnitude of the activity. If unit is in terms of beneficiaries (individuals, families, or other types), indicate whether these are direct or secondary beneficiaries of the program.

(b) Specify whether number refers to applicants, participants, or some other category. Specify type and number of units involved—e.g., States, local communities or governments, individuals or families, establishments, firms, or organizations.

(c) In cases involving permanent or indefinite appropriations or trust funds, please specify.

(d) Show amount of matching or additional expenditures, if any, for the activity or program which were (or will be) financed from non-Federal funds by the grantees, contractors, borrowers, aid recipients, or other participants or cooperators. If all such figures are estimated, please explain the basis of the estimates and their derivation.

(e) Man-years devoted to the particular program or activity by individuals in Federal employment, civilian or military.

(f) Number of non-Federal employees engaged in the assisted activity or program, excluding trainees, fellows, and other participants or beneficiaries.

(g) Include significant work-performance data for the program or activity.

5. Estimates of the probable level or magnitude of performance of the program in 1970, taking into account the conditions in which

it will function including technological, economic, social, and other factors.

6. Prospective or probable changes in program orientation or emphasis which may affect the particular activity or program:

- (a) Pending legislative proposals.
- (b) Proposed administrative and organizational changes.
- (c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social.

The reply should cover pending legislative proposals and proposed administrative and organizational changes which are in the President's program or in the departmental or agency program as of late January 1966. The reply should include recommendations or proposals set forth in the President's annual messages in January 1966, including recommendations which are made in the budget for the fiscal year 1967.

7. Coordination and cooperation with other programs and agencies as to purposes, policies, operations, and financing. Using categories listed below, specify and describe (i) aspects of the program in which opportunities for coordination and cooperation arise or might be created, and (ii) organizational arrangements, operating agreements, administrative regulations or procedures, and other devices or methods developed to promote coordination and cooperation:

- (a) Within your bureau, division, or office.
- (b) With other units of your department or agency.
- (c) With other Federal Government departments or agencies.
- (d) With State governments or their instrumentalities.
- (e) With local governments or communities (specify type or level of government).
- (f) With foreign governments or international organizations.
- (g) With nonprofit organizations or institutions (specify types).
- (h) With business enterprises (specify types).
- (i) With others (specify).

8. Provide specific references to laws and regulations affecting the program, including appropriation authorizations, and supply copies if feasible. Dates and citations for original laws, amendments, and supplementary legislation should be provided.

Questionnaire: Part II. Data Bearing on Economic Aspects and Impacts of the Program

9. Describe the economic effects of the program (and provide quantitative estimates insofar as feasible), with particular reference to the following aspects:

- (a) Effects on personal incomes of persons served or involved and on the distribution of personal income.
- (b) Effects on the placement or productivity of workers, or both, and on their earnings.
- (c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any.
- (d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity.

(e) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected.

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified.

(h) Other data or comments relevant to economic impacts or significance of the particular governmental program.

If impacts and effects of the types indicated above have been the subject of research (official or otherwise), a synopsis and evaluation of the findings would be of interest to the committee. Please include references to pertinent publications.

10. Economic classification of program expenditures for fiscal year 1965.

(Insofar as feasible, please report estimates or actual amounts of program expenditures classified in the categories specified below; show amounts in millions of dollars.)

Program: -----
 Department or agency, and office or bureau: -----

Category	Total expenditures for the program	Federal Government expenditures	Non-Federal expenditures financed by--			
			State or local governments	Individuals or nonprofit organizations	Business enterprises	Others (specify)
Total-----						
Purchases of goods and services:						
Wages and salaries-----						
Other-----						
Transfer payments--						
To individuals and nonprofit organizations-----						
To others (specify types of recipients)-----						
Aids to State and local governments:						
Grants and shared revenues-----						
Loans-----						
Other forms of aid-----						
Other categories (specify)-----						

Please add any necessary explanatory or qualifying statements and supporting details.

**EXECUTIVE OFFICE OF THE PRESIDENT—OFFICE OF
ECONOMIC OPPORTUNITY**

CONTENTS

	Page
Introduction.....	111
Community action program.....	113
Job Corps.....	116
Volunteers in Service to America.....	118
Neighborhood Youth Corps.....	120
Rural loan program.....	122
Work experience program.....	126
Other programs.....	129
Estimated magnitude of the program in 1970—Question 5.....	129
Prospective changes in program orientation—Question 6.....	129
Economic effects—Question 9.....	130
Examples of cost-benefit analysis.....	137
Delegation of authorities to other agencies.....	139
Appendix: Dimensions of Poverty in 1964.....	141

INTRODUCTION

The Economic Opportunity Act of 1964 has as its purpose the mobilization of the human and financial resources of the Nation to combat poverty in the United States. The act recognizes that while the United States as a whole has achieved economic prosperity surpassing all other nations there are many Americans who have not yet shared in this prosperity. In 1964 there were about 34 million people in our population of 190 million who were classed as poor. The pamphlet, "Dimensions of Poverty in 1964," included as appendix I, provides a detailed breakdown of the poor population by age, sex, and location.

TABLE 1.—Trends in poverty population, 1959-64

	Total population	Persons in poverty	Percent of population in poverty
	<i>Millions</i>	<i>Millions</i>	
1959.....	176.5	38.9	22.1
1960.....	179.5	40.1	22.3
1961.....	181.4	38.1	21.1
1962.....	184.4	37.0	20.1
1963.....	187.2	35.3	18.9
1964.....	189.7	34.1	18.0

The above table shows that poverty in America is declining when measured both in absolute terms as numbers of poor people and when measured relative to the total population. It also indicates that the

poor population tends to decline when the Nation is in a period of economic expansion such as we have experienced since 1961.

Even though continued prosperity will undoubtedly further reduce the numbers of those classed as poor, there are millions who will continue to be bypassed even in an ever expanded economy. Among these millions are the school dropouts who have not acquired marketable skills, middle-aged workers whose unskilled jobs have been taken by automation and others who have surrendered to despair. While these millions could be "bought" out of poverty through the use of transfer payments of some \$11 billion this would not provide a lasting solution to the problem.

The Economic Opportunity Act was designed to provide these hard core poor with opportunities for training and assistance to prepare them for productive employment and entrance into the mainstream of American life. For example, the Job Corps program provides education, vocational training, and useful work experience in urban and rural residential centers for young men and women, aged 16 to 21. The Neighborhood Youth Corps provides work experience for young men and women. By offering part-time employment, the program permits youths to stay in school, encourages dropouts to return to school and serves as a bridge to regular employment for others. The community action program encourages urban and rural communities to mobilize their resources to eliminate poverty or the causes of poverty through the development of employment opportunities and the improvement of conditions under which people live, learn, and work. In addition to serving as catalysts for action, local community action agencies help poor people obtain the benefits of other Federal programs, State programs, and local programs for which they are eligible. In this way, the full weight of existing programs is brought to bear against the problems of poverty.

Table 2 provides a summary of participants and beneficiaries of programs being carried out under the Economic Opportunity Act.

TABLE 2.—*Participants and beneficiaries in Economic Opportunity Act programs, fiscal years 1965-67*

Description	1965 actual	1966 estimate	1967 estimate
Community action programs:			
Communities with action grants.....	220	700	900
Communities with planning grants.....	315	300	300
Children in Headstart projects:			
Summer.....	560,000	500,000	500,000
Full year.....	20,000	100,000	210,000
Adults employed by community action agencies.....	82,000	125,000	180,000
Children in remedial tutorial projects.....	70,000	293,000	307,000
Youths in Job Corps (end of year).....	10,241	30,000	45,000
Youths in Neighborhood Youth Corps:			
In-school academic year projects.....	102,000	100,000	125,000
Summer projects.....	144,000	165,000	165,000
Out of school.....	62,000	60,000	64,000
Adults in work experience projects.....	88,700	109,000	105,000
Enrollees in adult literacy programs.....	38,000	75,000	75,000
Number of loans to low-income rural families:			
Individual families.....	11,000	15,500	15,500
Cooperatives.....	82	350	400
VISTA volunteers (end of year).....	1,100	3,500	4,500

COMMUNITY ACTION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of Federal assistance to community action programs is to help urban and rural communities to mobilize their own resources to combat poverty. The objective of every community action program is to effect a permanent increase in the capacity of individuals, groups, and communities afflicted by poverty to deal effectively and on their own initiative with their social and economic problems.

2. Operation

Community action programs are conducted by local "community action agencies." These are normally either public or private non-profit agencies organized under local initiative on a city, county, or multicounty basis. The community action agency applies for grants (generally on a 90-10 matching formula) through one of seven OEO regional offices. The grants can be approved at the regional offices up to a certain amount for each type of community action activity—the highest amount being \$500,000 for conduct and administration. Larger grants are reviewed at the regional level and then sent to OEO headquarters for approval by the Director.

Additional information on the operation of the community action program is included in volumes I and II of the Community Action Program Guide.

3. History

The community action program began operating in November 1964 when the first grant was made under the program to the Atlanta-Fulton County Economic Opportunity Authority for development and administration of a program providing for neighborhood service centers and a summer school program. At the end of fiscal year 1965, grants had been made to 220 community action agencies throughout the country for conduct and administration of local programs. In addition, more than 200 other communities had received program development grants and were engaged in preliminary studies prior to submission of requests for grants to carry out local programs. In the summer of 1965 more than half a million children received preschool training in some 11,000 centers throughout the country under Operation Headstart.

4. Level of operations. (See table 3.)

Program: Community action program.

Department or agency, and office or bureau: Office of Economic Opportunity;
Office of Research, Plans, Programs, and Evaluation.

TABLE 3.—*Level of operations or performance, fiscal years 1965-67*

Measure	Unit	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program:				
Program development grants.....	Number	315	300	300
Action components funded.....	do	550	3, 575	4, 125
(b) Applicants or participants:				
Local community action agencies.....	do	220	700	900
Children participating in Operation Headstart.....	do	580, 000	600, 000	710, 000
(c) Federal finances:				
Obligations incurred.....	Millions	\$251. 6	\$662. 5	\$951. 0
Program costs funded ¹	do	\$50. 4	\$515. 0	\$765. 0
(d) Matching expenditures from non-Federal funds.....	do	\$5. 0	\$51. 5	\$76. 5
(e) Number of Federal Government employees administering program (includes Washington headquarters and regional offices). Permanent positions.		301	610	670
(f) Number of non-Federal personnel employed in the program:				
Employees of community action agencies.....		12, 000	25, 000	30, 000
Number of poor employed in the program.....		70, 000	100, 000	150, 000

¹ Includes migrant agriculture workers program.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)
6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)
7. *Coordination and cooperation* ¹

An integral part of the community action concept is coordination and cooperation with other programs and agencies. The intent is to bring together in one program, programs that now exist, plus new programs as they are created to approach community problems. In this way, existing local, State, and Federal programs are linked to each other in a concentrated drive against poverty.

Specifically, coordination and cooperation are carried out in the following ways:

(a, b) Within the OEO itself, section 211 of the Economic Opportunity Act provides that agencies carrying out programs under other parts of the act will coordinate their activities with those of local community action organizations to assure programs of maximum effectiveness. A preference process favors the allocation of funds to OEO programs which cooperate directly with local community action agencies and develop jointly with those agencies.

(c) With other Federal agencies, coordination is carried out on a continuous basis. Sections 611 and 612 of the Economic Opportunity Act lay the foundation for this coordination. Section 611 contains provisions designed to assure that all Federal programs related to the purposes of the act are carried out in a coordinated manner. Federal agencies which are engaged in administering programs which are related to the economic opportunity program are required to cooperate with the Director of OEO in maximizing the effectiveness of the economic opportunity program. Section 612 requires the head of each Federal agency to give preference to applications for assistance and benefits which are made in conjunction with an approved community action program. A specific example of this type of coordination is the

¹ See also the statement included on delegation of authorities to other agencies.

joint task force established by OEO and the Office of Education to deal with matters relating to education of the disadvantaged.

There are many Federal agencies which have paid specific attention to channeling their projects into poverty areas with local CAA's. The Department of Labor has specific cooperative programs with the Job Corps and with the Neighborhood Youth Corps. HEW coordinates its many programs at the regional level with community action objectives. CAP workers cooperate with medicare in their Operation Medicare Alert, a program of registration. The Small Business Administration works in conjunction with OEO's small business development centers and small business loans.

With the cooperation of the Bureau of the Budget and all Federal agencies, OEO has compiled a Federal catalog of existing programs, "Catalog of Federal Programs for Individual and Community Improvement," December 15, 1965.

(d) Section 209 (b) of the Economic Opportunity Act established the procedures which facilitate the effective participation of the States in community action programs. Grants and contracts are authorized to be made to State agencies in order to enable them to provide technical assistance to communities in developing, conducting, and administering community action programs. In addition, the application procedures are such that the Governor of the State has the opportunity to review program applications within his State.

(e) Since the community action program concept is based on local initiative, coordination at the local level is essential. Every community has agencies which provide services to the poor; many of these agencies already receive assistance from State and Federal Governments. Mobilization of all of these existing resources is an essential part of the community action program. At the local level the efforts of the community action agencies are coordinated with the educational system and libraries, with public welfare departments, and with the public health departments and community hospitals. These are only a few examples of areas of local coordination.

(f) The utilization of nonprofit organizations and institutions and research firms is also an integral part in the administration of the community action programs. The expertise of many firms lends an objective approach to the implementation of innovative programs to combat poverty.

Nonprofit organizations may be given grants for the development, conduct, and administration of community action programs. As community action agencies they must be sponsored by a public agency or by one or more private institutions which have concern with problems of poverty in the particular area. Sponsorship must be in the form of an official act endorsing the organization as the community action agency for the area to be served.

Research and demonstration grants and contracts may be entered into with organizations for the purpose of making studies, surveys, and investigations into the causes and nature of poverty and the means by which poverty in a particular area may be eliminated or reduced. Also, demonstration projects are funded with the objective of evaluating novel and experimental approaches that give promise of increasing the effectiveness of local antipoverty actions.

In summary then, a community action program must provide for the redirection, extension, expansion, and improved utilization of

existing programs and activities. It makes maximum use of resources available under other Federal programs, including other programs of the Economic Opportunity Act as well as community resources, public and private.

8. *Laws and regulations*

The community action program is covered under title II of the Economic Opportunity Act of 1964 (Public Law 88-452, as amended). Funds are allocated under the provisions of sections 204-209 of the act. Major program elements are program development (section 204), conduct and administration (section 205), technical assistance (section 206), research, demonstration, and training (section 207) and State technical assistance (section 209-b). Section 311 of title III, which provides for assistance for migrants and seasonally employed agricultural workers and their families, is also administered under the community action program.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 4.)

Program: Community action program.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 4.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	1.8
Other.....	1.1
Grants to community action agencies.....	¹ 47.5
Total, Federal.....	50.4
Non-Federal expenditures.....	5.6
Total expenditures for program.....	56.0

¹ Federal share of grants to community action agencies is 90 percent. Information on split of 10 percent local share between State and local governments and nonprofit organizations is not available.

JOB CORPS

PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The specific objective of the Job Corps is to provide a residential program of vocational training, remedial education, and work experience for disadvantaged men and women of 16 through 21 years of age who are out of school and unable to find suitable employment and who may have a self-concept of failure.

On a broader scale, the objectives are to prepare young people to be responsible, productive citizens by providing them the opportunity to rise out of poverty by increasing their own knowledge and skills. A concomitant objective of the program is the development and preser-

vation of natural resources and the beautification of America, since the Economic Opportunity Act requires that at least 40 percent of the male enrollees must be assigned to conservation projects.

2. Operation

Job Corps centers are established by the Director of OEO through contracts with public or private organizations and institutions. Financial arrangements with private companies for the urban centers are on a cost-plus-fixed-fee basis. Conservation centers are supervised by agencies of the Department of Agriculture and the Department of the Interior, except for some State-supervised centers supported in whole or in part by Federal funds. Conservation centers consist of 100 to 200 men each; men's urban centers, usually located on unused military or other Federal facilities, train 1,000 to 3,000 corpsmen; and women's urban centers train 250 to 1,000 women.

The program is administered by Job Corps headquarters in Washington and in OEO's regional offices.

Job Corps enrollees must be within the range of 16 through 21 years of age at the time of enrollment, permanent residents of the United States, from impoverished homes, out of school, unable to find suitable employment, medically qualified, and free of any serious criminal record. They are trained in educational as well as specific occupational skills. Girls are trained, as well, in family management.

3. History

The history of the Job Corps, since the Office of Economic Opportunity was launched on October 8, 1964, has been one of continuous expansion of training facilities and of enrollees. Plans for Job Corps centers were announced at the end of 1964 and the beginning of 1965; the first conservation centers and men's urban centers were activated by February 1965, and the first women's urban centers were activated in April 1965. On June 30, 1965, there were over 10,000 enrollees in 48 centers; by January 3, 1966, there were 17,190 youths in 84 centers. These 84 centers include 69 conservation centers, 8 men's centers, 5 women's centers, 1 capital project, and 1 State-related center. Obligated funds in fiscal year 1965 amounted to \$174,818,555.

4. Level of operations. (See table 1.)

Program: Job Corps.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations and performance, fiscal years 1965-67*

Measure	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Magnitude of the program:			
Men's urban training centers in operation.....	7	9	11
Women's urban training centers in operation.....	5	10	14
Men's conservation centers in operation.....	37	85	99
(b) Applicants or participants:			
Male enrollees end of year.....	9,348	25,800	39,000
Female enrollees end of year.....	893	4,200	6,000
(c) Federal finances (in millions of dollars):			
Obligations incurred.....	174.8	310	228
Program costs funded.....	53.5	240	355
(d) Matching or additional expenditures for the program.....			
(e) Number of Federal Government employees (permanent) administering, operating or supervising the program.....	12,562	14,600	14,700
(f) Non-Federal personnel employed in the program, employees of contractors operating urban training centers.....	2,760	6,000	6,900

¹ Included are Department of Agriculture and Department of Interior Federal Government employees who manage and operate the Federal conservation centers.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)
6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)
7. *Coordination and cooperation*

The nature of the formation of Job Corps centers (see question 2 above) indicates the close association of the Job Corps program with the Departments of Agriculture and Interior, with State governments, and with a variety of public and private institutions and organizations.

The Bureau of Employment Security, through the State-local system of employment services, is instrumental in the screening of prospective enrollees, and in the placement of enrollees upon leaving the program.

Within OEO, the Job Corps is closely connected with the community action program in regions where there are both Job Corps centers and community action agencies. CAP is particularly useful in locating potential corpsmen, as is the Neighborhood Youth Corps.

8. *Laws and regulations*

The Job Corps program is administered under Public Law 88-452, the "Economic Opportunity Act of 1964," title I-A, 78 Stat. 508; 42 U.S.C. 2711-2770 (1964).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)
10. *Economic classification of program expenditures.* (See table 2.)

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Program: Job Corps.

Department or agency, and office or bureau: Office of Economic Opportunity.

Federal Government:

Purchases of goods and services:

	<i>Millions</i>
Wages and salaries.....	¹ \$1.3
Other.....	52.2

Total, Federal.....	53.5
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Non-Federal expenditures.....	
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Total expenditures for program.....	53.5
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¹ Salaries of headquarters personnel. Salaries and wages of Agriculture and Interior personnel employed in operation of conservation centers are included under "Other."

VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The purpose of VISTA is to afford an opportunity for men and women from all economic, geographic, social, and age groups to join, on a full-time volunteer basis, the Nation's war on poverty. Through specific projects designed by local sponsors to meet local needs, VISTA volunteers strive to provide new hope, determination, and skills that can help lift people out of poverty.

2. Operation

The VISTA program is directed from the headquarters in Washington, D.C. Training of volunteers in general problems of poverty and in specific skills is conducted under contracts with universities or other appropriate private and public institutions. VISTA volunteers are allocated to specific projects approved by the Director of VISTA through arrangements with sponsors. Volunteers normally serve a period of 1 year, although extensions for an additional year are encouraged.

3. History

The VISTA program was authorized under section 603 of the Economic Opportunity Act of 1964. By January 1966, there were 1,678 volunteers at work in 60 urban projects and 153 rural projects in 42 States and the District of Columbia, and there were an additional 395 volunteers in training. Projects involved a wide variety of activities—vocational training; health services; educational advancement; aid to migrants; and the seasonally unemployed, and community action efforts. Areas served were equally diverse, including urban slums, rural Appalachia, Indian reservations, and isolated Eskimo villages in northern Alaska.

4. Level of operations. (See table 1.)

Program: VISTA.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—Level of operations or performance, fiscal years 1965–67

Measure	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program, volunteers assigned to field or in training (end year).....	1, 100	3, 500	4, 500
(b) Participants, project sponsors.....	50	350	450
(c) Federal finances (millions of dollars):			
Obligations incurred.....	3. 0	15	26
Program costs funded.....	1. 4	14	23
(d) Matching or additional expenditures for the program.....			
(e) Number of Federal Government employees administering, operating, or supervising the activity.....	112	270	295
(f) Non-Federal personnel employed in the program ¹	1, 100	3, 500	4, 500
(g) Other measures of level or magnitude of performance.....			

¹ Volunteers (also included in entry (a)) are non-Federal personnel.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. Coordination and cooperation

Within the framework of OEO, the VISTA program complements and supplements the other antipoverty programs by providing services in individual poverty situations and in specific areas of need. In addition to supporting OEO objectives in general, VISTA projects are very often coordinated with community action programs and with Job Corps centers, Neighborhood Youth Corps and Headstart efforts. Volunteers work with numerous community organizations, with local educational systems, and with public health projects and other statewide service projects. An example of such cooperation is the VISTA work with mental institutions.

8. *Laws and regulations*

The VISTA program was authorized by Public Law 88-452, the Economic Opportunity Act of 1964, under title VI, section 603, as amended in 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 2.)

Program: VISTA.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:		<i>Millions</i>
Purchases of goods and services:		
Wages and salaries.....		\$0. 9
Other.....		. 5
Total, Federal.....		1. 4
Non-Federal expenditures.....		---
Total expenditures for program.....		1. 4

NEIGHBORHOOD YOUTH CORPS ¹

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The purpose of the Neighborhood Youth Corps is to provide useful work experience opportunities for unemployed young men and young women, through participation in State and community work-training programs, so that their employability may be increased or their education resumed or continued. Also, public agencies and private nonprofit organizations (other than political parties) are enabled, with NYC projects, to carry out programs which permit or contribute to an undertaking or service in the public interest that would not otherwise be provided, or that contribute to the conservation and development of natural resources and recreational areas.

2. *Operation*

In order to carry out the purposes, the Director, through regional and field offices with headquarters' supervision, assists and cooperates with State and local agencies and private nonprofit organizations (other than political parties) in developing programs for the employment of young people in State and community activities.

3. *History*

Fiscal year 1965 was a year of planning, organization, promotion, and development for this entirely new program. Program operations did not reach full scale until the last quarter of the fiscal year. The first Neighborhood Youth Corps project, for the city of Newark, N.J. was approved late in December 1964, and began operation January 4,

¹ NOTE.—This program is also discussed by the Department of Labor.

1965. In October 1965, the 1,000th contract with a local sponsor was signed in Indianapolis, Ind.

Through June 30, 1965, the Neighborhood Youth Corps signed 642 projects in all 50 States, the District of Columbia, and Puerto Rico. These projects are estimated to employ about 278,000 young people, at a cost to the Federal Government of about \$132,500,000. Approximately 74 percent of the enrollees were in urban programs, and 26 percent in rural areas or small towns. In general, large cities were better organized to plan and conduct these new types of operations on short notice. About 60 percent of the enrollees were young men, and 40 percent were young women.

4. *Level of operations.* (See table 1.)

Program: Neighborhood Youth Corps.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—*Level of operations and performance, fiscal years 1965-67*

Measure	Unit	Fiscal year 1965 ¹	Fiscal year 1966 estimates ¹	Fiscal year 1967 estimates
(a) Magnitude of program.....	Enrollees..	278,426	² 366,305	² 354,000
(b) Applicants or participants in projects sponsored by:	Projects.....	642	1,500	1,730
State government agencies.....	do.....	61,803	³ 84,250	³ 78,590
Local communities or governments.....	do.....	136,327	³ 179,489	³ 173,460
Private nonprofit organizations.....	do.....	80,296	³ 102,563	³ 101,950
(c) Federal finances (in millions):				
Obligations incurred.....	Millions of dollars.	132.3	259.0	300.0
Program costs funded.....	do.....	50.9	245.0	275.0
(d) Matching or additional expenditures for program.....	do.....	18.4	⁴ 34.6	39.9
(e) Number of Federal Government employees administering, operating, or supervising the activity.	Man-years	106.0	298.1	361.9
(f) Non-Federal personnel employed in the program.....		(5)	(5)	(5)
(g) Other measures of level or magnitude of performance.....				

¹ Program was in operation for only 6 months of fiscal year 1965, therefore, the increased enrollment for fiscal year 1966 required almost twice the funds.

² For fiscal year 1966 and fiscal year 1967 estimates; the unit is job slots, rather than enrollees.

³ Projections based on same percentage distribution as fiscal year 1965.

⁴ Based on average sponsor's share of 12 percent of total program costs.

⁵ Information not available.

5. *Estimated magnitude of program in 1970.* (This is discussed later in section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed later in section covering all OEO programs.)

7. *Coordination and cooperation*

The NYC experience in coordination and cooperation with other programs and agencies has been very satisfactory with the other bureaus of the Department of Labor, other Federal departments, including the Office of Economic Opportunity, agencies, State governments and their instrumentalities. The relationships with county, municipal governments, area redevelopment councils, and Indian tribal councils have been excellent. Likewise, the contacts with the labor unions have been helpful. Private nonprofit organizations, some of which serve as sponsors for many NYC projects, have cooperated well and are operating very effectively. We have had negligible contact with foreign governments, international organizations, or business enterprises.

8. Laws and regulations

The Neighborhood Youth Corps was established by title I-B of the Economic Opportunity Act of 1964 (Public Law 88-452) and was amended by the Economic Opportunity Amendments of 1965 (Public Law 89-253). Appropriations were authorized by Public Law 88-635.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed later in section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 2.)

Program: Neighborhood Youth Corps.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government: ¹		
Purchases of goods and services:		<i>Millions</i>
Wages and salaries.....		\$1. 2
Other.....		. 7
Other expenditures—Contract expenditures for providing enrollee wages and related expenses.....		49. 0
Total, Federal.....		² 50. 9
Non-Federal expenditures.....		5. 6
Total expenditures for program.....		56. 5

¹ Non-Federal data not available.

² Does not include expenditures made under sponsors' 10-percent matching requirement. This information is not available.

NOTE.—In national income terminology the bulk of contract expenditures is classified as a grant to State and local governments, with a small portion classified as a transfer to private nonprofit organizations.

RURAL LOAN PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The rural loan program is composed of two major divisions through which loans are granted to low-income rural families. The divisions and objectives of each are described below:

Economic opportunity loans to individual low-income rural borrowers: This program has the following objectives: (a) To assist low-income rural families headed by a person with limited mobility due to age, lack of education, or a physical handicap to improve their capacity to earn income; (b) to promote "mobility in place" for those small, subsistence farmers and others in rural areas who have the opportunity and skills but not the financing to start a potentially successful small business, trade, or service; and (c) to enable older farmers who own and operate small and part-time units to continue to own these units and thereby provide a place for their families to live and to earn part of their income.

EO loans to cooperatives serving low-income rural families: The objectives of this program are to improve the income, available

resources, and opportunities of such families by furnishing essential processing, purchasing, or marketing services, and to increase their capacity for working together to solve mutual problems.

2. Operation

Both EO loan programs are operated by the Department of Agriculture's Farmers Home Administration under delegation from the Office of Economic Opportunity. Farmers Home Administration has 1,600 county offices serving all rural areas of the United States and Puerto Rico. Offices are generally staffed by loan supervisors and assistants. EO borrowers, as well as all other borrowers using FHA credit programs, receive continuing assistance from FHA supervisors in the management of loan funds and of the enterprises financed. This service is termed "supervision" and is a unique and essential feature of all FHA lending operations. OEO provides general policy guidance in administration of the EO rural loan programs, and for this purpose a position has been established in the FHA headquarters office to maintain continuing liaison with OEO. OEO has transferred funds to FHA for approximately 250 positions for administration of the EO rural loans to supplement existing FHA personnel rolls. However, all FHA personnel devote some time to administering the rural loans, which are integrated with the agency's other activities.

3. History

Rural loans were included under title III of the Economic Opportunity Act as one of three special programs to combat poverty in rural areas, the others being assistance for migrants and indemnity payments to dairy farmers suffering financial injury due to public health pesticide controls.

The legislative history and the statute itself make clear that the individual loans are to be made only in cases where the family has a reasonable possibility of affecting a permanent increase in their income.

The economic opportunity rural loan programs were started at the local level in early January 1965. In the last 6 months of fiscal year 1965, a total of 11,022 initial loans for \$18,828,000 were made to individual borrowers. In addition, 82 loans were made to cooperatives for \$942,000. Of the individual loans, 6,647 were made to farmers to finance agricultural enterprises, 557 for a nonfarm business or trade that would supplement income from farming, and 391 for a combination of both. In addition, 3,427 loans were made to nonfarming rural residents to finance such small businesses, trades, and services as small appliance repair shops, garages for repair of farm machinery, pulpwood cutting and hauling, production of handicrafts, and personal services (such as barbering or drycleaning).

FHA surveyed the first 4,500 borrowers receiving individual loans under the EO program. Of this number 80 percent were 40 years of age or older. Eighty percent also had incomes available for family living of less than \$2,000 a year in 1964. In 14 Southern States in fiscal year 1965, 44 percent of all individual loans were received by Negro borrowers. The average loan for farming purposes was \$1,700 and for a nonfarm enterprise, about \$1,800. In 6 months of 1965, a total of 31,660 applications for individual loans were received. At the end of the fiscal year, 12,400 of these were on hand waiting to be processed. (The difference between total loans made and loan appli-

cations processed is due to the fact that some applications were withdrawn and others were converted to applications for different types of FHA loans.)

A breakdown of individual loans made in the United States indicates that 63 percent went to borrowers in the Southeast, 20 percent in the Midwest, 9 percent in the Northeastern and Middle Atlantic States, and 8 percent in the Western States. In addition, a large number of individual loans were made in Puerto Rico to help capitalize small farmers and to finance services and small businesses providing for the essential needs of isolated rural communities.

In the last 6 months of 1965, 82 cooperatives were financed by EO loans. The average loan was for \$11,000. The overwhelming majority of cooperatives receiving aid were small groups (four or five members) formed to purchase an item of farm machinery that would help members of the group do a better job of farming and compete on a more equal footing with their larger neighbors. Financing markets handling the products of small farmers was the second most important loan purpose. Often these markets make it possible for farmers to expand livestock, vegetable, and small fruit production to meet the demand generated by the new market.

EO loans are made only to cooperatives with a membership at least two-thirds of which is in the low-income group.

States where the largest number of cooperative loans were made in 1965 are Arkansas (14), Mississippi (11), North Carolina (11), South Carolina (8), and Tennessee (6).

4. Level of operations. (See table 1.)

Program: Rural loan program.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—Level of operations or performance, fiscal years 1965-67

Measure	Unit	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program:				
Loans to farm families.....	Million dollars.	18.8	29	28.9
Loans to cooperatives.....	do.....	.9	4	5
(b) Applicants or participants:				
Loans to farm families.....	Number...	11,022	15,500	15,500
Loans to cooperatives.....	do.....	82	350	400
(c) Federal finances:				
Obligations incurred.....	Million dollars.	121.5	136.3	138.5
Program costs funded.....	do.....	18.9	34.0	35.0
(d) Matching or additional expenditures for the program.....				
(e) Number of Federal Government employees administering, operating, or supervising the program (full-time equivalent).	Employees..	250	250	250
(f) Non-Federal personnel employed in the program.....				

¹ Includes interest costs and administrative costs.

NOTE.—OEO finances the administrative expenses incurred by the Farmers Home Administration of the Department of Agriculture in operating the rural loan program. Loans are financed from the FHA revolving fund.

5. *Estimated magnitude of program in 1970.* (This is discussed later in section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed later in action covering all OEO programs.)

7. *Coordination and cooperation*

(a) Within FHA, the EO rural loan program is operated as an organic part of the agency's rural credit responsibilities under the Administrator. Two divisions in the national office are directly involved: the Farm Operating Loan Division (loans to individuals) and the Association Loan Division (loans to cooperatives). In addition, the farm planning and supervision section of FHA has responsibility for training and guidance of the FHA family advisers assigned to selected counties of concentrated poverty where they work with low-income borrower families. FHA State directors are responsible for EO rural loan operations in their respective States. Coordination is maintained at all levels and with all programs in the agency.

(b) Rural loan administration and liaison with OEO is coordinated with other Department of Agriculture activities through the Office of the Assistant Secretary for Rural Development and his staff. In States and counties, Department of Agriculture technical action panels have been established as part of the rural areas development program. One of their most important functions is to coordinate programs of the Department and make use of these programs imaginatively to help rural communities solve problems. The EO rural loans and other aspects of the OEO program are regularly on the agenda of technical action panel meetings. The FHA supervisor is chairman of the panel.

(c) As indicated previously, FHA has established a liaison position within its headquarters office to coordinate administration with OEO through the latter's Assistant Director for Interagency Relations. Representatives of the various agencies administering delegated EO programs meet regularly together in OEO and separately to discuss mutual problems concerned with these and other EO programs.

(d) Through its State directors, FHA has numerous regular contacts with State government agencies in the agricultural, welfare, economic development, and other fields. Representatives of such agencies have been fully informed of the aims and administration of the rural loan programs.

(e) It is the policy of FHA to cooperate closely with all local government agencies with the objective of increasing the effectiveness and impact of the agency's supervised credit programs. FHA supervisors cooperate closely with local rural areas development program committees and other local citizen groups and councils to promote effective use of all the agency's programs. Such local relationships are a continuing and important aspect of the agency's program administration.

(f) FHA has working agreements with the Department's Foreign Agriculture Service and the Agency for International Development to provide U.S. foreign missions with information and technical assistance concerning U.S. rural supervised credit programs and to provide training for foreign nationals visiting the United States under AID programs. Information on EO loan procedures and administration has been distributed through these channels. Operation of the EO rural loans at the county and farm level also are now an important subject of study for foreign trainees visiting the United States, since problems facing EO rural loan borrowers often are very similar to those of low-income farmers in underdeveloped countries.

(g) FHA makes a serious and sustained effort to inform nonprofit groups of all supervised credit programs through distribution of information, attendance at meetings of such groups, participation in seminars, study and training sessions, and individual leader contacts. Farm organizations, church groups, and civil rights groups are of special importance and are receiving special attention.

(h) As regular operating procedure, FHA supervisors maintain continuing relationships with the local banking and business community to keep the latter fully informed of the purposes and benefits to the community of supervised credit programs, to develop sound farm operating and credit plans in the case of specific borrowers, and to promote maximum and effective use of normal credit channels in helping families become successful.

8. Laws and regulations

The rural loan programs function under title III of the "Economic Opportunity Act of 1964." Sections 301-305.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 2.)

Program: Rural loan program.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]	
Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	1.6
Other.....	.1
Loans to individuals and cooperatives (net of repayments).....	17.2
Total, Federal.....	18.9
Non-Federal expenditures.....	-----
Total expenditures for program.....	18.9

NOTE.—OEO finances the administrative expenses incurred by the Farmers Home Administration of the Department of Agriculture in operating the rural loan program. Loans are financed from the FHA revolving fund.

WORK EXPERIENCE PROGRAM—TITLE V

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the work experience program is "to expand the opportunities for constructive work experience and other needed training available to persons who are unable to support or care for themselves or their families." Section 502 of the Economic Opportunity Act also provides the Director of OEO with the authority to transfer funds to the Secretary of Health, Education, and Welfare to "stimulate the adoption of programs designed to help unemployed fathers and other needy persons to secure and retain employment or to attain or retain capability for self-support or personal independence."

2. Operation

Title V of EOA authorizes grants up to 100 percent Federal funds. These grants are made to the State departments of public welfare. The established public assistance organizational pattern—Federal-State-local—is used in the administration of the program. The work experience program is delegated by the Director of the Office of Economic Opportunity to the Secretary of the Department of Health, Education, and Welfare; and is redelegated to the Commissioner of Welfare and assigned to the Office of Special Services, Bureau of Family Services, Welfare Administration.

3. History

The work experience program under title V was started in October 1964. It was built on the successful experience of the community work and training programs in 10 States that provide for Federal financial participation on a matching basis for aid to families with dependent children. The CWT programs are limited, since section 409 of the Social Security Act does not authorize the use of Federal funds for either project supervisors and training instructors or for materials.

4. Level of operations. (See table 1.)

Program: Work experience program—Title V.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 1.—Level of operations and performance, fiscal years 1965–67

	Unit	Fiscal year 1965	Fiscal year 1966 estimated	Fiscal year 1967 estimated
a. Magnitude of the program	Approved projects	164	240	240
b. Applicants or trainees:				
State government agencies	States and other jurisdictions	146	153	154
Local communities or governments	Cities or counties	361	600	600
Individuals or families	Project trainees	88,700	109,000	105,000
	Dependents	273,300	327,000	315,000
c. Federal finances:				
Obligations incurred	Dollars in millions	\$112.0	\$125.0	\$160.0
Program costs funded	do.	\$20.7	\$130.0	\$160.0
d. Additional expenditures for the program: (State and local sponsor's contribution.)	do.	\$18.5	\$20.5	\$24.4
e. Number of Federal Government employees administering, operating, or supervising the activity.	Man-years	28	74	87
f. Non-Federal personnel employed in the program.	State/local	2,424	3,200	3,200
g. Other:				
Federal matching for State and local funds shown under item (d).	Dollars in millions	\$19.9	\$22.1	\$25.5

¹ Includes District of Columbia, Puerto Rico, and the Virgin Islands.

² Includes 49 States, District of Columbia, Puerto Rico, Virgin Islands, and Guam.

³ Includes 50 States, District of Columbia, Puerto Rico, Virgin Islands, and Guam.

5. *Estimated magnitude of program in 1970.* (This is discussed in later section covering all OEO programs.)

6. *Prospective changes in program orientation.* (This is discussed in later section covering all OEO programs.)

7. Coordination and cooperation

The work experience program, administered by the Bureau of Family Services, is built upon existing activities to increase the em-

ployability of needy persons. Coordination and cooperation with these activities is effected by the Assistant Director, Bureau of Family Services (Chief, Office of Special Services), who is responsible for the day-to-day administration of the title V program.

Coordination between the Office of Economic Opportunity and HEW in regard to the administration of title V is effected through the Office of Interagency Relations, OEO; the Coordinator for Economic Opportunity Programs, Office of the Secretary, Department of Health, Education, and Welfare; and the Assistant to the Commissioner for Economic Opportunity Programs, Welfare Administration, Department of Health, Education, and Welfare.

Title V is operated through a cooperative arrangement between the Federal-State-local departments of public welfare, and the established public assistance channels are used for carrying out operations at State and local levels.

Cooperation with nonprofit organizations and business enterprises occurs indirectly, since the work experience program involves consultations with State or local governments planning title V projects using the facilities of such organizations or enterprises.

8. *Laws and regulations*

Economic Opportunity Act of 1964, sections 501, 502, and 503, Public Law 88-452, approved August 20, 1964.

Section 409 of title IV, community work and training program, of the Social Security Act as added by section 105(a), Public Law 87-543. Section 1115 of the Social Security Act, added by Public Law 87-543, effective July 25, 1962.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.* (This is discussed in later section covering all OEO programs.)

10. *Economic classification of program expenditures.* (See table 2.)

Program: Work experience program—Title V.

Department or agency, and office or bureau: Office of Economic Opportunity.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:		
Purchases of goods and services:		
Wages and salaries.....		<i>Million</i> \$0. 3
Other.....		. 2
Grants to State and local governments:		
Title V.....		19. 8
Other public assistance program matching.....		. 4
Total, Federal.....		20. 7
Non-Federal expenditures financed by State and local governments.....		1. 2
Total expenditures for program.....		21. 9

OTHER PROGRAMS

ADULT BASIC EDUCATION PROGRAM—Title II-B

Information on this program will be submitted by the Office of Education, Department of Health, Education, and Welfare.

SMALL BUSINESS LOAN PROGRAM—Title IV

Information on this program will be submitted by the Small Business Administration.

COLLEGE WORK STUDY PROGRAM—Title I-C of 1964 Act

Administration of this program was transferred from the Director of the Office of Economic Opportunity to the Commissioner of Education by section 441 of the Higher Education Act of 1965, Public Law 89-329, November 8, 1965.

VOLUNTARY ASSISTANCE PROGRAM FOR NEEDY CHILDREN—Title II-C

This program was designed to provide a national information and coordination center through which interested persons could secure information concerning needy children whom they might desire to assist through gifts and donations. However, this program has never been implemented or administered due to legal and established policy restrictions which in many jurisdictions restrict or preclude release of the kind of information concerning particular relief recipients which the program contemplates, augmented by the extremely complex problems of selection necessarily involved in a program of this kind.

The responses to questions 5, 6, and 9 which follow are applicable to all Office of Economic Opportunity programs.

5. *Estimated magnitude of the program in 1970*

It is not possible to predict the levels at which Office of Economic Opportunity programs will be operating in 1970 because we do not know the course of future budget constraints. An additional unknown is the impact that other Federal programs in the fields of education, health, and employment may have on the population served by OEO programs. However, some gross estimates of the sizes of various groups to be served indicate that by 1970 there will still be large numbers of the poor yet to be reached. For example, in fiscal year 1967, Headstart will be reaching about one-fourth of the 2 million poor children eligible for such training. In the same period some 400,000 youths will be trained by the Job Corps or the Neighborhood Youth Corps, out of about 2.7 million youths between the ages of 16-21 now classified as poor who would be eligible for such training. The 900 community action agencies that will be operating in 1967 obviously will be unable to reach all of the 34 million poor. Thus, in spite of great progress by 1967, the following years will need to see a continuing development and extension of OEO programs in order to reach the goals of the war on poverty.

6. *Prospective changes in program orientation*

As of February 1, 1966, the only pending legislative proposals that would affect OEO programs are of a minor nature. One pending bill before Congress would lower the minimum age for Job Corps and

Neighborhood Youth Corps enrollees. Another would amend section 4(c) of the Small Business Act, in order to divide the single revolving fund provided for by the Small Business Act into three revolving funds—a business loan fund, a disaster loan fund, and a small business investment fund. This division of funds would be for the purpose of alleviating the disruption of SBA lending during times of disasters and would thus affect title IV of the “Economic Opportunity Act of 1964.”

Jobs are fundamental to the success of all opportunity programs. If increased overall employment does not provide sufficient jobs for the poor, it may be necessary to develop programs of direct employment in public and nonprofit institutions. The needs of the public sector provide an additional justification for interest in such a program.

There will obviously be some change in the conditions under which the program functions in 1970, since most changes in the general economic situation of the country would affect or alter the composition of the section of the poor with which OEO is concerned. The question of war or peace is also bound to have an impact on the nature of the antipoverty program, but the direction and magnitude of this factor is impossible to predict.

9. Economic effects

The 34 million poor people in the United States are not suffering extreme economic deprivation for one reason alone. The causes of poverty differ for different people and they are generally multiple, not single, as they affect any one person. The common denominator in the lives of the poor has been their lack of opportunity to get out of poverty on a permanent basis. This is what the war on poverty through all its programs is seeking to accomplish.

There are three fundamental types of programs which seek permanent solutions to poverty. The first relates to the creation of sufficient job opportunities and the skill training necessary to prepare the poor for these jobs. Without a decent job, the poor cannot hope to earn even a subsistence living. But to provide job assistance is not enough. People who have been poor and whose realistic expectation is that they will continue to be poor may not benefit from skill training alone.

The second type of program seeks to implement services on both an individual and community basis through which such crippling handicaps as poor environment, lack of education, neglected health, family breakdown may be overcome.

The third, providing income maintenance, goes to the heart of the problem for millions of the poor who, for a variety of reasons, may be permanently unemployable and therefore doomed to a bare subsistence level.

These programs are mutually reinforcing and attack the multiplicity of problems together. Thus, the father may be given training for employment and the wife counseling on household management while the children are taking advantage of Headstart or the Neighborhood Youth Corps, and the elderly are given support through increased income maintenance.

JOBS: THE PROBLEM

A keystone need is for jobs. Even though the overall unemployment rate is less than 4 percent—and should be kept there by well-designed fiscal policies—unemployment is much higher for the poor. There are still 1 million unemployed poor, and at least an equal number of poor who can and should work but are not even counted among the unemployed. They are among the chronically poor. The unemployment rate for poor heads of families is normally 3 times that for the nonpoor, and the unemployment rate for family members other than the head has been 2½ times that for their nonpoor counterparts. In addition, there are about 2 million underemployed poor who need training and job assistance in order to improve their employment potential.

The key to the job problems of the poor is continuation of a high level of aggregate demand and a low level of overall unemployment, but general prosperity will not by itself suffice. It is a necessary but not a sufficient condition. Even with general prosperity, we will need better jobs for the poor, more jobs for the poor, and permanent jobs for the poor—to the extent that the jobs of the poor are based on defense spending, for example, steps must be taken to make the jobs last longer than the emergency.

First of all, there is a need for better jobs for the poor. A high employment economy will create some new jobs for poor people but it will not by itself make poor people capable of holding good or even decent jobs—jobs which can provide a reasonable basis for incomes above the poverty level in either the short or long run. In a tight employment situation, there are frequent shortages of individuals with particular skills. Many of the poor can and should be trained for these skills. This is what the Job Corps does, it is what the out-of-school Neighborhood Youth Corps does, and it is what the work experience program for adults accomplishes. In addition, local community action programs are increasingly getting into the business of planning and coordinating comprehensive training programs for the poor using components financed by the Departments of Labor and HEW—particularly through MDTA—as well as direct OEO financing. This has been happening in New Haven, in Los Angeles, in Chicago, in rural Mississippi and elsewhere.

The second need is for more jobs for the poor. Depending on exactly how tight the economy gets, it still is not likely to create enough jobs for poor people, particularly those in urban ghettos and rural depressed areas. In 1953, a 2.5-percent overall unemployment rate (2.9 percent by today's definition) brought about a 4.1-percent rate for nonwhites. But we do not now know whether unemployment will drop to the levels of 13 years ago, nor do we know whether the relationship between minority group unemployment and total unemployment will be the same as in 1953. Because of this there is a need to create more jobs for the poor—now before the unemployment rate has completed its drop, and later, in greater measure, if the drop does not have the effects we hope for. We are filling a portion of this need by employing people directly under community action programs. These programs include the use of Nelson amendment authority to create jobs in community beautification and better-

ment and a community employment program under which local community action agencies will recruit unemployed poor to work in areas of local need such as health and education. If it proves necessary, we can extend both the list and the range of these projects.

Finally, there is a need for permanent jobs for the poor. In the past, the marginal gains for the disadvantaged have deteriorated rapidly after peace was restored. When the Korean war ended, the United States moved, between 1953 and 1954, from an unemployment rate of 2.9 percent to one of 5.6 percent and the number of poor people increased by 3 million. We must be prepared to prevent this reentry into poverty. In an employment situation, training will have a high payoff in permanent jobs. While the short-run effects of training are important, the long-run results are even more vital. Without such assistance, many poor persons employed in a tight labor market will obtain low skill jobs that evaporate if the economy loosens even slightly.

The Job Corps, Neighborhood Youth Corps, and work experience programs all help fill this need to prepare the poor for permanent jobs as well as better current jobs.¹ Short-term training, however, may not be enough. Job training is necessary but it is fruitful only if jobs are available for the trainees; this has not always been the case in the past. We must be prepared in several ways to perpetuate a favorable job situation for the poor. The most important of these ways is to use Federal fiscal policy to sustain a high level of aggregate demand. Beyond this, however, we must stand by with several other programs for employment of those in poverty who are not reached by high levels of overall employment. We must be prepared to expand substantially the CAP employment and Nelson amendment approaches and perhaps to put them together into a general large scale program for public employment. Not only the job needs of the poor could be helped by such a program but, as has so ably been pointed out by various groups, reaching many of the other goals of the Great Society would be much facilitated by programs for employment in the long-neglected public sector of our economy. Such employment programs might be used in the future to do such things as:

Enlarge the American school system's capacity to educate all citizens.

Add substantially to the capabilities of the American system of health care.

Improve the appearance of rural and urban America.

Prevent crime and delinquency by augmenting the capabilities of law enforcement agencies as well as by bringing people now poor into the mainstream of American life.

Wipe out many slum areas by rehousing poor people.

INDIVIDUAL AND COMMUNITY BETTERMENT

The effects of poverty, especially long-term poverty, are destructive. Bad education, inadequate health facilities, poor housing, racial and economic discrimination and lack of economic opportunity are common to those in poverty. These are the structural factors within the community which perpetuate the ominous cycle of poverty. Here

¹ Some samples of the kind of cost-benefit analysis being designed to evaluate and compare programs such as these are appended to this statement.

we find too low incomes, too large families, cold water flats, unconcerned landlords, high interest loans, high consumer prices, and crime and violence; these are a part of life within Harlem, the Southside of Chicago, Watts, and all too many other areas throughout the United States.

These circumstances adversely influence the people living within them, and inhibit those in poverty from improving themselves. Poor people lack, as stated in the Economic Opportunity Act, "the opportunity to live in decency and dignity."

In an overall plan to conquer poverty, therefore, individual and community betterment is necessary to enable the poor to participate fully in the job market, and jobs are equally necessary to those whose capacities have been improved. Because the extent and nature of these problems vary from locality to locality, we must focus upon antipoverty action at the community level to organize and execute programs. By mobilizing the local initiative and local capabilities of the poor and the nonpoor alike, many of the pressures that have kept the poor in the so-called culture of poverty can be reversed.

There are two principles underlying this community action. The first of these is concerting. This concept is based on the idea that the whole of various program components is greater than the sum of its parts; that the road out of poverty is more effectively constructed when various component programs such as health, education, training, and jobs operate together.

The concerting principle can be made operational on two levels, that of programs and that of individuals. On the program level, it implies that activities should be organized in a way that catalyzes all antipoverty activities in the community, emphasizing action in the city slums and in the rural depressed areas where the poor live in generalized conditions of poverty. This can be achieved by changing the various old and new activities attacking poverty from a collection of meliorative measures to coordinated efforts attacking each of the fundamental conditions that perpetuate poverty.

On the individual level, concerting means that the poor person should have a readily available place to go where he can receive help, or where he can be counseled as to how assistance can be obtained.

The second principle is one which has been widely discussed. This is the participation of the poor, or as stated in the Economic Opportunity Act, "maximum feasible participation of residents of the area and members of the groups served." This is simply a statement of the principles that we assume in a democracy—that people should have some say in what happens to them. It is a principle much older than the poverty program. If it sometimes results in stress, it is stress that is necessary to democracy.

What we call community action, however, is not merely a set of principles. It is a set of operating programs, sponsored by OEO and other agencies, with important substantive components affecting the causes of poverty. In addition to the major group of components already discussed under the heading of jobs, those major problem areas which demand this assistance include education, health, housing, community related services, and independent economic opportunity.

A. *Education*

No causal relationship is clearer than the relationship between poor education and poverty. Poor communities have inadequate

schools from which poor children drop out early, get low paying jobs, form poor families, and in turn become parents of another generation of poor children. Thus, compensatory education for all ages of poor, for preschool and inschool children and youths, and for adults and out-of-school youths, is of especial importance. Mollie Orshansky of the Social Security Administration has indicated that "the Nation's children sustain a risk of poverty second only to that of the aged." In the nonwhite population, children have a higher incidence of poverty than even those aged 65 or older. There are almost 17 million children and youths in poverty, including those in urban and rural settings and the children of migrant workers. They constitute nearly one quarter of all those 21 years and younger living within the United States.

For each group of children and youth, OEO programs and those of the Department of Health, Education, and Welfare must be tailored to meet the special needs of the poor. Each year, there are 2 million poor preschool children, age 3 to 5, whose deficiencies include homes that lack books and parents who lack the insight, time, and skill to create a readiness for learning. The Headstart program (OEO) and the programs of the Elementary and Secondary Education Act (HEW) will help counteract these problems.

There are nearly 2 million children of the poor, age 6 to 15, who in their school studies are achieving at a rate well below that of their nonpoor counterparts. If untreated, the problems of these children will become compounded in later years, presenting a situation which is extremely difficult to overcome and is a prime incentive to drop out of school. The CAP remedial and tutorial program and the programs of the Elementary and Secondary Education Act (HEW) will assist these children.

There are some 125,000 high school students from poor families who have the ability to become good college students, but who have mediocre school records which would prohibit their entrance into college. In fiscal year 1967, the CAP upward bound program will help 30,000 of them qualify for college.

There are over 1 million high school youth in need of NYC inschool program employment and counseling assistance to stay in school.

Also, there are a large potential number of poor youth, perhaps 500,000, who have the basic educational and aptitude requisites for college, but need the loan and employment assistance provided by the National Defense Education and the Higher Education Acts to pursue that goal.

In addition to these children and youth, there are some 11 million poor adults between the ages of 18 and 64 who have less than an eighth grade education. They generally lack the simple reading and writing skills necessary to get and hold a meaningful job or to participate in the mainstream of community activities. The adult basic education program (OEO) and remedial education programs under the work experience and other programs help over a quarter of a million poor adults learn these skills.

B. Health

Family income is related to illness in at least three major ways. First, among those who are hospitalized, particularly those 45 or older, low-income people are more likely to have longer hospital stays than

higher income people and, particularly among men, are likely to lose more workdays due to illness or injury.

Second, lower income people make fewer annual physician visits per person than those with higher incomes. The disabling effect of illness on the poor is the result of limited utilization of appropriate health services.

Third, unable to bear the financial burden of medical and dental services, the poor are unlikely to seek help until the symptoms are so visible or stressful that they cannot be ignored.

The activities of the CAP health centers, medicare, the Public Health Service, and other programs will help meet the health needs of the poor.

C. Housing

In 1964, over 3 million substandard housing units were occupied by poor families. Bad housing in general endangers the health, safety, and well-being of the occupants, and, especially in urban slum areas, may lead to social complications such as crime and delinquency.

A poor family should allot approximately 20 to 25 percent of its income for shelter, utilities, and other housing costs. But average rental costs (assuming a \$3,000 average income) range well above this \$50 a month allowance. A good index of current housing costs is the \$136 average monthly rental charge for units constructed with FHA market interest rate loans during 1959-64 time period; even those constructed between 1962-64 which had the special advantage of FHA below market interest rate loans averaged \$102 monthly rentals. For this reason, the great majority of families with very low incomes in 1960 were forced to spend an average of more than 35 percent of their income on rent and still got inadequate housing. If the poor are forced to overspend in favor of housing need, those needs that seem stretchable or postponable—clothes, recreation, medical and dental care—cannot be met. The programs of the Department of Housing and Urban Development and OEO are aimed at providing rent supplements and improved housing.

D. Community related services

The services described under the heading of "community related" comprise the bulk of those services provided through the Neighborhood Multipurpose Center—the major CAP tool for concerting. Many of the 32 million people in poverty, particularly in urban areas, have access to one or another service already provided by established Federal, State, and local agencies, whether public or private. But the poor often do not have the guidance to benefit from available facilities and, in many instances, are even without certain services (e.g., legal services, family planning assistance, and consumer education). If needed services are accessible to the poor, we can better identify and find the solutions to the myriad of problems with which they are confronted—the problems which work to contain them in poverty.

The required combination of services cannot be instituted by a single purpose agency. For example, a poor mother may need care for her child while she learns the basic educational skills needed to make her employable, or the basic sanitation and homemaker skills needed in her everyday life. The Community Action Agency may provide

all these services or some may be provided through a local public or private group working with the Community Action Agency (e.g., the YMCA, the Jewish Family Service, a church, the State employment service). All could, however, be located in the neighborhood center or the neighborhood center could be the focal point for entry to their programs and services.

E. Independent economic opportunity

For a portion of the poor, the best route out of poverty may lie through independent economic opportunity; that is, through the setting up or expansion of small enterprises. It is not possible to tell as yet how large a portion can thus be helped.

In fiscal year 1967, CAP will continue to work with the Small Business Administration in setting up small business development centers (providing managerial training and loans), and the rural farm loan program will continue to provide loan assistance to needy individuals and cooperatives.

INCOME MAINTENANCE: THE PROBLEM

Although income maintenance payments are not a primary part of OEO programs, they satisfy a fundamental need of the poor. These payments should not be looked upon as simple amelioration of poverty. In many cases, money provides choice and choice is a necessary part of the war on poverty. For instance, money payments may provide unemployed persons with the choice of school and training rather than the need to take the first job available in order to help support themselves and their families.

Public assistance and social security are vital to the war on poverty. Public assistance programs such as old-age assistance and aid for families with dependent children provide money for those who can not achieve self-support, or for those who temporarily need money assistance. They help the aged poor, for example, who have done their work for society; although, conversely, we must provide opportunities for those few who can and want to work. Similarly, the female family head should not be forced into the job market when she is needed in the home. In 1964, one-fifth of the 34 million non-institutional poor received public assistance payments.

Social security gives enough money to some of the aged so that, together with their other resources, they can maintain decent lives above the poverty level. But the major antipoverty function of social security is to prevent the process by which the aged too frequently retire into poverty, even though they have remained above the poverty line during their working lives. Future improvements in social security and the normal increases in the number of people who will be covered should materially decrease the needs for other programs for the aged poor.

All of the above-mentioned money payments are specific in purpose, however. We should start looking now toward the day when this whole country can provide a basic minimum income for all of its citizens. It is too early to talk specifically now about such a program, and our concentration now is rightly on opportunity programs, but as these opportunity programs begin to take hold, we should increasingly think of programs to simply provide a minimum income

guarantee for those whom opportunity does not reach. As opportunity increases, this number whose income must be guaranteed will necessarily decrease. But in the final analysis, one of the things the poor need in order to become a real part of our society is money, and we should not shrink from the principles of providing it to them when opportunity leaves them behind and they cannot provide it themselves.

EXAMPLES OF COST-BENEFIT ANALYSIS

JOB CORPS PAYBACK PERIOD

Using conservative assumptions, the Government's investment will be matched by the increased earnings of a graduate in 5.1 years. This is a computation based upon earnings alone. If other social costs (public assistance payments, law enforcement, etc.) generated by these same youth had they never been in Job Corps, were included, the period would be reduced considerably below the 5.1 years.

1. Costs:

(a) Total costs at steady-state \$7,765 by 45,000 man-years-----	\$349, 000, 000
(b) With average term of 9 months, this provides for enrollees-----	60, 000
(c) Assumed number of graduates-----	50, 000
(d) Steady-state costs per graduate (\$349,000,000 divided by 50,000)-----	\$6, 980
(e) Success rate assumed for graduates ¹ -----percent--	80
(f) Cost per success (\$6,980 divided by 80 percent)-----	\$8, 725

2. Benefits:

(a) Average hourly wage per successful graduate	
per hour--	\$1. 60
(b) Assumed annual employment per successful graduate	
hours--	2, 000
(c) Average annual wage per successful graduate-----	\$3, 200
(d) Average hourly wage before entry-----	\$1
(e) Assumed annual employment before entry----hours--	1, 500
(f) Average annual wage before entry-----	\$1, 500
(g) Earnings gain-----	\$1, 700

3. Earnings payback period (\$8,725 divided by \$1,700): Time required for enrollee earnings to equal government cost--years--	5. 1
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¹ Success is defined as holding a good steady job, going back to school or into military service. A good job is defined as semiskilled or better. For purpose of this calculation, all successful graduates are treated as if they were in jobs.

Cost effectiveness summary of Job Corps and out-of-school Neighborhood Youth Corps

A direct cost-effectiveness comparison of the Job Corps and out-of-school Neighborhood Youth Corps programs cannot be made until evaluative data are available. Such data are not available: first, because Job Corps does not yet have enough graduates to provide a reasonable predictive sample of future success; and second, because a crucial factor in evaluation is the ability of graduates to retain full-time employment, and neither program has had graduates over a long enough period of time to estimate this factor.

We have, however, prepared the ground for such a comparison. It starts with the fact that the steady-state costs per graduate of Job Corps are roughly six times those of out-of-school Neighborhood Youth Corps, and therefore Job Corps must be six times as productive in order to be equally cost effective. (One exception to this statement

is discussed in the final paragraph.) There are several factors which, combined, could make Job Corps six times as productive or more, although, as noted, evidence is not yet in to evaluate these factors quantitatively.

1. Job Corps could have a higher success rate for enrollees. It is reasonable to expect that the program which provides intensive training, including vocational, will place a larger number of its graduates in good jobs (or school or the Armed Forces) than the extensive program. The crucial question is the actual success rates of the two programs, and these are not known.

2. Job Corps graduates who are placed in jobs could be placed at higher wages than the graduates of out-of-school Neighborhood Youth Corps. Again, it is a reasonable assumption that the intensive program will have this effect, but how much higher the wages are likely to be is not now known.

3. Job Corps could provide its graduates with a greater capability to hold jobs than Neighborhood Youth Corps, and thus to earn more hours' pay per year. This is particularly crucial in assessing the effectiveness of the two programs.

If Job Corps performs better on each of these factors, the relative effectiveness of the program will be the product of all three, and could well be more than six times that of Neighborhood Youth Corps. It could also be less, and only hard numbers will finally distinguish the two.

There is one circumstance which might change the analysis. If Job Corps can identify, on the basis of characteristics at the time of program entry, a hard-core youngster who needs the intensive residential treatment of Job Corps and can obtain no benefit from the lighter treatment of Neighborhood Youth Corps, then the above computation is no longer relevant. For any such youngster, the gain from Neighborhood Youth Corps would be zero (by definition). For this youth, if he can be identified, Job Corps would thus be infinitely more cost-effective than out-of-school Neighborhood Youth Corps. The attempt to learn the preentry characteristics which would identify and select such a youngster is one of the problems lying ahead of us.

OFFICE OF ECONOMIC OPPORTUNITY

Delegation of Authorities to Certain Federal Agencies for Administration of the Economic Opportunity Programs—Federal Register Document 64-11087, filed October 28, 1964

1. Under the Economic Opportunity Act of 1964, 78 Stat. 508, Public Law 88-452, the Director of the Office of Economic Opportunity is responsible for the policies which will govern the administration of the programs created by the act. Certain of the programs created by the act may be administered by existing departments and agencies, pursuant to the delegation of the administration of these programs by the Director. The Director is authorized under section 602(d) of the act to delegate, with the approval of the President, any of his powers.

2. Certain of the powers conferred upon the Director of the Office of Economic Opportunity are hereby delegated as follows:

(a) The powers of the Director under title I, part B, work-training programs, are hereby delegated to the Secretary of Labor.

(b) The powers of the Director under title I, part C, work-study programs, are hereby delegated to the Secretary of Health, Education, and Welfare.

(c) The powers of the Director under title II, part B, adult basic education programs, are hereby delegated to the Secretary of Health, Education, and Welfare.

(d) The powers of the Director under title III, part A, authority to make grants and loans, are hereby delegated to the Secretary of Agriculture.

(e) The powers of the director under title IV, employment and investment incentives, are hereby delegated to the Administrator of the Small Business Administration.

(f) The powers of the Director under title V, work experience programs, other than the power to transfer funds under section 502 of the act, are hereby delegated to the Secretary of Health, Education, and Welfare.

3. The powers of the Director contained in sections 602 and 606 of the Economic Opportunity Act of 1964 are hereby delegated to the officers designated in paragraph 2, to the extent they may deem necessary or appropriate for carrying out their functions in exercise of the powers delegated under paragraph 2.

4. The powers delegated under paragraphs 2 and 3 may be redelegated by the delegates with or without authority for further redelegation.

5. The powers hereby delegated shall be exercised pursuant to policies, standards, criteria, and procedures set forth in rules and regulations, which shall be prescribed in accordance with paragraph 6.

6. Rules and regulations for the exercise of the powers hereby delegated shall be prescribed jointly by the Director and the officer to whom the powers are delegated.

7. In exercising the powers hereby delegated preference shall, to the extent feasible, be given to programs and projects which are components of a community action program approved pursuant to title II, part A, of the Economic Opportunity Act of 1964.

8. The powers hereby delegated shall be exercised subject to the reporting and coordination provisions of section 611 of the Economic Opportunity Act of 1964.

SARGENT SHRIVER,
Director, Office of Economic Opportunity.

OCTOBER 23, 1964

Approved:

LYNDON B. JOHNSON,
President of the United States.

OCTOBER 24, 1964

(F.R. Doc. 64-11087; filed, Oct. 28, 1964; 8:50 a.m.)

APPENDIX

DIMENSIONS OF POVERTY IN 1964

DEFINITION OF POVERTY

This is an interim description of the poor, by age, sex, and location, based upon the March 1965 national population survey by the U.S. Bureau of the Census of families and unrelated individuals at all income levels. The tables and text presented here are developed by the Office of Economic Opportunity as an aid in its administration of the Poverty Act. As used in this definition, "family" means a group of two or more people, living in the same dwelling unit and related by blood, marriage, or adoption; "household" extends the same concept to include one-person families, technically usually identified as "unrelated individuals."

This is not the ultimate definition or description. It extends to mid-1965 the description of poverty released by the Department of Health, Education, and Welfare early in the year and displaces the \$1,500 and \$3,000 characteristics used as recently as late 1964. Eventually this definition, too, in turn may be replaced.

ISRAEL PUTNAM,
Office of Research, Plans, Programs, and Evaluation, OEO.

DEFINITION OF POVERTY

INTRODUCTION

The decrease within a year of around a million in the poor found among 190 million Americans may be partly due to changes in sample and partly due to changes in the economic climate. By repeated measurement of larger samples, the actual change in numbers of the poor will eventually be measured with more reliability.

The poor

[Millions of persons ¹]

	Total	Nonfarm	Farm
All ages:			
1964.....	34.3	29.9	4.4
1963.....	35.4	31.4	4.0

¹ Members of the Armed Forces living on post are excluded, also poor persons living in institutions. Two hundred fifty thousand unrelated children having foster child status are included.

Source: Special tabulations by U.S. Bureau of Census of 1964 and 1963 annual cash incomes, surveyed in March of the following year.

SUMMARY

In March 1965, about 12 million households comprising 34 million persons were living on cash incomes insufficient to buy goods and services vital to health. Measured by the reports of 1964 cash incomes to the Census Bureau, these—based on a sliding scale of cash incomes allowing for family size and the ages of family members—are the poor, averaging, on these incomes, at most, 70 cents a day per person for food, and choosing, among hard alternatives, which needs may be endured and which must be satisfied.

Among these poor were about 300,000 children living with foster parents, about 200,000 youths and 4,800,000 adults living in their own rooms and flats, and about 29 million members of families of 2 or more related persons.

Almost 70 percent of the poor were white; 87 percent did not live on farms; 47 percent (over half of those not on farms) lived inside the metropolitan boundaries of areas containing cities of 50,000 population or more. As nearly as can be determined, cities, large and small, contain about 55 percent of all these poor. The rest spreads thinly like a retreating nerve network over the hamlet traces of past and dying industry, mining, lumbering, transportation and farming, with rural nonfarm poverty outnumbering farm poverty two to one.

WHERE ARE THE POOR?

The location of the poor by degree of urbanization is sharply defined in table 1 and chart 1. About half live in metropolitan areas of 50,000 or more and about half live in smaller cities and in rural areas.

It is significant, in terms of policy design and execution, that the poor are not scattered evenly relative to the total population. The large metropolitan areas containing 64 percent of the total population comprise only 47 percent of the poor. The other 53 percent is in areas likely to be less prepared in staff and resources to carry out specialized poverty programs.

TABLE 1.—Location of the poor in terms of population density based on March 1965 survey of 1964 annual cash incomes

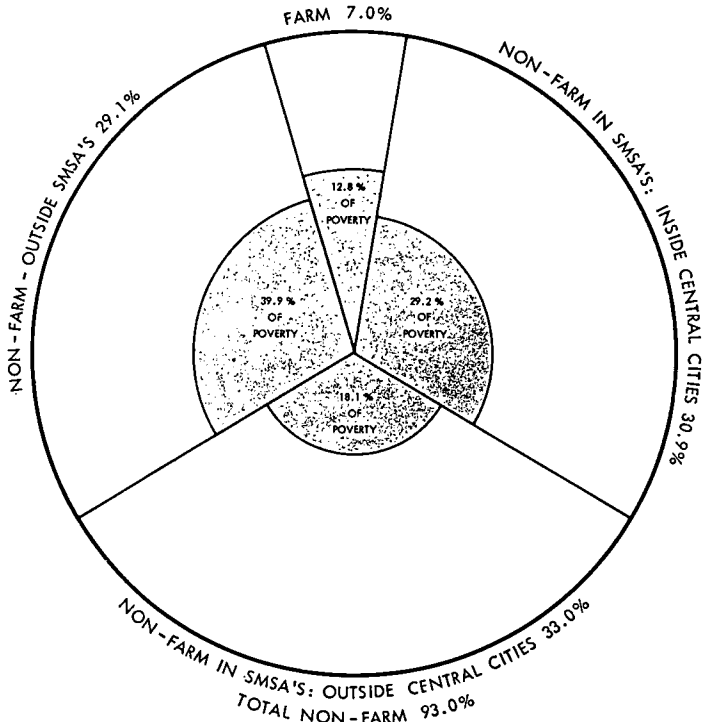
	Total population		Poor population	
	Millions	Percent	Millions	Percent
Total	189.9	100.0	34.3	100.0
Nonfarm	176.6	93.0	29.9	87.2
Inside standard metropolitan statistical areas:				
Central city	58.6	30.9	10.1	29.2
Outside central city	62.6	33.0	8.3	18.1
Outside such areas, nonfarm	55.4	29.1	13.5	39.9
Farm (almost entirely outside such areas)	13.3	7.0	4.4	12.8

Source: Special tabulations by U.S. Census Bureau.

Chart 1

Total and Poor Civilian Non-Institutional Populations Compared

**TOTAL CIVILIAN NON-
INSTITUTIONAL POPULATION 189.9 MILLION**
TOTAL IN POVERTY 34.3 MILLION



Source: Census March 1965 survey of 1964 family cash incomes.

TABLE 1a.—*Poverty by location*

[With the exception of farm populations, the figures shown in this table are estimated allocations by OEO Staff]

	All income levels		Poor persons		
	Millions of persons	Percent of total	Millions of persons	Percent of total poor	Percent by specified category of location, of total persons
All locations.....	189.9	100.0	34.3	100.0	18.1
Total rural.....	55.3	29.1	14.9	43.4	26.9
Farm.....	13.3	7.0	4.4	12.8	33.1
Nonfarm.....	42.0	22.1	10.5	30.6	25.0
Total urban.....	134.6	70.9	19.4	56.6	14.4
Small cities.....	27.1	14.3	6.2	18.1	22.9
Metropolitan.....	107.5	56.6	13.2	38.5	12.3
Central cities.....	58.6	30.8	10.0	29.2	17.1
Suburbs.....	48.9	25.8	3.2	9.3	6.5

TABLE 2.—*Poor person totals, as of March 1965, based on their 1964 annual family cash incomes, by age, color, location*

[Millions]

	U.S. total			Nonfarm			Farm		
	All races	White	Non-white	All races	White	Non-white	All races	White	Non-white
All persons:									
All ages.....	34.3	23.7	10.6	29.9	20.6	9.3	4.4	3.1	1.3
Under 6.....	5.8	3.5	2.3	5.1	3.1	2.0	.7	.4	.3
6 to 15.....	8.1	5.0	3.1	6.8	4.1	2.7	1.3	.9	.4
16 to 21.....	3.0	2.1	.9	2.6	1.9	.7	.4	.2	.2
22 to 54.....	9.3	6.4	2.9	8.0	5.4	2.6	1.3	1.0	.3
55 to 64.....	2.7	2.1	.6	2.4	1.8	.6	.3	.3	-----
65+.....	5.4	4.6	.8	5.0	4.3	.7	.4	.3	.1
Persons in families:									
All ages.....	29.0	19.3	9.7	24.8	16.4	8.4	4.2	2.9	1.3
Under 6.....	5.7	3.4	2.3	5.0	3.0	2.0	.7	.4	.3
6 to 15.....	8.0	4.9	3.1	6.8	4.1	2.7	1.2	.8	.4
16 to 21.....	2.7	1.8	.9	2.3	1.6	.7	.4	.2	.2
22 to 54.....	8.2	5.6	2.6	6.9	4.6	2.3	1.3	1.0	.3
55 to 64.....	1.8	1.4	.4	1.5	1.1	.4	.3	.3	-----
65+.....	2.6	2.2	.4	2.3	2.0	.3	.3	.2	.1
Unrelated individuals:									
All ages.....	5.3	4.4	.9	5.1	4.2	.9	.2	.2	-----
Under 6.....	.1	.1	-----	.1	.1	-----	-----	-----	-----
6 to 15.....	.1	.1	-----	-----	-----	-----	.1	.1	-----
16 to 21.....	.3	.3	-----	.3	.3	-----	-----	-----	-----
22 to 54.....	1.1	.8	.3	1.1	.8	.3	-----	-----	-----
55 to 64.....	.9	.7	.2	.9	.7	.2	-----	-----	-----
65+.....	2.8	2.4	.4	2.7	2.3	.4	.1	.1	-----

Source: Census Bureau CPS, March 1965, special tabulation for OEO.

TABLE 2a.—*Nonwhite poor: Relative importance of age groups among all poor and nonwhite poor*

Age group	Millions of poor persons	Nonwhite poor persons		
		Millions of persons	As percentages—	
			Of all poor this age	Of all non-white poor
All ages.....	34.3	10.6	30.9	100.0
Children.....	13.9	5.4	38.8	50.9
Under 6.....	5.8	2.3	39.7	21.7
6 to 15.....	8.1	3.1	38.3	29.2
Youths, 16 to 21.....	3.0	.9	30.0	8.5
Adults, 22 to 64.....	12.0	3.5	29.2	33.0
22 to 54.....	9.3	2.9	31.2	27.4
55 to 64.....	2.7	.6	22.2	5.6
Aged, over 64.....	5.4	.8	14.8	7.6

WHO ARE THE POOR?

The current programs and planning of the Office are based mainly on a few fundamental relationships of family income, expenditure, size, composition, and location. These are described in detail in two articles by Miss Mollie Orshansky in the *Social Security Bulletin* for January and July 1965.¹

The primary assumptions in this framework are:

1. That at the lowest income levels, characteristic of "poverty," about one-third of expenditure is for food;
2. That all income must be expended, so that cash income from all sources (including welfare assistance), measurable from year to year, may be used as a surrogate for expenditure;
3. That the food required for a minimum subsistence diet for each family type (one adult, male; one adult, female; etc.) may be priced, using the recurrent, nationwide price reports of the Department of Agriculture for this "market basket," and then converted (by multiplying by 3) to the total cash expenditure requirement of the family type. Any family having a lower cash income than the computed expansion must then perforce be "poor."
4. That on average the food and other outlays of low-income farm families involve total cash expenditures approximating only 70 percent of those by similar nonfarm families. (This excludes from "poverty" a number of farm families whose cash incomes are below the poverty threshold for nonfarm family incomes.)

The foregoing assumptions result in 62 nonfarm and 62 farm poverty thresholds which may be summarized in 26 income thresholds approximating most of the family conditions encountered:²

¹ The relationships themselves were developed from 1955 and 1959-61 expenditure surveys by the Department of Labor and the Department of Agriculture.

² It should be noted that all tabulations of 1964 incomes, as collected by census, used the full range of 124 values to classify incomes as being above or below poverty. This abbreviated series is presented here because it is useful for general discussion and analysis.

Family size (persons)	Annual cash income thresholds to poverty ¹	
	Nonfarm	Farm
1.....	\$1,540	\$1,080
2.....	1,990	1,390
3.....	2,440	1,710
4.....	3,130	2,190
5.....	3,685	2,580
6.....	4,135	2,895
7.....	4,635	3,245
8.....	5,135	3,595
9.....	5,635	3,945
10.....	6,135	4,295
11.....	6,635	4,645
12.....	7,135	4,995
13 or more.....	7,635	5,345

¹ Incomes for family sizes from 1 through 6 are weighted average composites resulting from the range of thresholds estimated by the Department of Health, Education, and Welfare. Incomes for family sizes larger than 6 are uniform extensions of the thresholds for smaller families, by the Office of Economic Opportunity.

Although there is no avoiding the acknowledged imperfections of this arbitrary classification of poverty, its quality and usefulness far exceed the \$1,500 and \$3,000 poverty thresholds for one person and two or more person households, respectively, which were common references in pre-Orshansky poverty literature. New definitions with better reference points in expenditure patterns and with regional differences will probably develop during the next few years, but the current figures in this analysis are based on this pattern, which is, not what will be.

Based on 1964 cash incomes and the basic principles of classification just described, in March 1965 the poor comprised—

5.3 million unrelated individuals, over half of whom were 65 or older; and

29.0 million persons living together in 6.8 million families, of which over one-fifth were headed by persons 65 or older.

In tables 2-7, the general characteristics of these poor are shown in such detail, by age, sex, and color of head, by relationship to each other, and by degree of urbanization, as to require only a few additional textual stresses. One general qualifying fact should be pointed out at this time: 1.3 million poor persons were members of 0.4 million families reporting zero or negative incomes characteristic of businessmen and farmers. Three-quarters of these were not living on farms. The numbers seem consistent with those one might expect of a national society of 47.7 million families, containing large numbers of self-employed subject to the swings and wounds of competitive fortune. These 1.3 million poor persons may have been transiently poor, as some poor were no doubt transiently nonpoor in 1964. They have not been excluded from the totals of poverty groups in this discussion.

An interesting illustration of the flux of factors causing poverty is the decline in the nonwhite percentage of all poor persons with advancing age. This is not because age confers affluence on the nonwhite, but because, when measured by cash income, it imposes poverty on the white, so that the proportion on nonwhite poor in the total aged poor is diluted.

Persons in poverty

	Millions	Percent of all ages of poor	Percent of poor who are nonwhite	Percent of all poor and nonpoor in this age group
Under 6.....	5.8	17	40	24
6 to 15.....	8.1	23	38	21
16 to 21.....	3.0	9	30	17
22 to 54.....	9.3	27	31	12
55 to 64.....	2.7	8	22	16
65 plus.....	5.4	16	15	31
All ages.....	34.3	100	31	18

FAMILY COMPOSITION

Programs to alleviate or end poverty are directed toward people. Poor people, like all others, live mostly in families. Programs intended to affect one person in the family will affect all members. The relationships defined below therefore indicate the pervasive effect of specific programs. As examples, the poor youth who is retrained will be an asset rather than a burden to his parents and society; the aged couple receiving larger retirement incomes are a lesser burden on younger family members sharing their home. Such matters are detailed for each age group in the following text, but to underline their significance, tables 3 through 3b have been prepared, apportioning all poor persons by the age and sex of the heads of the households in which they live.

To a noticeable extent, much of poverty is traceable to the numbers of children in the families of the unskilled, including particularly the preschool children in fatherless homes. As an example, the average male head aged 22 to 54 had 3.3 children under 22 and an average family income of \$2,253 if he was classified as poor, but only 2 children and a family income of \$8,782 if he was not. Although these figures understate family size by not including other relatives present, the extra 1.3 child alone was equivalent to about \$730 of income requirement in our sliding scale of income thresholds to poverty. The average female head in this age group was even worse placed. If poor, she averaged 3.2 children under 22 and a family income of but \$1,567; if not poor, she had 1.6 children and \$5,715 of income for them

TABLE 3.—34,300,000 poor persons allocated among households by age and sex of head

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Millions of persons				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages	34.3	1.1	22.4	4.0	6.8
Male head	23.2	.5	16.1	2.8	3.8
Female head	10.9	.4	6.3	1.2	3.0
Foster children .....	.2	.2			
Children under 6	5.8	.3	5.1	.2	.2
Male head	4.2	.1	3.9	.1	.1
Female head	1.5	.1	1.2	.1	.1
Foster children .....	.1	.1			
Children 6 to 15	8.1	.1	7.0	.6	.4
Male head	5.5		4.7	.5	.3
Female head	2.5		2.3	.1	.1
Foster children .....	.1	.1			
Youth never married, 16 to 21	2.3	.2	1.6	.4	.1
Male head	1.5	.1	1.0	.3	.1
Female head .....	.8	.1	.6	.1	
Youth never married, under 22 .....	.7	.5	.2		
Male head .....	.5	.3	.2		
Female head .....	.2	.2			
Prime years, 22 to 54	9.3		8.2	.5	.6
Male head	6.9		6.1	.4	.4
Female head	2.4		2.1	.1	.2
Declining years, 55 to 64	2.7		.1	2.2	.4
Male head	1.8		.1	1.4	.3
Female head .....	.9			.8	.1
Aged, over 64	5.4		.2	.1	5.1
Male head	2.8		.1	.1	2.6
Female head	2.6		.1		2.5

HUMAN RESOURCES PROGRAMS

TABLE 3a.—34,300,000 poor persons allocated among households by age and sex of head

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Percentage distribution of total poor				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages	100.0	3.2	65.2	11.7	19.9
Male head	67.6	1.4	46.9	8.2	11.1
Female head	31.8	1.2	18.3	3.5	8.8
Foster children .....	.6	.6			
Children under 6	16.9	.9	14.8	.7	.5
Male head	12.2	.3	11.3	.4	.2
Female head	4.4	.3	3.5	.3	.3
Foster children .....	.3	.3			
Children 6 to 15	23.6	.3	20.4	1.7	1.2
Male head	16.0		13.7	1.4	.9
Female head	7.3		6.7	.3	.3
Foster children .....	.3	.3			
Youth never married, 16 to 21	6.7	.6	4.6	1.2	.3
Male head	4.4	.3	2.9	.9	.3
Female head	2.3	.3	1.7	.3	
Youth never married, under 22	2.0	1.4	.6		
Male head	1.4	.8	.6		
Female head .....	.6	.6			
Prime years, 22 to 54	27.1		23.9	1.4	1.8
Male head	20.1		17.8	1.1	1.2
Female head	7.0		6.1	.3	.6
Declining years, 55 to 64	7.9		.3	6.4	1.2
Male head	5.3		.3	4.1	.9
Female head	2.6			2.3	.3
Aged, over 64	15.8		.6	.3	14.9
Male head	8.2		.3	.3	7.6
Female head	7.6		.3		7.3

TABLE 3b.—*34,300,000 poor persons allocated among households by age and sex of head*

[Unrelated individuals are included as separate households; foster children are included as being their own heads]

Age group of persons by sex of household head	Percentage distribution of each category of poor persons				
	All ages of head	Head under 22	Head 22 to 54	Head 55 to 64	Head over 64
All ages.....	100.0	3.2	65.3	11.7	19.8
Male head.....	100.0	2.1	69.4	12.1	16.4
Female head.....	100.0	3.7	57.8	11.0	27.5
Foster children.....	100.0	100.0			
Children under 6.....	100.0	5.2	87.9	3.5	3.4
Male head.....	100.0	2.4	92.8	2.4	2.4
Female head.....	100.0	6.7	80.0	6.7	6.6
Foster children.....	100.0	100.0			
Children 6 to 15.....	100.0	1.2	86.4	7.4	5.0
Male head.....	100.0		85.4	9.1	5.5
Female head.....	100.0		92.0	4.0	4.0
Foster children.....	100.0	100.0			
Youth never married, 16 to 21.....	100.0	8.7	69.6	17.4	4.3
Male head.....	100.0	6.7	66.6	20.0	6.7
Female head.....	100.0	12.5	75.0	12.5	
Youth never married, under 22.....	100.0	71.4	28.6		
Male head.....	100.0	60.0	40.0		
Female head.....	100.0	100.0			
Prime years, 22 to 54.....	100.0		88.2	5.4	6.4
Male head.....	100.0		88.4	5.8	5.8
Female head.....	100.0		87.5	4.2	8.3
Declining years, 55 to 64.....	100.0		3.7	81.5	14.8
Male head.....	100.0		5.5	77.8	16.7
Female head.....	100.0			88.9	11.1
Aged, over 64.....	100.0		3.7	1.9	94.4
Male head.....	100.0		3.6	3.6	92.8
Female head.....	100.0		3.8		96.2

EMPLOYMENT

Past generalizations regarding employment, race, sex, and poverty, however trite, continue true. Women head almost half of all poor households, but only 37 percent of such heads worked at all in 1964 and only 13 percent worked full time for most of the year. Eliminating those 65 or over (who presumably should not work), the percentages change: Only 40 percent of these preretirement poor households are headed by women and over half of these work, while a fifth have full-time employment most of the year.

In the summary table below, farm family work experience, which tends to show little or no unemployment, and few or no female heads, has been omitted from the more detailed categories. Attention is focused on the nonfarm source of most underemployment and on the grievous employment experience of the nonwhite population.

Employment of all household heads and of poor household heads by sex

[Foster children are omitted. All other unrelated individuals are included as heads of their "1-person" households. About 700,000 nonpoor and 100,000 poor heads in Armed Forces are omitted from this table since their work experience is not surveyed.]

	Household heads, all incomes			Household heads in poverty		
	Millions of heads	Percent worked at all in 1964	Percent worked full time for over 39 weeks	Millions of heads	Percent worked at all in 1964	Percent worked full time for over 39 weeks
Household heads, all ages and races, total.....	58.6	81.3	66.5	11.7	53.0	27.6
Male.....	46.4	88.1	74.9	6.3	66.9	40.3
Female.....	12.2	55.7	34.4	5.4	36.9	12.7
Household heads, under 65, all races, total.....	47.3	92.9	79.0	7.2	73.3	40.8
Male.....	39.5	96.5	84.8	4.2	85.4	54.5
Female.....	7.8	75.1	49.9	3.0	55.2	20.3
Household heads, under 65, all races, non-farm total.....	44.6	92.5	78.7	6.4	73.3	38.4
Male.....	36.9	96.4	84.8	3.6	85.8	52.0
Female.....	7.7	74.1	49.6	2.8	57.4	21.2
Household heads, under 65, nonwhite, nonfarm total.....	5.1	88.7	65.0	1.9	78.0	39.7
Male.....	3.6	94.5	74.6	1.0	88.6	53.1
Female.....	1.5	74.6	41.4	.9	65.9	24.2

Employment of young men and women aged 16 to 21 who have never married is summarized in table 8. About half of all persons these ages, poor and nonpoor alike, are in school and neither working nor seeking work, but in households headed by a woman. The proportion not in school, whether or not working, is consistently higher than in households headed by a man. Also, in these generally fatherless families, the proportion of those seeking work or working is higher than in other families.

Although there is a relatively high incidence of the characteristic "not in school, not in labor force" among nonwhites of these ages, both poor and nonpoor, it should be noted that among most poor white categories incidence of this characteristic is almost as high as among poor nonwhites.

Finally, the total proportion of nonwhite youth in school is consistently lower than the proportion of white youth—regardless of location, of sex of head, and of poor or nonpoor classification.

TABLE 4.—Percent of total family heads of all income levels who are poor, by age and work experience in 1964¹
 [Data relate only to heads of families of 2 or more]

	Total heads	Heads worked in 1964					Heads did not work in 1964					
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
All poor families:												
All ages.....	14.2	10.8	7.4	29.3	25.9	38.6	35.4	45.6	24.1	53.4	46.7	23.7
Under 22.....	26.0	22.3	8.7	52.6	41.2	48.1	50.8	85.7	52.2	-----	-----	15.4
22 to 54.....	12.7	10.6	7.6	40.4	27.7	59.9	59.0	66.9	14.5	66.0	54.3	42.5
55 to 64.....	12.4	9.7	6.3	27.0	22.0	37.7	30.9	27.7	-----	17.6	39.1	23.2
65 and over.....	22.2	12.7	8.2	18.4	12.2	18.1	28.1	24.7	-----	59.4	47.5	22.6

¹ Preliminary.

TABLE 4a.—*Poor family heads allocated by age group and 1964 work experience.*¹

[Data relate only to heads of families of 2 or more. Percentages of all family heads and of all nonwhite family heads]

	Total heads	Heads worked in 1964					Heads did not work in 1964					
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
All family heads, white and nonwhite:												
All ages.....	100.0	65.1	38.0	5.7	14.1	7.3	34.9	11.2	0.3	1.4	10.9	11.1
Under 22.....	2.9	2.4	.6	.3	1.1	.4	.5	.3	.2	-----	-----	-----
22 to 54.....	61.0	48.4	30.8	2.8	10.5	4.3	12.6	7.6	.1	1.1	2.7	1.1
55 to 64.....	13.9	9.4	5.1	1.3	1.8	1.2	4.5	1.1	-----	.1	2.4	.9
65 and over.....	22.2	4.9	1.5	1.3	.7	1.4	17.3	2.2	-----	.2	5.8	9.1
All nonwhite family heads:												
All ages.....	100.0	73.6	42.7	7.0	14.5	9.4	26.4	10.5	.3	1.8	9.2	4.6
Under 22.....	2.5	2.0	.3	.3	1.1	.3	.5	.2	.3	-----	-----	-----
22 to 54.....	71.5	57.6	36.4	4.0	10.6	6.6	13.9	7.9	-----	1.3	3.2	1.5
55 to 64.....	11.7	8.9	4.7	1.1	2.0	1.1	2.8	.9	-----	.1	1.5	.3
65 and over.....	14.3	5.1	1.3	1.6	.8	1.4	9.2	1.5	-----	.4	4.5	2.8

¹ Preliminary.

TABLE 4b.—Detailed allocation of white and nonwhite poor heads aged 22-54, among significant characteristics of sex, location, and 1964 work experience¹

[Data relate only to heads of families of 2 or more. Percentages of total white and total nonwhite poor heads, separately]

	Total heads	Heads worked in 1964				Heads did not work in 1964						
		Total worked	40 to 52 weeks		1 to 39 weeks		Total	Kept house	Went to school	Couldn't find work	Ill or disabled	Other
			Full time	Part time	Full time	Part time						
Age group 22-54, percent of total poor heads, all races...	61.0	48.4	30.8	2.8	10.5	4.3	12.6	7.6	0.1	1.1	2.7	1.1
Total white.....	57.0	44.9	28.7	2.4	10.4	3.4	12.1	7.5	.1	1.0	2.6	.9
Nonfarm.....	48.7	36.8	21.8	2.0	9.7	3.3	11.9	7.4	.1	1.0	2.5	.9
Male head.....	33.1	30.0	20.1	1.4	6.9	1.6	3.1	.2	-----	.5	2.0	.4
Female head.....	15.6	6.8	1.7	.6	2.8	1.7	8.8	7.2	.1	.5	.5	.5
Farm.....	8.3	8.1	6.9	.4	.7	.1	.2	.1	-----	-----	.1	-----
Male head.....	8.1	8.0	6.8	.4	.7	.1	.1	-----	-----	-----	.1	-----
Female head.....	.2	.1	.1	-----	-----	-----	.1	.1	-----	-----	-----	-----
Total nonwhite.....	71.5	57.6	36.4	4.0	10.6	6.6	13.9	7.9	-----	1.3	3.2	1.5
Nonfarm.....	64.5	50.6	31.4	3.2	10.0	6.0	13.9	7.9	-----	1.3	3.2	1.5
Male head.....	37.0	34.1	23.6	1.3	6.3	2.9	2.9	.1	-----	.9	1.2	.7
Female head.....	27.5	16.5	7.8	1.9	3.7	3.1	11.0	7.8	-----	.4	2.0	.8
Farm.....	7.0	7.0	5.0	.8	.6	.6	-----	-----	-----	-----	-----	-----
Male head.....	6.1	6.1	4.9	.7	.3	.2	-----	-----	-----	-----	-----	-----
Female head.....	.9	.9	.1	.1	.3	.4	-----	-----	-----	-----	-----	-----

¹ Preliminary.

TABLE 5.—Percentage distributions of 34,300,000 persons in poverty by age and sex of family head

Unrelated individuals are included as individual heads]

Age of head	Both sexes	Male head	Female head
Percentages who are poor, of corresponding categories of persons, by age and sex of household head, at all income levels:			
All ages of head.....	18.1	14.0	46.2
Under 22.....	37.5	26.9	71.4
22 to 54.....	15.8	12.5	49.2
55 to 64.....	16.7	14.0	30.0
65 and older.....	31.3	24.8	46.9
Percentages of total 34,300,000 poor persons:			
All ages.....	100.0	67.9	32.1
Under 22.....	3.5	2.0	1.5
22 to 54.....	65.0	46.6	18.4
55 to 64.....	11.7	8.2	3.5
65 and older.....	19.8	11.1	8.7

CHILDREN, PRESCHOOL, UNDER 6

Of the 5.8 million poor children under 6, 88 percent were in families having heads in the ages of 22 through 54; less than 1 percent were in families having more youthful heads. These figures are very close to corresponding 94 percent and 3 percent concentrations for children of this age not in poor families. The significant concentration among the poor children is the 25-percent portion in female-headed families; only 3 percent of children under 6 not in poverty were in such families.

Nonwhite families contained 40 percent of all children under 6 in poverty, and these nonwhite poor children were 60 percent of all nonwhite children of this age group. Again, 91 percent were in poor families having heads in the ages 22 through 54 and only 3 percent were in families having younger heads. And here, too, the 31 percent found in families having female heads was the significant concentration, in contrast to only 8 percent of those under 6 not in poverty, in such nonwhite families.

The important characteristic of children under 6 is their need of parental care. This limits directly a family solution to poverty through gainful employment by the mother. It is not surprising, therefore, that over 40 percent of all the families in poverty contain children under 6—and that the proportions of all families found in poverty diminishes as age removes the hindrance of such children to increased family earnings, up to the point at which age itself becomes a stricture on earnings.

	By age of head			
	Under 22	22 to 54	55 to 64	65 plus
Percent of all poor families having children under 6....	63	60	11	6
Percent of all nonpoor families having children under 6.	59	39	4	2
Percent, all poor families of all families, regardless of presence of children under 6.....	26	13	12	22

CHILDREN, SCHOOL AGE, 6-15

With the onset of school age, the notable propensity of children to consume increases, but this is balanced somewhat by earnings which they contribute,¹ and even more by the resulting relaxation of family strictures on employment of their mothers. Whereas over 23 percent of preschool children are in poverty, only about 21 percent of those 6 to 15 are in poverty, and this sinks rapidly to about 15 percent of those aged 16 to 21. The effects of such school-age juveniles on family fortunes are nevertheless obvious in the following table:

	By age of head			
	Under 22	22 to 54	55 to 64	65 plus
Percent of all poor families having children 6 to 15.....	11	70	31	14
Percent of all nonpoor families having children 6 to 15....	1	54	15	5
Percent, all poor families of all families, regardless of presence of children 6 to 15.....	26	13	12	22

Of the 8.2 million poor children of these school ages, 86 percent are in families headed by a person aged 22 to 54, and in this particular group a third are in families headed by a woman. In other words, 28 percent of the poor children 6 to 15 are in families headed by a woman aged 22 to 54; with another 3 percent in families headed by older and younger women, a total of 31 percent of these poor children are in matriarchal households.

THE PRIME EARNING YEARS, 22 TO 54

Of all the poor, about 65 percent are found in families headed by persons aged 22 to 54. This condition prevails despite the fact that in these ages adults have the best employment record and often average the best level of income in all their working lives. As previously noted regarding poor children, concentration of poverty totals in these age groups is often an arithmetical result of having unemployed children present in so many families having low incomes throughout their lives. This adds to the number in the family without commensurate increase in income, and for extended periods it prevents the mother from leaving her preschool children to augment the family income, whether she is the wife of the low-income husband or the woman raising her family without a husband.

With at least a sixth of the poor families in this age group of head containing youths 16 to 21 years old, such programs as Job Corps, by sheer arithmetic, may place a noticeable number of families (and people) above the poverty line, since the program removes at least one person from the household while simultaneously adding a cash allotment of up to \$600 per year to the family income.

¹ About 20 percent of males aged 15 are in the labor force, versus only about 9 percent of those aged 13 and probably practically none below age 10.

Poverty heads of households aged 22 to 54 and their 1964 work experience

	<i>Percent</i>
Percentage of all persons in poverty in these households.....	65
Percentage of the households headed by women.....	30
Percentage of the female heads not working:	
White.....	56
Nonwhite.....	39
Percentage of the male heads not working at all:	
White.....	8
Nonwhite.....	7
Percentage of the male heads employed full-time for more than 39 weeks (the same for both white and nonwhite).....	66
Percentage of all heads who live on farms (almost all of whom work full- time, year long).....	13

TABLE 6.—*Persons in poverty households headed by a person aged 22 to 54*

	Total population		Poor population		
	Millions	Percent of total below	Millions	Percent—	
				Of total below	Of all poor
Heads of households, age 22 to 54.....	32.7	23.2	4.2	18.8	12.2
Male.....	29.8	21.1	2.9	13.0	8.4
Female.....	2.9	2.1	1.3	5.8	3.8
Wives of male heads this age.....	29.4	20.8	2.8	12.6	8.2
Children of such heads:					
Under 6.....	23.0	16.3	5.1	22.9	14.9
School age, 6 to 15.....	35.4	25.1	7.0	31.4	20.4
Youths 16 to 21, never married, living in these homes.....	11.2	7.9	1.5	6.7	4.4
Adult relatives living with these heads, including youths never married.....	5.1	3.6	.6	2.7	1.7
Total persons in families headed by a person 22 to 54.....	136.8	96.9	21.2	95.1	61.8
Unrelated individuals 22 to 54.....	4.3	3.1	1.1	4.9	3.2
Total persons affected by programs aimed at household heads in this age group.....	141.1	100.0	22.3	100.0	65.0
Total population, all ages ¹	189.9		34.3		100.0
Percent of total population [affected].....		74.3		65.0	
Other persons 22 to 54 (i.e., living with heads not this age) [affected].....	7.7		1.1		

¹ Civilian, noninstitutional.

THE DECLINING YEARS, 55 TO 64

Of all heads of families this age, only about one-eighth head impoverished families; additionally, about one-third of such persons who live alone, without families, are in poverty. Together, the family heads, their family members, and unrelated persons in this 10-year age group comprise about 11 percent of all the poor and about 16 percent of all persons in households at all income levels headed by persons this age.

In contrast to the age group 22 to 54, only about one-quarter of all the poor persons in these families are children and youth. With a head this age, the group is distinctly tending toward an aged composition. Not only are three-quarters of the family members adult, but over half of the "unrelated individuals" are estimated to have been former husbands and wives, now left alone by death or separation.

Indeed, this latter group of impoverished former wives and husbands under 65 includes about 43 percent of all former wives and husbands, of all income levels. This low income level for those moving from family to single status is a characteristic of the oncoming aged group of 65 and over.

	Total population		Poor population		
	Millions	Percent of total below	Millions	Percent of total below	Percent of total population
Unrelated individuals.....	2.5	10.5	0.9	23.7	36.0
Previously married, now without spouse ¹	1.4	5.9	.6	15.8	42.9
Not previously married ¹	1.1	4.6	.3	7.9	27.3
Family heads this age, total....	7.4	31.1	.9	23.7	12.2
Male.....	6.6	27.7	.8	21.1	12.1
Female.....	.8	3.4	.1	2.6	12.5
Wives (any age) of male heads....	6.4	26.9	.7	18.5	10.9
Children under 6.....	.5	2.1	.2	5.2	40.0
Children 6-15.....	1.9	8.0	.5	13.1	26.3
Youth 16-21 (never married)....	2.2	9.2	.3	7.9	13.6
Other adult relatives (including married youth).....	2.9	12.2	.3	7.9	10.3
Total.....	23.8	100.0	3.8	100.0	16.0

¹ Estimated by OEO staff.

THE AGED, 65 AND OVER

Over 20 percent of the poor are accounted for by aged family heads and their wives, children, and other relatives, and by aged unrelated men and women not living in families. Children and youth are about one-ninth of the total poor in these households, as compared with one-quarter of those in households having heads aged 55 to 64 and almost two-thirds in those of heads aged 22 to 54. Programs directed toward the aged poor will therefore have small effect on the young, and those benefiting the young will have a correspondingly small effect, on the average, on the old.

In 1963, the lowest third of married couples receiving Federal old age and survivor benefits averaged only about \$1,600 in total income from all sources. The lowest third of those not getting such benefits averaged \$1,250 per couple. Both figures are well below the poverty line of about \$1,850 per aged couple, and both go far to sustain the 1965 determination that 38 percent of all households headed by the aged were poor in 1964.

Housing is a major worry of the aged, even though a heavy majority are homeowners, since to continue to enjoy the lower cash outlay available to homeowners, taxes must be paid and some maintenance must be done. In view of the large poor fraction of the aged, their housing might well be expected to be inferior.

In 1960, 69 percent of aged household heads were homeowners; 30 percent of these aged homeowners were in dilapidated or deteriorating homes; 39 percent of aged tenants, too, were in dilapidated or deteriorating homes.

TABLE 7.—*The household and family status of the aged and of their younger family members*

[In millions]

	All income levels			The poor		
	Total	White	Non-white	Total	White	Non-white
The aged (65 or over), total.....	17.4	16.0	1.4	15.4	4.7	0.7
Living as unrelated individuals, total.....	4.6	4.2	.4	2.7	2.4	.3
Male.....	1.3	1.1	.2	.6	.5	.1
Female.....	3.3	3.1	.2	2.1	1.9	.2
Aged heads of families, total.....	6.7	6.1	.6	1.5	1.2	.3
Male.....	5.6	5.2	.4	1.2	1.0	.2
Female.....	1.1	.9	.2	.3	.2	.1
Aged wives of these aged heads.....	3.1	3.0	.1	.7	.6	.1
Other aged relatives of these aged heads:						
Male.....	.2	.2	-----	.1	.1	-----
Female.....	.4	.4	-----	.1	.1	-----
Aged wives of younger heads.....	.3	.2	.1	.1	.1	-----
Other aged relatives of younger heads:						
Male.....	.6	.5	.1	-----	-----	-----
Female.....	1.5	1.4	.1	.2	.2	-----
Add younger members of families having aged heads: total.....				1.9	1.1	.8
Children of preschool age, under 6.....				.2	.1	.1
Children of probable school age, 6 to 15.....				.4	.2	.2
Youths 16 to 21, total.....				.2	.1	.1
Male.....				.1	-----	.1
Female.....				.1	.1	-----
Prime earning years, 22 to 54: Wives of aged.....				.1	.1	-----
Male relatives.....				.2	.1	.1
Female relatives.....				.2	.1	.1
Declining years, 55 to 64: Wives of aged.....				.3	.2	.1
Male relatives.....				.1	.1	-----
Female relatives.....				-----	-----	-----
Total aged living in their own households as heads or spouses.....				4.9	-----	-----
Add those younger or older who live with them in subordinate status but with mingled fortunes.....				2.1	-----	-----
Total to be affected by policies helping aged heads.....				7.0	-----	-----
Total aged who will be affected by policies helping younger heads.....				1.3	-----	-----

¹ Percentage of 34,300,000 poor persons, 15.7.² Percentage of 34,300,000 poor persons, 20.4.³ Percentage of 34,300,000 poor persons, 0.9.

TABLE 8.—*Youth never married, 16 to 21, by school and labor force status, by poverty level, and by residential location*

[Percentage of youth in each category]

	All youth			Youth in families with female head		
	All locations	Nonfarm	Farm	All locations	Nonfarm	Farm
All incomes; all races:						
All youth.....	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force.....	52.4	52.8	47.8	45.5	45.9	34.6
In school, in labor force.....	18.8	19.0	17.3	15.4	15.9	5.1
Not in school, in labor force.....	24.3	23.9	28.3	32.3	31.5	50.0
Not in school, not in labor force.....	4.5	4.3	6.6	6.8	6.7	10.3
Nonwhite:						
All youth.....	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force.....	51.7	52.7	44.6	49.8	50.4	41.7
In school, in labor force.....	10.4	11.4	3.6	9.1	9.8	-----
Not in school, in labor force.....	27.5	26.3	35.7	28.9	28.3	36.1
Not in school, not in labor force.....	10.4	9.6	16.1	12.2	11.5	22.2
Incomes below poverty level; all races:						
All youth.....	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force.....	50.2	50.7	47.9	52.0	52.7	36.7
In school, in labor force.....	13.0	12.8	14.0	15.9	16.6	-----
Not in school, in labor force.....	24.7	24.2	27.3	22.7	21.7	46.6
Not in school, not in labor force.....	12.1	12.3	10.8	9.4	9.0	16.7
Nonwhite:						
All youth.....	100.0	100.0	100.0	100.0	100.0	100.0
In school, not in labor force.....	52.9	54.2	47.1	56.0	57.5	34.8
In school, in labor force.....	7.4	8.3	3.8	8.1	8.7	-----
Not in school, in labor force.....	26.4	24.2	35.7	25.0	23.6	43.4
Not in school, not in labor force.....	13.3	13.3	13.4	10.9	10.2	21.8

DEPARTMENT OF STATE

FOREIGN SERVICE RETIREMENT AND DISABILITY SYSTEM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

A major purpose of the Foreign Service retirement and disability system, similar to the purpose of all retirement systems, is to provide an income continuation plan for Foreign Service personnel and their survivors upon retirement, disability, or death. This system has some distinctive features designed to meet the needs of those who serve at posts throughout the world, many in unhealthful, dangerous, or hardship areas.

Also, provisions of this retirement system are closely aligned with features of the Foreign Service personnel system to facilitate the selection-out or retirement of the least able and the enhancement of advancement opportunities for the most able.

Selection-out separates from the Foreign Service not only the marginal officer but also the generally competent officer who has slowed down or who no longer can keep pace with the majority of his colleagues. He is selected-out to make room for the advancement and development of more junior officers with greater potential for growth. The selection-out provisions are complemented by the voluntary and mandatory retirement provisions. All three functioning together are necessary for the attainment of the management objective of enabling the most able officers of promise and potential to move upward in the Service.

2. Operation

The retirement system is wholly a direct Federal operation and is administered by headquarters of the Department of State.

3. History

The Rogers Act of 1924, which established the modern Foreign Service, also established the Foreign Service retirement and disability system. This system was designed to meet the special needs of the Foreign Service personnel system.

Originally, the only persons covered by the Foreign Service retirement and disability system were Foreign Service officers and non-career chiefs of mission with 20 or more years of service as a chief of mission. The Foreign Service Act Amendments of 1960 made all Foreign Service staff personnel with 10 or more years of continuous service in the Department of State's Foreign Service participants in this retirement system. This extension of coverage recognized that staff personnel who make a career of the Service are subject in a large measure to the same conditions of service as Foreign Service officers and should be subject to the same retirement benefits and restrictions, especially those relating to the earlier voluntary and mandatory retirement ages.

4. *Level of operations.* (See table 1.)

Program: Foreign Service retirement and disability system.

Department or agency, and office or bureau: Department of State.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program: Active personnel contributing to the fund	Employees....	4,353	4,457	4,633	4,803
(b) Participants and beneficiary survivors receiving annuities	Annuitants....	1,206	1,337	1,423	1,545
(c) Federal finances:					
Unobligated appropriations available	Trust fund....	\$39,502,721	\$41,133,605	\$41,959,571	\$41,938,487
Obligations incurred.....	Expenditures	7,485,891	8,306,583	2 9,285,384	10,414,634
(d) Number of Federal Government employees administering, operating, or supervising the activity. ¹	Man-years....	6	6	6	6

¹ A composite of 6 employees are involved in establishing policies and procedures for the administration and maintenance of the Foreign Service retirement and disability system, including counseling services, maintenance of individual employee records, computation of annuities, preparation of monthly annuity roll, overall accounting and reporting requirements, etc.

² This figure includes \$45,000 (a request for supplemental payment from the general fund in fiscal year 1966) which is reflected in the 1967 budget. This amount represents the additional cost in payments to widow survivors for that portion of the year remaining after passage of Public Law 89-308, approved Oct. 31, 1965.

5. *Estimated magnitude of program in 1970*

Active personnel contributing to the fund..... 5,313

Participants and beneficiary survivors receiving annuities..... 1,945

6. *Prospective changes in program orientation*(a) *Pending legislative proposals.*—H.R. 6277, Foreign Service Act Amendments of 1965.

The primary objective is to facilitate the establishment of a single personnel system within each of the three agencies most actively engaged in foreign affairs—the Department of State, the U.S. Information Agency, and the Agency for International Development. These three agencies conduct their activities under two personnel systems—one operating under civil service laws and the other under the Foreign Service Act. The ground rules governing appointments, assignments, promotions, separation, and retirement are different for each system and, to some degree, for each of the agencies. These amendments will provide identical treatment in the matter of participation in the Foreign Service retirement system for present and prospective officers and employees of the three foreign affairs agencies.

(b) *Proposed administrative and organizational changes.* None.(c) *Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social.* None.7. *Coordination and cooperation*(a) *Within your bureau, division, or office:* None.(b) *With other units of your department or agency:* None.(c) *With other Federal Government departments or agencies:* None.8. *Laws and regulations*

The Foreign Service Act of 1946, as amended to November 7, 1965. Title VIII (p. 30) pertains specifically to the Foreign Service retirement and disability system.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) *Effects on personal incomes of persons served or involved and on the distribution of personal income.*

Foreign Service annuitants supplement their annuities by teaching, writing, and other activities for which they are qualified. Some have outside income from investments, and a few have small social security and Veterans' Administration pensions. It is estimated that on the average, Foreign Service annuitants derive 40 percent of their total income from the above sources.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Foreign Service retirement and disability system.

Department or agency, and office or bureau: Department of State.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government: Transfer payments to individuals.....	8.3
Total, Federal expenditures.....	8.3

DEPARTMENT OF THE TREASURY

CONTENTS

U.S. Coast Guard:	Page
Family housing program.....	165
Procurement activity designed to assist small business and labor surplus areas.....	167
Reserve training program.....	167
Retired pay.....	170
Training program.....	171

U.S. Coast Guard

FAMILY HOUSING PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To provide adequate family housing for Coast Guard military personnel and their dependents in areas where housing is not sufficient, is too costly, or is too far distant to meet requirements.

2. Operation

Construction of family housing is programed, planned and budgeted at the Headquarters level and supported with Federal funds. Construction, operation and maintenance is the responsibility of the field command having control of the housing units.

3. History

During the latter part of 1963 the Commandant stated that it was to be the policy of the Coast Guard that Coast Guard personnel be able to reside with their dependents whenever possible and that adequate living conditions be considered as an operational necessity. As a result, the first Coast Guard servicewide housing survey was conducted during early 1964. At this time the inventory of Coast Guard owned housing units was a level of just under 500 and located primarily at small shore stations. The results of the survey indicated that, with the criteria established, approximately 62 percent of our personnel were inadequately housed. A board was designated in October 1964, to study and develop a long-range housing program. The report of the board received the command's approval in July 1965. Budget requests for fiscal year 1967 implement the initial construction of family housing units as a direct result of the long-range program.

The present long-range program provides primarily for family housing in large metropolitan areas, but does include housing at small shore stations.

4. *Level of operations.* (See table 1.)

Program: Family housing program.

Department or agency, and office or bureau: Department of the Treasury;
U.S. Coast Guard.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (in housing units)-----	496	520	1,140	1,540
(b) Applicants or participants:				
Families-----	496	520	1,140	1,540
Other-----				
(c) Federal finances (in thousands of dollars):				
Obligations incurred-----	\$1,624	\$1,369	\$1,591	\$6,675

5. *Estimated magnitude of program in 1970*

In 1970, provided planning schedules are realized, it is estimated that the Coast Guard will have approximately 2,500 Government family housing units in the inventory. In addition, if requested leasing authority is granted, approximately 2,000 units will be under lease for occupancy by Coast Guard military personnel and their families.

6. *Prospective changes in program orientation*

(c) A change in the conditions under which the program will function in 1970 would be created by an increase in the basic allowance for quarters for all military personnel. If an increase occurs by 1970, and the present price levels of housing are maintained it should reduce the number of personnel living in inadequate community housing. However, it is not anticipated that the housing supply program will be affected appreciably.

7. *Coordination and cooperation*

(i) The Coast Guard's program is coordinated closely with like programs of the Department of Defense with regard to planning, construction, and occupancy. In order to utilize DOD construction capabilities our requirements are consolidated wherever possible. When Coast Guard personnel are stationed at a DOD unit, the host service provides family housing on the same basis as for its own personnel. Requirements for housing necessitate continuing liaison to make our needs known to the Federal Housing Administration at the headquarters level as well as in the field, with chambers of commerce, real estate boards, builders' associations, mayors, and members of city councils.

(ii) A Coast Guard Housing Administration Manual in the process of being published provides for the coordination and cooperation stated in (i) above.

8. *Laws and regulations*

Bureau of the Budget Circular No. A-18 dated October 18, 1957, regulates policies on construction of family housing.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Those families residing in military family housing units benefit by receiving adequate housing at a cost less than other forms of housing in the area. This, in effect, releases personal income that would normally have been allocated to housing for use elsewhere.

(c) The building trade and real estate industry are directly affected by the location and magnitude of the various construction programs.

(f) Coast Guard facilities are generally located near large water areas. Many of these areas are highly inaccessible.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Family housing program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government: Purchases of goods and services.....	2, 248
Total, Federal expenditures.....	2, 248

PROCUREMENT ACTIVITY DESIGNED TO ASSIST SMALL BUSINESS AND LABOR SURPLUS AREAS

Federal procurement regulations require the Coast Guard to set aside part of each year's procurement funds for awards to small business and to labor surplus areas. This set-aside amounted to \$8.7 million in 1964 and \$4.8 million in 1965. Expenditures through 1970 are estimated to be \$5 million annually.

RESERVE TRAINING PROGRAM

1. *Objectives*

The Coast Guard Reserve is "maintained for the purpose of providing trained units and qualified individuals to be available for active duty in the" Coast Guard "in time of war or national emergency, and at such other times as the national security may require * * *"

2. *Operation*

The Reserve training program operates wholly as a direct Federal operation, conducted under the direction of the District Commander in the various Coast Guard districts with headquarters supervision.

3. *History*

By act of February 19, 1941 (55 stat. 854), a military Coast Guard Reserve was established which was modeled after the Naval Reserve.

During World War II the Reserve reached a peak strength of 150,000 officers and men. Immediately following the end of the war, the Coast Guard was reduced to an organization of 22,000 military personnel, and as a result, almost all Reserves were discharged or placed on inactive duty.

As world conditions became more precarious, a survey of the Coast Guard was made in 1950, and as a direct result, the first funds to provide training to inactive Reservists were appropriated in 1951. The Armed Forces Reserve Act (AFRA) of 1952 gave further defi-

tion and emphasis to the program by establishing the mission of the Reserve Forces, their composition, and number.

The Reserve Forces Act (RFA) of 1955 assured the permanence of a peacetime Coast Guard Reserve. The authorized Ready Reserve ceiling at that time was 39,600 reservists. By 1959, this ceiling came close to being attained with 36,000 reservists in the Ready Reserve.

In 1964, the Department of Defense approved an increased ceiling of 45,200 ready reservists. At the end of 1965, the Ready Reserve strength was 30,242.

4. Level of operations. (See table 1.)

Program: Reserve training program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program.....	Training units.....	272	286	286	293
(b) Applicants or participants:					
Individuals or families.....	Reserve trainees.....	19, 810	21, 743	19, 175	19, 923
Other.....					
(c) Federal finances:					
Unobligation appropriations available.....	Thousands of dollars.	19, 500	20, 939	23, 700	24, 429
Obligations incurred.....	do.....	19, 473	20, 859		
Allotments or commitments.....	do.....				
(d) Number of Federal Government employees administering, operating, or supervising the activity.					
	(Military.....)	901	951	1, 028	1, 041
	(Civilian.....)	110	149	191	191

5. Estimated magnitude of program in 1970

(a) Trainees: Present planning indicates the Reserve training program will expand until such time as the Reserve training unit strength and the overall Ready Reserve strength total 29,475 and 45,200 respectively. It is envisioned that by the end of fiscal year 1970, there will be 22,572 drilling reservists and 39,016 ready reservists. The number of organized Reserve training units (ORTU's) required to provide training to the drilling reservists will be 374.

(b) Facility support: Three additional training centers will be established and various temporary buildings at Reserve Training Center, Yorktown, Va., will be replaced. Major items of training equipment that will be required are: Additional training vessels (5), organized Reserve port security unit (ORPSU) equipment (45 sets, including 48 30-foot utility boats), coastal force equipment (15 sets), and light aircraft (32).

(c) Support personnel: Administrative personnel, stationkeepers, recruiters, etc., must keep pace with the increasing workload; therefore, total support personnel required will be 2,038 military and 195 civilian during fiscal year 1970.

(d) Appropriation: The estimated appropriation level will be slightly in excess of \$40 million.

6. *Prospective changes in program orientation*

(c) By 1970, it is envisioned that greater reliance will be placed on the use of electronic data processing equipment and computers. The possible technological advancements realized from EDP equipment will result in management improvements, such as mobilization, pay, retirement point records, and various miscellaneous reports to name but a few.

7. *Coordination and cooperation*

(a) Within the bureau: The Reserve training program is a part of the regular service (Coast Guard); therefore, coordination and cooperation is extensive in the joint utilization of facilities wherever and whenever possible and/or practicable.

(c) With other Federal Government departments or agencies: The Coast Guard Reserve participates in the joint construction of Reserve training facilities with the cognizant service in the Department of Defense whenever it is mutually advantageous. There is a joint utilization of existing training facilities and training aids between the other Armed Forces Reserve components and the Coast Guard Reserve wherever practicable.

8. *Laws and regulations*

(1) Appropriate sections of title 10, United States Code, relating to the Reserve components generally.

(2) Appropriate sections of title 37, United States Code, relating to pay and allowances for reservists.

(3) Chapter 21, title 14, United States Code.

(4) Universal Military Training and Service Act, as amended.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) The regular income of drilling reservists is supplemented by the amount they receive for drill pay and active duty training.

(f) Reserve training units are located throughout the United States. They are, however, primarily concentrated in large urban areas with heavy distribution of those areas located near large waterways.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Reserve training program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	15.5
Other.....	5.4

Total, Federal expenditures.....	20.9
----------------------------------	------

RETIRED PAY

1. Objectives

The appropriation, "Retired pay, Coast Guard," provides pay for retired military members of the Coast Guard and Coast Guard Reserve, retired members of the former Lighthouse and Lifesaving Services, and annuities payable to beneficiaries of retired military personnel under the "retired serviceman's family protection plan."

2. Operation

The program is a direct Federal operation primarily controlled at Coast Guard headquarters.

3. History

Retirements began in the Revenue Cutter Service for the purpose of stimulating officer promotions by placing 39 officers upon permanent waiting orders (retired list) at half-pay under the act approved March 2, 1895. Refinements and extensions of the retirement system have continued until today's retirements may be voluntarily taken for years of service or made involuntarily for reason of age, physical disability, or forced attrition.

4. Level of operations. (See table 1.)

Program: Retired pay.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (average number retired members).....	10,436	11,026	11,670	12,402
(b) Federal finances:				
Unobligated appropriations available.....	\$34,400,000	\$36,961,000	\$41,000,000	\$44,250,000
Obligations incurred.....	\$34,280,000	\$36,958,000		
Allotments or commitments made.....				
(c) Number of Federal Government employees administering, operating, or supervising the activity.....	15	15	15	15

5. Estimated magnitude of program in 1970

By 1970 it is estimated that the number of Coast Guard retired members will increase to 14,650. This will necessitate an appropriation of \$52 million based on present laws.

6. Prospective changes in program orientation

(c) The number to be retired will continue to rise through 1970 primarily due to increased years of service of personnel on active duty. This rise, coupled with prolonged life expectancy of those receiving retired pay results in an ever-increasing program level.

7. Coordination and cooperation

Not applicable.

8. Laws and regulations

10 U.S.C. 1431-1446 "The Retired Serviceman's Family Protection Plan."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) The entire cost of the program results in a direct increase by that amount to the personal incomes of the individuals involved.

(f) Retired members are found throughout the United States with a few in foreign countries. It is noted, however, that most retirees tend to settle near large water areas. California, Florida, Massachusetts, Virginia, North Carolina, Washington, and New York house retired members receiving 57 percent of the entire retired pay appropriation.

(g) Since the expenditures of consumers is part of the gross national product, the entire program may be considered as contributing to the magnitude of the GNP.

10. *Economic classification program expenditures.* (See table 2.)

Program: Retired pay.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government: Transfer payments to individuals.....	37, 061
Total, Federal expenditures.....	37, 061

TRAINING PROGRAM

1. *Objectives*

The Coast Guard training program is intended to provide such training necessary to meet the needs of the service. Initial training of officers and enlisted men is provided as well as advanced and specialized training for continued educational development.

2. *Operation*

Training requirements are determined mainly at a headquarters level with some needs for special skill training determined at the district level. The training program is a wholly Federal operation administered at the headquarters level. Training programs are many and varied, ranging from officer training at the Coast Guard Academy and Officer Candidate School to recruit and basic petty officer training for enlisted men. Specialized and advanced training is provided to increase the technical skills required of enlisted personnel as well as officers. Most of the training is provided at Coast Guard training commands; however, service schools of the other Armed Forces and some civilian institutions are utilized for advanced and specialized training.

3. *History*

The Coast Guard training program has been a continuing one since the beginning days of the service. The Coast Guard has seen a shift in emphasis from on-the-job-type training to formal schools as scientific and technological advances made this type of training necessary due to more complicated equipment. In recent years an increasing amount of short-term courses in use of specific equipment has been

necessary due to the rapid changing technology. In the last 10 years the requirements for basic schools has remained relatively stable, while short-term specialized schools increased tenfold. As the number of personnel in the Coast Guard has grown there has been a proportionate increase in the numbers requiring training.

4. Level of operations. (See table 1.)

Program: Training program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program.....	Persons ¹	9,000	10,000	13,400	13,500
(b) Federal finances:					
Unobligated appropriations available.....	Thousands of dollars.....				
Obligations incurred.....	do.....	11,107	12,500	13,900	14,000
Allotments or commitments made.....	do.....				
(c) Number of Federal Government employees administering, operating, or supervising the activity. ²		1,400	1,400	1,400	1,417

¹ Direct beneficiaries of training.

² Coast Guard only.

5. Estimated magnitude of program in 1970

Based on the growth of the Coast Guard, the number of persons expected to receive training in 1970 is estimated to be 15,700.

6. Prospective changes in program orientation

There are no pending legislative proposals or proposed organizational changes known at this time that would indicate a change in the orientation or emphasis of the Coast Guard training program. As technological advances continue to result in more sophisticated equipment it will be necessary to continue the emphasis on specialized courses.

7. Coordination and cooperation

(a) The Training and Procurement Division cooperates with the other divisions within headquarters to provide training to meet the needs as determined by the other divisions. This procedure is set forth in the Coast Guard Organization Manual.

(b) Opportunities for cooperation with other bureaus of the Treasury Department arise through Coast Guard utilization of the Treasury Law Enforcement School.

(c) A considerable amount of Coast Guard training is received at various Armed Forces schools. The Navy in particular provides a large amount of training for Coast Guard personnel. Some training is provided through other Government agencies such as the Civil Service Commission and General Services Administration. The Coast Guard reciprocates by providing training for other Government agencies and Armed Forces at Coast Guard schools or through assignment of instructors or liaison personnel at their commands.

(f) The Coast Guard provides training to personnel of foreign governments by participating in the military assistance plan and cooperating with the Agency for International Development.

8. *Laws and regulations*

Not applicable.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

No measurable effect.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Training program.

Department or agency, and office or bureau: Department of the Treasury; U.S. Coast Guard.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[Thousands of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	6.7
Other.....	5.8
	12.5
Total, Federal expenditures.....	12.5

DEPARTMENT OF DEFENSE

CONTENTS

	Page
Full-time training and education.....	174
Off-duty educational program.....	177
Dependents' education.....	180
Armed Forces information and education.....	185
Reserve Officers' Training Corps.....	194
Medical care of military personnel and their families.....	198
Retired pay.....	204
Mustering-out pay and other similar allowances.....	206
Family housing.....	208
Program to assist employees affected by base closures, consolidations, and reductions.....	214
Procurement activities designed to assist depressed areas.....	217
Procurement activities designed to assist small business.....	219
Economic adjustment program.....	221

FULL TIME TRAINING AND EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The formal, full-time education and training programs of the Armed Forces are organized and function for the specific purpose of providing skilled officer and enlisted personnel for the management, operation, and support of the military forces established to defend the Nation.

2. Operation

The programs are largely direct Federal operations, with a small percentage accomplished under contract to other activities. The programs are conducted at Armed Forces schools, at schools operated by weapon systems and equipment contractors, and at civilian institutions of higher learning. Less than 2 percent of the annual production of trained personnel are derived from other than federally operated education and training facilities.

3. History

The formal individual education and training programs date from the establishment of the Military Academy founded in 1802 by act of Congress. The Naval Academy was founded in 1845 and the Air Force Academy in 1955. Enlisted skill training was formerly done within the operating units, but in more recent years, particularly since World War II, specialist and technical schooling has been provided.

4. Level of operations. (See table 1.)

Program: Full-time training and education.

Department or agency, and office of bureau: Department of Defense: Office of Training and Education.

TABLE 1.—Level of operations or performance, fiscal years 1964–67

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimates)	Fiscal year 1967 (estimates)
(a) Magnitude of the program (individuals).....	748, 638	785, 230	1, 010, 009	1, 049, 501
(b) Applicants or participants (individuals).....	748, 638	785, 230	1, 010, 009	1, 049, 501
(c) Federal finances (millions—estimated).....	\$1, 924. 7	\$1, 959. 0	\$2, 772. 7	\$2, 768. 6
(d) Matching or additional expenditures for the program.....	0	0	0	0
(e) Number of Federal Government employees administering, operating, and supervising the activity (man-years).....	113, 382	111, 706	145, 182	142, 157
(f) Non-Federal personnel employed in the program (individuals).....	206	153	15	0
(g) Other measures of level or magnitude of performance (man-years of training).....	136, 986	137, 617	179, 067	180, 953

NOTE.—All figures contained herein pertain to training-educational programs which would benefit the individual when he returns to civilian life. Examples are university programs, service academies, and all technical training. Combat training per se is not included.

5. Estimated magnitude of program in 1970. (See table 2.)

Program: Full-time training and education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—Estimate of the probable level of magnitude of the program in fiscal year 1970

Measure	Fiscal year 1970 (estimates)
(a) Magnitude of the program (individuals).....	848, 048
(b) Applicants or participants (individuals).....	848, 048
(c) Federal finance (millions).....	\$2, 115. 7
(d) Matching or additional expenditures for the program.....	0
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years).....	117, 290
(f) Non-Federal personnel employed in the program.....	0
(g) Other measures of level or magnitude of performance (man-years of training).....	148, 627

6. Prospective changes in program orientation

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in the conditions under which the program will function in 1970: The formal education and training programs of the Armed Forces for fiscal year 1970 will support the technology of the time period and will be the product of continued research and development in personnel management, and instructional techniques and methodology.

7. Coordination and cooperation

(a) Within your bureau, division, or office: Inherent within the DOD organization, functions, regulations, and personnel management policies it is the responsibility of individuals and organizations to coordinate and cooperate. This practice permeates throughout the services to include the most remote units.

(b) With other units of your department or agency: The majority of the schools within DOD perform training for other DOD departments or agencies as well as for their own.

(c) With other Federal Government departments or agencies: DOD cooperates fully, uses other agencies' training and accepts their students on a space available basis. Continuing liaison and cooperation in educational activities is maintained through committees such as the Federal Interagency Committee on Education and with non-governmental organizations such as the American Council on Education.

(d) With State governments or their instrumentalities: The formal education and training resources of the Armed Forces are extended to the separate units of the State Air National Guard and State National Guard as requested and required within the support capability of the programs.

(e) With local governments or communities: Armed Forces personnel are encouraged to use, support, and participate, as appropriate, in community formal and informal education and training activities.

(f) With foreign governments or international organizations: The Armed Forces supports the military assistance program through the training of friendly foreign military personnel both in the United States and within the participating countries.

(g) With nonprofit organizations or institutions: The Armed Forces are periodically called upon to furnish formal and informal education and training curriculum and statistical data to nonprofit research organizations.

(h) With business enterprises: The training facilities of weapon systems and equipment contractors and civilian institutions are used on an austere basis when it is more economical than to provide such education and training at a Federal facility.

(i) With others: The Armed Forces provide dependent school facilities, leadership and encampment training facilities for Civil Air Patrol cadets and Boy Scouts, and curriculum specialists, instructional materials and logistic support for training programs of the Office of Economic Opportunity.

8. *Laws and regulations*

(a) *Laws—*

(1) National Security Act of 1947 as amended—Public Law 253, 80th Congress (61 Stat. 495).

(2) Title 10, United States Code, section 9301; title 10, United States Code, section 9314; title 10, United States Code, section 9331; title 10, United States Code, section 9382; title 10, United States Code, section 9411; title 10, United States Code, chapter 403; title 10, United States Code, section 671; title 10, United States Code, chapter 603; title 10, United States Code, chapter 605; title 10, United States Code, chapter 503; title 10, United States Code, chapter 519; title 10, United States Code, chapter 531; title 10, United States Code, chapter 601; title 10, United States Code, chapter 101; title 10, United States Code, chapter 102; title 10, United States Code, chapter 103.

(3) Annual DOD Appropriation Acts (for fiscal year 1966, Public Law 89-213, 70 Stat. 863).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) The personal income of persons served or involved is raised by providing the individual skills which enable them to be promoted. These skills vary from the manual skills to the Ph. D. levels; therefore, no quantitative estimates are feasible.

(b) The Department of Defense endeavors to utilize the skills of its personnel to the best advantage commensurate with providing appropriate career opportunities. Placement of workers has little effect upon their earnings except for hazardous duty.

(c) None.

(d) The volume of business in nearby communities is affected by the level of training input at our large training bases. The effects are felt primarily in businesses dealing in services and entertainment.

(e) Industry benefits generally from the Armed Forces training and education programs by being able to hire technically trained individuals, e.g., several thousand electronic technicians leave the Armed Forces annually for better paying jobs in industry.

(f) Not applicable.

(g) Unknown.

(h) Not applicable.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Full-time training and education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government: Purchases of goods and services ¹	1, 959
Total, Federal expenditures.....	1, 959

¹ It is not feasible to accurately distinguish between wages and salaries and other purchases of goods and services. It is estimated that wages and salaries comprise approximately 71 to 74 percent.

OFF-DUTY EDUCATIONAL PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The off-duty educational program, commonly called the general educational development program, is designed to provide Armed Forces personnel with supplementary educational opportunities which will enable them to perform their duties more effectively, prepare them for more responsible service jobs and increase opportunity for promotion, and increase their value in the civilian manpower pool when they are separated from the Armed Forces.

2. *Operation*

The general educational development program is operated within the Department of Defense through the base education centers, staffed by professionally qualified civilian educators and administrative assistants. Offerings include correspondence courses provided by the U.S. Armed Forces Institute (USAFI), group study classes in academic

subject matter areas of importance to the military profession, technical-vocational courses, and university-level instruction offered by accredited civilian institutions of higher learning. These programs are responsive to command needs. Academic degree courses and programs are provided through the facilities of accredited colleges and universities under the tuition assistance program. Tuition assistance is provided all military personnel on active duty for attendance at off-duty college courses. The amount paid by the Department of Defense is up to 75 percent of costs, but not to exceed \$14.25 per semester hour.

3. History

Antecedents of the present program began during World War II as a means of bringing educationally substandard personnel to a useful level of achievement necessary for acceptable military service. It has continued to the present time, with orientation changing to meet altered training and career requirements of military service.

4. Level of operations. (See table 1.)

Program: Off-duty educational program.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program (enrollments)....	549, 778	824, 689	669, 400	700, 500
(b) Applicants or participants.....	(¹)	(¹)	(¹)	(¹)
(c) Federal finances (in thousands of dollars)....	16, 241	18, 490	18, 767	19, 674
(d) Matching of additional expenditures for the program (estimated cost to individuals under tuition assistance program) ²	-----	-----	-----	-----
(e) Number of Federal Government employees administering (individuals).....	1, 521	1, 432	1, 486	1, 524
(f) Non-Federal personnel employed in the pro- gram (nonpersonal services contracts teachers).....	2, 304	2, 678	2, 785	2, 835
(g) Other measures of level or magnitude of the program:				
Preparatory-high school.....	15, 569	17, 380	18, 000	18, 500
High school equivalencies.....	84, 374	91, 171	93, 500	94, 750
1-year college equivalencies ³	5, 104	4, 058	4, 000	4, 200
2-year college equivalencies (individ- uals).....	676	637	660	690
Baccalaureate and advanced degrees earned.....	4 3, 158	3, 213	3, 273	3, 420

¹ Same as a.

² Military personnel enrolled in tuition assistance programs are required to pay the tuition not funded by the Armed Forces in addition to all other costs. The Armed Forces are authorized to pay 75 percent, not to exceed \$14.25 per semester hour, of the tuition fees. The estimate of total "matching" amount provided by military personnel varies between 20 and 50 percent of item c.

³ Records on this item are maintained by only 1 service.

⁴ Estimate.

5. Estimated magnitude of program in 1970

Estimate an approximate 8 percent increase over the fiscal year 1965 level depending upon No. 6 below.

6. Prospective changes in program orientation

(a)* Pending legislative proposals: Senate bill 9 is now before the Veterans' Affairs Committee of the House of Representatives. It would reenact expired veterans' benefit legislation to include financial

*Outdated by enactment of P.L. 39-358, Veterans Readjustment Benefits Act of 1966.

assistance for further education for veterans with "cold war" active duty service. Passage of such legislation would affect the general educational development program both in orientation and emphasis, depending on the provisions of the measure finally enacted into law. Should such legislation provide for educational benefits for personnel while in service, the off-duty program would be greatly expanded.

(b) Proposed administrative and organizational changes. None.

(c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social. Planned and anticipated changes in direction and content of program will include projects for investigation, validation, and proper utilization of the latest methods and equipment in automated and programmed learning designed to accelerate the learning and retention processes in basic academic subject materials, areas, and skills. Emphasis will be modified in response to command needs and changing educational levels of military personnel.

7. Coordination and cooperation

(a) Full coordination and cooperation exists among the components of DOD in the operation and utilization of this program. Since the benefits regarding tuition assistance and USAFI courses are limited to military personnel on extended active duty, other aspects of coordination are limited to those noted below; nevertheless, other correspondence courses are available to employees of other Federal agencies on the basis of need.

(b), (c), (e), (f), (h) Not applicable.

(d) With State governments or their instrumentalities. Coordination and cooperation with State universities in conducting educational programs on bases within the United States and overseas.

(g) With nonprofit organizations or institutions. Representation is provided the Armed Forces Committee of the National University Extension Association, and the Commission on Accreditation of Service Experiences of the American Council on Education. Policies between military and civilian educational programs are coordinated as well as the evaluation of educational experiences of military personnel.

(i) With others. With private educational institutions in matters pertaining to educational programs.

8. Laws and regulations

The program was established under chapter 401, sections 4301 and 4302, title 10, United States Code. Minor clauses of annual Defense Appropriation Act limit certain types of training and establish obligated service.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) The personal income of persons served or involved is raised by providing the individual with skills which enable him to be promoted and to get better jobs when he leaves the Service. No quantitative estimate is feasible but an indication may be obtained by perusal of Table 1.

(b) The Department of Defense endeavors to utilize the skills of its personnel to the best advantage commensurate with providing appropriate career opportunities. Placement of workers has little effect upon their earnings except for hazardous duty.

(c) None.

(d) None.

(e) Unknown.

(f) Not applicable.

(g) Unknown.

(h) Not available.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Off-duty educational program.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:

Purchases of goods, services:

Wages and salaries..... 8, 400

Other..... 7, 472

Transfer payments to individuals and nonprofit organizations..... 2, 618

Total, Federal expenditures¹..... 18, 490

Non-Federal expenditures².....

¹ Includes \$331,000 furnished from central welfare funds of local commands.

² Data on tuition and other fees paid by individuals to universities are not recorded. See note 2 of Table 1.

DEPENDENTS' EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To provide primary and secondary education to eligible minor dependents of military and civilian personnel of the DOD stationed overseas.

2. Operation

Funds are authorized by the Congress in the general provisions of the DOD Appropriations Act for the education in grades 1 through 12 of children of DOD personnel stationed overseas. The DOD makes provision for the education of the children through the Military Departments by—

(a) Establishing Service operated schools on military installations throughout the world.

(b) Contracting with local schools when they are adequate to provide the required education.

(c) Purchasing correspondence courses and allied educational services for students where the facilities in (a) and (b) above are not available.

3. History

The dependents' school system began in 1945 amid the rubble of wartorn Europe. Actual school operations began on October 14,

1946, when 38 elementary and 5 high schools in Germany opened their doors to 2,800 American children and 120 teachers.

The original Munich American High School was located in a private German home and accommodated 38 students. Classes were taught in the basement, the attic, and bedrooms. The Navy opened its first school in Guantanamo, Cuba, in 1946. The Department of the Air Force came into being in 1947 and gradually assumed responsibility for the education of its dependents.

From this humble beginning, the system expanded at a tremendous rate of growth during the next few years as schools operated by the Army, Navy, and Air Force were opened in various countries throughout the world.

Today, schools are operated in 29 countries and island groups throughout the world. Approximately 174,000 children participate in the DOD overseas dependents' education program.

4. Level of operations. (See table 1.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—Level of operations or performance, fiscal years 1964–67

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimated)	Fiscal year 1967 (estimated)
(a) Magnitude of program: Average daily membership DOD students.	Pupil...	163, 775	168, 338	173, 984	182, 869
(b) Applicants:					
Army.....	do.....	86, 086	89, 751	92, 133	97, 842
Navy.....	do.....	11, 661	11, 540	11, 384	12, 100
Air Force.....	do.....	66, 028	67, 047	69, 529	71, 985
Defense Intelligence Agency.....	do.....	(¹)	(¹)	938	942
(c) Federal finances—Unobligated appropriations available:					
Obligations incurred.....	Thousands	\$69, 390	\$73, 852	\$79, 050	\$89, 900
Allotments or commitments made.....					
(d) Matching or additional expenditures: Nonappropriated funds.	Thousands	\$1, 223	\$936	\$156	\$406
(e) Number of Federal Government employees administering, operating or supervising the activity:					
Classroom teachers.....	Individuals	5, 615	5, 698	6, 108	6, 457
Teacher principals.....	do.....	80	47	36	34
Remedial and special teachers.....	do.....	349	294	270	313
Professional personnel not regularly engaged in full-time classroom teaching; i.e., administrators, supervisors, counselors, librarians, and dormitory supervisors.....	do.....	903	800	876	901
Clerical personnel.....	do.....	172	210	221	374
Military personnel.....	do.....	0	413	410	414
(f) Non-Federal personnel employed in the program:					
Foreign national librarians.....	do.....	108	152	131	168
Foreign national teachers.....	do.....	179	195	342	226
Busdrivers.....	do.....	(²)	823	649	676
Janitorial and maintenance personnel.....	do.....	(²)	1, 037	1, 001	975
Foreign national clerical.....	do.....	629	672	524	455

¹Included with military departments.

²Reports not required prior to July 1, 1964, on this item.

5. *Estimated magnitude of program in 1970.* (See table 2.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—*Estimates of the probable level in 1970*

Based upon the growth pattern for the years 1963 to 1967 the average daily membership of DOD children overseas for 1970 is estimated to be 205,703. (This, of course, could change markedly as a result of any significant changes in the world situation.)

Year	Enrollment (admissions)	Amount of increase	Percentage growth
Fiscal year 1963.....	155,550	-----	-----
Fiscal year 1964 ¹	163,775	8,225	5.28
Fiscal year 1965 ¹	168,338	4,563	2.78
Fiscal year 1966 ¹	173,984	5,646	3.35
Fiscal year 1967 ¹	182,869	8,885	5.10
Fiscal year 1968.....	190,184	7,315	4.00
Fiscal year 1969.....	197,791	7,607	4.00
Fiscal year 1970.....	205,703	7,912	4.00

¹ Average of 4-percent growth per year.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: The Udall bill (H.R. 6845) which provides that teachers overseas be paid salaries on a schedule which is comparable to the average of salary schedules used in urban school jurisdictions of 100,000 population and over and that teachers overseas be limited to a 5-year tour, was passed by the House of Representatives in the 1st session of the 89th Congress.

A similar bill, Hartke—S. 2228, was discussed in committee and reported out of full committee on January 18, 1966. It deletes the 5-year tour provision. This issue undoubtedly will receive further consideration in the 2d session of the 89th Congress.

(b) Proposed administrative and organizational changes: The program for fiscal year 1967 includes a substantial pay increase for the teachers in the overseas schools. A salary schedule is programed which is comparable to the average of schedules being used in urban school jurisdictions of 100,000 population and over. It is estimated that this will result in an average increase per teacher of \$730.

(c) Probable changes in the conditions under which the program will function in 1970: Because of the great emphasis which is being placed on education by many sources including the White House and Congress, it is reasonable to assume that the overseas educational program for dependents will experience innovations and changes which may result in:

1. Free kindergartens for all children.
2. Greater emphasis on an intercultural program with the peoples of the host nation.
3. An exchange program for teachers and administrators which provides for more educators from schools in the United States to have opportunities in the overseas schools.
4. More research and cooperative study projects to make use of the unique educational opportunities which exist in this American school system abroad.
5. Modernization of facilities, equipment and instructional material including textbooks.

7. *Coordination and cooperation*

(a) Within DOD: The educational program for dependents of military and civilian personnel stationed overseas is a part of the support program for dependents who are authorized to be with their sponsors.

The military departments are responsible for the operation of the schools on their respective installations under the policy and guidance emanating from OSD. Constant coordination is required on all matters pertaining to this program within the various components of the DOD which are affected, such as areas of finance, personnel, facilities, supply, educational goals, accreditation, curriculum, etc.

(b) With other units of the Department: Same as for (a).

(c) With other Federal governmental departments or agencies:

Department of Health, Education, and Welfare, U.S. Office of Education: Constant coordination on trends in education, legislation and statistical data. Also coordination with the Civil Service Commission on personnel practices which affect personnel in the program.

Department of State: Discussions concerning policies in effect to provide education for dependents of State Department personnel stationed throughout the world and other matters of mutual concern (host nation program).

Department of Interior: Coordination on possible program of rotation for teachers and principals in the Indian schools and the DOD overseas schools.

(d) With State governments: DOD DASD(E) talked to chief State school officers at their recent annual meeting concerning the program. The main emphasis was on informing teachers and administrators of the opportunities which exist for them in the program.

(e) With local governments or communities: Contacts are made with personnel in charge of college placement offices to inform them of the educational opportunities and to seek their assistance.

(f) With foreign governments: In some countries, ministers of education are contacted to work out educational exchange programs between pupils and teachers of the host nation and the American school personnel.

(g) With nonprofit organizations or institutions: When the local schools can provide suitable education, contracts are made to provide education to children of military and civilian personnel overseas.

(h) With business enterprises: Contacts are made with book companies and suppliers of educational materials concerning instructional materials for use in the overseas dependents schools.

(i) With others: Much contact is made with individuals such as teachers and administrators who apply for jobs in the overseas schools.

8. *Laws and regulations*

General provisions of DOD Appropriation Act.

Public Law 86-91: Defense Department Overseas Teachers Pay and Personnel Practices Act (73 Stat. 214; Public Law 86-91; 5 U.S.C.).

H.R. 6845: To correct inequities with respect to the basic compensation of teachers and teaching positions under the Defense Department Overseas Teachers Pay and Personnel Practices Act.

S. 2228: Same as above, except does not include limitation on continuous employment in a teaching position overseas.

1342.5: Elements of cost for education of dependents overseas, and computation of costs chargeable to per pupil limitation.

1342.6: Overseas Dependents Schools, Department of Defense.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) In overseas dependents' schools, in general, salaries and perquisites of personnel employed compare favorably with those of educators and Federal employees in the United States, therefore no unusual effects are noted.

(b) Effects on the placement or productivity of workers or both, and on their earnings. Because some personnel like overseas employment, they have chosen to remain with the dependent school program as long as they can. As a result they remain government employees while if they remained in schools in the United States, they would be employed by local boards of education. Of the total employees, approximately 5 percent have been overseas 10 years or more.

(c) Effects on business or industrial organization and management. Educational equipment and materials which are used in the overseas dependents schools are similar to those used in schools in the United States. Thus there would be no appreciable effect in this area because the children are attending an American type school overseas rather than a similar school in the United States.

(d) Effects on the stability, level, volume, or other aspects of employment. The current number of educators in the overseas dependents schools represent less than one-half percent of the total educators in public elementary and secondary schools in the United States. Personnel are employed from school systems all over the United States. Therefore the impact on any particular system or geographical area would appear to be negligible.

(e) Any benefits (not included above) resulting from the particular governmental program. Teachers, administrators, and children receive enriched educational experiences by being in foreign countries which cannot be measured in dollars and cents or by letter grades on a report card.

(f) Not applicable.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product.

The contribution that the educational program in the overseas dependents schools makes would be difficult to identify. It is true, however, that the program does meet a vital need in the education of children who accompany their sponsors overseas.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Dependents' education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries	45.0
Other	29.0
Total, Federal obligations	74.0
Individuals or nonprofit organizations .....	.9
Total obligations for program	74.9

ARMED FORCES INFORMATION AND EDUCATION

1. *Objectives*

Armed Forces information and education is designed to inform and educate the military personnel of all services in the broad, general, or informal sense. Formal education in classrooms or by correspondence courses is not a directorate program.

We have built up one of the most powerful military establishments in the peacetime annals of our country. Vital as military prowess is, we must be also strong in heart and mind.

In communism we are faced with one of the most dangerous threats ever known. Its aim is the total obliteration of all we cherish.

Pride of heritage, faith in freedom, and hatred of tyranny are the weapons of heart and mind which have sustained our servicemen.

But more is needed. The American serviceman must have a clearer view of his own participation in the struggle in which the Nation is locked. He must not suffer because we had not stressed, with sufficient vigor, the realities of freedom and the threat of communism.

The information and education program of the Armed Forces is designed to inform the members of the military services to help them understand our national identity and preserve our freedoms, through knowledge of the strength of our democracy, as well as the nature of the threat we face.

It is imperative that an adequate program of information and education equip the fighting forces with balanced training materials and hard news designed for the long-term struggle.

There exists a need for: (1) A variety of media capable of communicating Government-wide policies and postures concerning a series of specific subjects; (2) general information materials (motion pictures and publications) which provide basic background information and U.S. attitudes; (3) disseminating on a fast and reliable basis national and international news (shortwave radio and teletype) in order that U.S. military personnel may be kept abreast of national and worldwide happenings and (4) entertainment and educational features (radio and television) which assist in providing a continuous media flow capable of retaining a listening audience for more important information as well as aiding morale when military personnel undergo periods of enforced inactivity and waiting, primarily overseas.

There are five media available to the DOD to assist the service commander in carrying out his responsibilities in these broad areas. There are motion pictures, publications, troop newspapers, radio, and television. Each of these is a tool having different functions and serving different needs. These media provide materials in the areas

of "democracy v. communism", "forces for freedom", "world affairs", "citizenship (including voting)", "code of conduct", and "orientation for overseas duty", by Department of Defense Directive 5120.32, October 23, 1961, and by military department concurrence.

2. Operation

The Armed Forces information and education program is wholly a direct Federal operation with headquarters and training materials production in Washington and with Armed Forces press, radio, and television operations located in field offices in Los Angeles, Calif., and New York, N.Y. The press activities located in New York will be moved shortly to Washington where they will be consolidated with other news-disseminating activities. This program is for members of the U.S. Armed Forces only.

The Armed Forces radio and television service provides the bulk of program materials, shortwave programming, and a teletype news service to a large number of radio and television networks and stations located all over the earth. While these networks and stations are the property of the services, their lifeblood is the programming supplied by the radio and television service. All networks and stations are the property of the Federal Government. To a lesser degree, news and feature materials supplied by the Armed Forces press service form an important source of information for the ship and station newspapers. A small number of these newspapers are privately owned, civilian enterprises which are subject to installation commander approval.

3. History

The information and education program can be traced to the Revolutionary War, but was begun as we know it today during World War I. In October 1918, the morale branch was established as a separate division of the Army General Staff to contribute to morale stimulation in the prosecution of the war. After the signing of the armistice, the Morale Branch directed its effort toward the problems of demobilization: establishment of educational and vocational training programs for men awaiting discharge. After demobilization the Morale Branch was dropped.

The necessity for morale activities became apparent and on July 20, 1940, a morale division was organized in the Army Adjutant General's office. In January 1942, this branch was redesignated the Special Services Division which was also concerned with athletics, recreation and the welfare of enlisted men. The special services and information and education functions were separated in the fall of 1943.

During World War II, I. and E. expanded greatly their activities for Army personnel. These included Army Talks, I. and E. bulletins, maps, posters, motion pictures, and troop magazines and newspapers such as *Yank* and *Stars and Stripes*. The famous filmed series, *Why We Fight*, was produced during this period. USAFI correspondence courses and the educational manuals were found in virtually every unit dayroom.

The I. and E. program continued under the I. and E. Division until 1947, when it became the Army Troop Information and Education Division. When the Air Force became a separate branch in 1948, the Army continued to exercise administrative responsibility for the Army-Air Force Troop Information and Education Division.

James Forrestal, first Secretary of Defense, in a memorandum dated March 24, 1949, transferred the Army-Air Force I. and E. Division to the Office of the Secretary of Defense under his Assistant Secretary for Manpower, renaming it Armed Forces Information and Education with essentially the same mission and responsibilities, but now for all the Armed Forces. On April 9, 1952, the title of Office of Armed Forces Information and Education was established.

On July 14, 1961, the Office of Armed Forces Information and Education was abolished and formed into two directorates: the Directorate for Education Programs which is concerned with formal academic training and the Directorate for Armed Forces Information and Education. Both directorates are under the Deputy Assistant Secretary of Defense (Education).

a. Radio and television history

The development of unofficial Army radio activities at the beginning of World War II foreshadowed the eventual pattern of program distribution.

At Fort Greely on Kodiak Island in Alaska, American soldiers succeeded in putting a low-powered station on the air in December 1941 which eased morale problems in an area where shortwave reception was nonexistent.

By the spring of 1942 all existing program material had been exhausted, and the resourceful servicemen dispatched letters to Hollywood stars requesting programs of any nature but the actors were unable to ship them because of security regulations. Undaunted, the actors called Washington and asked the War Department for permission to ship their programs to the Army station at Kodiak. This was Washington's first inkling that the Army owned a radio station in Alaska.

A second Alaskan station also started broadcasting in December 1941 at Nome.

The first coordinated efforts by the military started with the issuance of radio receivers and turntables to the troops. Included with these were transcribed half hour programs from the various radio networks. Under the aegis of the Army's Morale Services Division the Armed Forces Radio Service was born. Because of its proximity to talent and mass recording facilities, Los Angeles was selected in the summer of 1942 as headquarters. The station at Kodiak Island was the charter station in a chain of 177 outlets during World War II.

AFRS also used Office of War Information (OWI) shortwave transmitters on both coasts to beam programs around the world. AFRS-New York was started in 1943 sharing office space and studios with OWI. The programing from both field branches concentrated on material of an immediate nature such as news, sports, and special events. By combining transcriptions from Los Angeles with shortwave broadcasts, the local outlets were able to present their military audience with a quality of broadcasting comparable to the best commercial stations in the United States.

When the war ended, AFRS continued to serve those still on duty abroad. With fewer potential listeners, however, fewer stations were needed, and by 1950 the number of outlets was reduced to 45.

At the outbreak of fighting in Korea in 1950, the number of stations increased to 79.

As television swept through civilian life in a surge of popularity, it was recognized at once as an important medium for military morale and information.

The Air Force installed a pilot station at Limestone (now Loring) Air Force Base, located in northeastern Maine, 2 miles from the Canadian border. This station began telecasting Christmas Eve 1953, continuing until 1956 when a commercial station began operation in the area.

The television service, starting in New York in 1954, quickly had to expand to accommodate the rapid interest and build-up of television outlets. On October 17, 1954, a 50-watt station began operation at Lajes Field in the Azores and the Armed Forces Television was on its way.

Television programing and production moved to Los Angeles in 1957 while New York continued as the main clearing agency for all television programing.

During 1962 AFRTS became a field activity of the Assistant Secretary of Defense (Manpower) under the Directorate for Armed Forces Information and Education, Washington, D.C.

During 1965 the number of radio outlets, including relay stations and ships at sea, had grown to 288, and the weekly radio shipment reached a peak of 85 hours. The volume of television programs amounted to a weekly shipment of 55 hours to 43 outlets (including relay stations). Military and veterans hospitals were being furnished a selected music library on a weekly basis. The teletype news service, started in January 1964, was being sent around the world, and timely news, sports, and special events were being broadcast around the clock via shortwave transmitters from New York and Los Angeles.

b. Press service history

The value of news as an aid to military efficiency and morale has long been recognized by the Armed Forces. Instances of commanders who have taken special pains to provide their men with the latest news in the form of little handwritten sheets can be found in the records of almost every war in which the United States participated.

But it was not until World War I that a regular, authorized, and official service newspaper became an integral part of our operations. This was the famous Stars and Stripes distributed to the men of the AEF under General of the Armies, John J. Pershing.

In World War II great strides were made in news services for our fighting men. Since then, unit newspapers have become an established feature in the Armed Forces. Nearly every command down to the lowest unit now publishes a newspaper, even if it is no more than a mimeographed sheet or two.

The troop newspaper provides a daily or weekly roundup of materials supporting the commander, the needs of the base or station, and equally important, the news and events of the United States. The troop newspaper is fundamentally a tool of the commander that serves the wider objective of providing more detailed news on a more timely basis than any other media. Stars and Stripes is a major daily newspaper distributed by major commands to the Armed Forces overseas. Straight military news is not provided adequately by the regular news sources to the many smaller military newspapers and some assistance is provided by the Armed Forces Press Service.

Armed Forces Press Service is a field office and part of Armed Forces Press, Radio and Television Service in New York. It services 1,480 military newspapers with news, features, editorials, photographs, cartoons, and stencils. Armed Forces Press Service also provides policy information, technical assistance, and professional guidance to military newspaper editors. Armed Forces Press Service material is distributed mainly through the weekly Press File. Galley Guide, published at various intervals, provides editors with professional news, advice, and suggestions. The Armed Forces Newspaper Handbook is a useful aid to military personnel working on service newspapers.

Direct communications between commanders and editors of service newspapers and Armed Forces Press Service for materials and services is authorized.

The Armed Forces Press Service will move to Washington in early 1966 and will provide a twice-weekly Commanders Digest to key military personnel as well as the weekly Press File to newspaper editors. The Commanders Digest will provide up-to-date news emanating from Washington as well as policy background information.

4. Level of operations. (See table 1.)

Program: Armed Forces information and education.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—Level of operations or performance, fiscal years 1964–67

[Dollars in millions]

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program:					
(1) AFIE ¹	Cost of I. & E. Media.	\$4.8	\$4.8	\$4.9	\$5.0
(2) DOD-military department.....	do.....	\$4.5	\$4.9	\$4.7	\$4.1
(b) Applicants or participants: Other.....	Million persons.....	2,685,000	2,687,000	2,836,000	2,850,000
(c) Federal finances:					
Unobligated appropriation available.....	.....	None	None	None	.....
Obligations incurred ¹.....	.....	\$4.8	\$4.8	\$4.9	\$5.0
Allotments or commitments made.....	.....	None	None	None	.....
(d) Matching or additional expenditures for the program.....	.....	None	None	None	.....
(e) Number of Federal Government employees administering, operating, or supervising the activity: ²					
(1) AFIE ³	Number of persons.....	251	256	257	257
(2) Military departments.....	do.....	1,709	1,740	1,740	1,740
(f) Non-Federal personnel employed in the program.....	None.....	.....	.....	.....	.....
(g) Other measures of levels or magnitude of performance and specify nature of entries.....	do.....	.....	.....	.....	.....

¹ Includes cost of military personnel assigned.

² Includes preparation of I. & E. materials, administration, and operation of Armed Forces radio and TV stations.

³ Includes average number of military personnel assigned.

5. Estimated magnitude of program in 1970

The state of the art of communications industry is advancing very rapidly which could require a sizable one-time conversion cost in order to provide better radio service (via satellite, etc.) at an equal or reduced recurring cost.

These unforeseen events are not now budgeted. Our present plans project an operating level of \$9.6 million in fiscal year 1970.

6. *Prospective changes in program orientation*

Increased and more rapid supply of news and more background information are the most likely changes in the directorate for Armed Forces information and education's operations by 1970.

The consolidation and improvement of news gathering and disseminating activities in Washington, coupled with the use of technological advances in communications such as communications satellites and improved cable and radio services, will permit this directorate to supply commanders and information officers in the field and overseas with more news and explanatory background data. More rapid response to contingency situations in which U.S. forces are committed will be made possible.

The basic directorate programs, however, will remain substantially as they are today and will be supportable without appreciable manpower, material, or fiscal increases.

7. *Coordination and cooperation*

(a) *Within the directorate.*—All activities of the directorate, including the field activities, are mutually supporting. The headquarters planning activities conduct program and materials planning for all AFIE activities. Motion pictures, publications, and posters are used widely in Armed Forces radio and television production and become the basis of features and background materials for the commanders digest and press file. The Armed Forces radio and television programs also become the basis for films and publications.

(b) *Within Department of Defense.*—Directorate-produced films, publications, radio and television programs, and materials and news materials are widely distributed throughout Department of Defense activities and the military departments. These often become the basis for command adapted or interpreted productions or presentations. The sources and resources for much of directorate production come from other DOD and military department activities with similar production facilities. Much of the stock motion picture footage that is used, for instance, comes from military department resources. Since the military services are the major users of AFIE materials, regular liaison exchanges are utilized to determine production requirements and resources. Careful distribution of materials is made throughout DOD offices and agencies to insure that our programs and productions are known to potential users. These include distributions and staffing of printed media, and showings of motion pictures to potential users through various stages of production.

(c) *With other Federal agencies.*—This directorate conducts regular liaison exchanges of information and materials and has staffing arrangements with the State Department, the U.S. Information Agency, and the Agency for International Development because of similar production requirements or interests. All AFIE materials with national policy or international implications are staffed through the State Department to insure accuracy, and the State Department always alerts this directorate to its motion pictures and publications which might have application to the Armed Forces. The directorate makes use of USIA news commentaries over Armed Forces radio and

television service, and relies heavily on USIA photo, information, and film data in the production of films and publications. Similarly, USIA makes frequent use of directorate resources. A large number of Government agencies with interests in area orientation meet monthly in a roundtable discussion for the exchange of ideas, programs, and materials. This directorate is a member of that roundtable. The directorate also makes use, through established points of liaison, of film and publications of other Government agencies which have application to the Armed Forces. These include the Social Security Administration and the Veterans' Administration.

(d) *With State governments.*—This directorate maintains indirect contact with the secretaries of state in the 50 States and the appropriate officials in the District of Columbia, Puerto Rico, the Virgin Islands, and Guam in regard to voting information. The Secretary of Defense has been designated by the President as coordinator of the voting assistance program under Public Law 296, the Federal Voting Assistance Act of 1955. Preparation of voting information materials has been assigned to AFIE. These materials while directed primarily to members of the Armed Forces are also provided to all personnel of the executive agencies of the Federal Government and their spouses and dependents. These materials are likewise provided the States for their information. Exchanges are conducted annually or as voting procedures change.

(e) *With local governments.*—None.

(f) *With international organizations.*—This directorate has established liaison with the publications and motion picture organizations of the United Nations, NATO, and SEATO. Whenever those organizations produce materials of interest to the Armed Forces, this directorate is notified and frequently utilizes those materials. In other cases, publications regularly produced by those organizations are given limited Armed Forces distribution. Materials produced by this directorate are furnished in limited quantities since all organizations are a source to one another for materials production.

(g) *With nonprofit institutions.*—This directorate supports the American Heritage and Freedom's Foundation programs for the promotion of patriotic ideals by means of annual support and publicity. These institutions make wide application of Armed Forces materials in their programs. Liaison is maintained with the American Bar Association in the preparation of materials for the annual observance of Law Day, U.S.A. These materials tell how our free people, under the reign of law, maintain their democratic way of life. The directorate also cooperates with educational organizations through systematic review of their programs, activities, and materials. This directorate has utilized Reserve officers from the educational profession to evaluate its programs and materials. The directorate has also exchanged materials with educational television networks and activities and is capable of regular review of their materials.

(h) *With business enterprises.*—The directorate receives the bulk of its radio and television programming from commercial networks through prior agreements with the networks, unions, sponsors, athletic organizations, etc., and by video recording or kinescoping monitored programs. The broadcasting industry has taken an active interest in support of Armed Forces radio and television and has given generously of its resources and advisory talents. Regular liaison with industry

is maintained from both New York and Los Angeles offices. Direct motion picture projection of television programs to our troops in Vietnam was specifically authorized because of cooperative liaison between this directorate and patriotic industry, guilds, sponsors, and unions.

Liaison is also maintained with news, publications, and the motion picture industry since the bulk of I. & E.-oriented materials from industry such as reprints of articles from Time, National Geographic, and Newsweek magazine come from industry. Inasmuch as this directorate is a communicating organization, it has extensive contacts with all facets of the communications, publishing, news, broadcasting, graphic arts, motion picture, and other audiovisual industries. The directorate submits its programs and materials to such competitions as the Academy Awards, Emmy, and other similar competitors and is widely known throughout the industry.

8. *Laws and regulations*

The Directorate for Armed Forces Information and Education obtains its authority in compliance with the following laws and regulations:

(a) The National Security Act Amendments of 1949 (61 Stat. 499, as amended; 5 U.S.C. 171).

(b) The reorganization plan of 1953 (67 Stat. 638).

(c) Department of Defense Reorganization Act of 1958 (72 Stat. 514).

(d) Department of Defense Appropriation Act, 1966 (Public Law 89-213, O. & M. Defense agencies, title II).

(e) Specific directives and regulations:

(1) Secretary of Defense memo dated October 23, 1961; subject, "Armed Forces Information and Education Program."

(2) DOD directive 5120.27; subject, "Assistant Secretary of Defense (Manpower)."

(3) DOD instruction 5120.32; subject, "Armed Forces Information and Education Programs."

(4) DOD instruction 5120.20; subject, "Armed Forces Radio and Television Service."

(5) DOD instruction 5120.4; subject, "Policies Governing Publication of Service Newspapers," "Operation of Armed Forces Press Service," and "Relationship to Civilian Enterprise Publications."

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

a. Personal incomes of persons served

Although we strive for a great intrinsic value in appreciating and encouraging principles of an "American Way of Life," which improves our standard of living, this quantitative value cannot be measured.

b. Placement or productivity

We attempt to improve the serviceman's understanding of world conditions and the relationship of the forces against freedom, and bring entertainment to him by radio and television. Although we cannot measure earning and productivity to the individual, these

factors foster career retention, pride in service, and individual initiative while in the service.

c. Business or industrial organization

Armed Forces information and education encourages the industrial economy in the field of motion picture scripts (i.e., free lance writers), productions, and film print processors. This approximates \$1 million per annum. Publishing firms receive orders totaling \$400,000 per annum, and other entertainment industries approximately \$300,000 per annum.

The radio and television equipment industries and builders have benefited by the facilities for armed services radio and television stations on a worldwide basis totaling approximately \$17.5 million.

The resources used in the I. & E. programs of the Department of Defense encourage private competition. There is no competition between our services and private industry. The televising of American programs abroad has even encouraged the local nationals to desire these programs in their native tongue. This has the effect of limiting AFIE's available programming of TV series.

d. Stability, employment, prices

The level and stability of I. & E. resources are directly related to the world situation and the degree of the national security requirements. On a recurring basis, this level now approximates \$13 million.

e. Any other benefits

The use of films, entertainment, and publications as well as providing the opportunity for servicemen to operate radio and TV stations have encouraged entertainers, writers, producers, and equipment manufacturers to seek new ways to meet these requirements.

f. Geographical differentials

There is no large-scale geographical differential. However, by the very nature of our requirements, we are supported from several metropolitan areas. These consist of the seat of government, the radio and television industries in New York, and the entertainment industries in Los Angeles.

g. Contribution to the gross national product

The recurring cost of \$13 million of Government funds has only an insignificant effect on the gross national product. Such an insignificant effect cannot be identified.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Armed Forces information and education.

Department or agency, and office or bureau: Department of Defense, Office of Training and Education.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government purchases of goods and services:	
Wages and salaries.....	7.6
Other.....	5.8
Total, Federal expenditures.....	¹ 13.4
¹ AFIE budgeted funds.....	4.8
Military services.....	8.6
Total.....	13.4

RESERVE OFFICERS' TRAINING CORPS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The mission of the ROTC is to produce qualified commissioned officers for the Active and Reserve Forces and the Regular and Reserve components.

2. Operation

The program is a training program of students as a part of the curriculum of approximately 334 colleges and universities throughout this country. The training is primarily of a military and leadership nature to qualify participants in the program for a commission and service in the Armed Forces upon completion of the academic requirements leading to a baccalaureate degree. The training is conducted by active Army, Navy, and Air Force officers and enlisted personnel who constitute the professors of military science, aerospace studies, and naval science and their staffs. Each military department has a headquarters staff and staff members throughout the channel of command who plan for and supervise the program. ROTC is a Federal operation conducted in conjunction with and at the request of the educational institutions concerned. The Army for a number of years has conducted Junior ROTC at approximately 253 public and private institutions of secondary educational level. The program at college level is operated in an educational institution under the conditions of a contract negotiated between one of the military departments and the institution. The school normally furnishes the classrooms and facilities and the military department provides the instructors for military subjects, uniforms, or commutation in lieu thereof, and necessary equipment. The military departments also provide a number of scholarships for ROTC students, subsistence for scholarship and nonscholarship students, and pay, travel, and other support of the students attending summer camps.

3. History

The ROTC programs originated with the Morrill Act of 1862, sometimes referred to as the Land-Grant Act. The Morrill Act established that institutions receiving these emoluments, amongst other things, shall offer a course in military tactics. It should be here noted that the law did not require that all physically qualified male students entering the institutions shall be required to take military tactics. In 1916 the National Defense Act established the Reserve Officer Corps in name and the Army at that time inaugurated the program, now known as the ROTC. In 1926 the Naval ROTC program had its origin, units being established at six institutions. The naval program was modified in 1946 and its regular program for the procurement of regular officers was established. The Air Force program had its origin also in 1946.

On July 25, 1963, the Department of Defense forwarded to the Congress for consideration a legislative proposal for a new ROTC (2-year) program to be conducted during the junior and senior years of college. After rather lengthy hearings on this subject by the Armed Services Committees of the House and Senate, the Congress enacted legislation approved by the President as Public Law 88-647,

on October 13, 1964. This law is identified as the Reserve Officers' Training Corps Vitalization Act of 1964. While differing in some respects from the DOD legislative proposal, the act does provide authorizations for the main objectives of the DOD proposal. The salient features of the act are:

(a) All earlier provisions of law on ROTC are rescinded and a new part of law enacted which is uniformly applicable to all military departments.

(b) Optional 2-year Senior ROTC is authorized. Students are authorized to enroll in the advanced course if they have first completed successfully basic summer military training of at least 6 weeks. This training would serve as a substitute for the first 2 years (the basic course) of Senior ROTC training. Rate of pay for personnel undergoing the basic summer training is that of E-1 (under 4 months).

(c) The military departments are authorized to provide scholarship assistance to students in the 4-year ROTC program for a minimum of 1 year or a maximum of 4 years. This provision authorizes the Navy to continue its regular program commonly called the Holloway program. This is a new authorization for the Army and Air Force as they heretofore have not been authorized scholarship assistance for ROTC students. Scholarships are not authorized for students in the 2-year program. The DOD proposal had recommended scholarship availability for students in both the 4- and 2-year programs. The maximum number of cadets that can be in the scholarship assistance programs at any one time is 4,000 each for the Army and Air Force, with this maximum increasing to 5,500 on September 1, 1968, and 5,500 for the Navy with this ceiling effective September 1, 1965. The scholarship assistance authorized by the act consists of two elements:

(1) Payment of tuition, books, laboratory fees, and similar charges. The average cost of these charges was estimated at \$800 to \$850 per student, but the actual costs vary from a few hundred dollars annually to more than \$2,000 a year, depending on the school concerned.

(2) Payment of subsistence pay in the amount of \$50 per month not to exceed a total of 4 years.

Students receiving scholarship assistance are required to serve on active duty for 4 years following appointment as an officer and graduation from college.

(d) The subsistence allowance for advanced students not participating in the scholarship assistance program is increased from \$27 per month to a minimum of \$40 per month, with permissive authority to increase the payment to \$50 per month. These payments cannot exceed a total of 20 months.

(e) The allowance for advanced students traveling to and from summer camp is increased from 5 to 6 cents per mile and the payment to such students while at summer camp is increased from pay at the rate of E-1 (less than 4 months) to that for a cadet or midshipman at the Military, Naval, or Air Force Academy.

(f) Students who do not receive scholarship assistance must enlist in a Reserve component to be eligible for advanced training. Students enrolled in the scholarship assistance program are appointed as a cadet or midshipman, as appropriate, in a Reserve component.

The ROTC Vitalization Act also contains a chapter on junior ROTC. The act requires the Secretary of each military department to establish and maintain a junior ROTC program at public and private secondary educational institutions which apply for a unit and meet the standards and criteria prescribed pursuant to law. Not more than 200 units may be established by all the military departments each year beginning with calendar year 1966, and the total number is not to exceed 1,200 units, including those units (253) already established.

4. *Level of operations.* (See table 1.)

Program: Reserve Officers' Training Corps.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

MAGNITUDE ¹ (ROTC UNITS OR DETACHMENTS)

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
Army:				
Senior program.....	247	247	247	256
Military schools program.....	40	40	36	0
Junior program.....	253	251	251	434
Navy:				
Senior program.....	53	53	53	53
Junior program.....	0	0	0	30
Air Force:				
Senior program.....	186	186	182	181
Junior program.....	0	0	0	9

PARTICIPANTS ¹ (STUDENTS)

Army:				
Senior program.....	158,016	157,303	157,432	163,807
Military schools program.....	16,571	16,775	15,185	0
Junior program.....	58,055	57,274	52,970	104,900
Navy:				
Senior program.....	10,083	9,050	8,792	8,727
Junior program.....	0	0	0	7,050
Air Force:				
Senior program.....	102,046	101,617	78,691	63,840
Junior program.....	0	0	0	1,000
Total senior program.....	270,145	267,070	244,915	236,374
Total military schools program.....	16,571	16,775	15,185	0
Total junior program.....	58,055	57,274	52,970	112,950

FEDERAL FINANCES ² (MILLIONS OF DOLLARS)

Army.....	43.0	46.7	51.7	62.3
Navy.....	16.4	16.7	16.7	18.1
Air Force.....	22.2	25.5	28.2	30.4
Total.....	81.6	88.9	94.7	110.8

MATCHING OR ADDITIONAL EXPENDITURES: NONE

NUMBER OF FEDERAL GOVERNMENT EMPLOYEES ⁴

Military personnel:				
Army.....	4,014	3,826	3,900	3,560
Navy.....	699	699	699	682
Air Force.....	1,732	1,733	1,631	1,631
Total.....	6,445	5,258	6,230	5,873
Civilian personnel:				
Army.....	195	223	222	222
Navy.....	51	51	51	51
Air Force.....	24	20	19	19
Total.....	270	294	292	292

See footnotes at end of table, p. 197.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*—Continued
 NON-FEDERAL PERSONNEL EMPLOYED IN THE PROGRAM: NONE
 OTHER MEASURES OF LEVEL OF MAGNITUDE⁵ (NUMBER OF OFFICERS
 COMMISSIONED)

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
Army.....	11,921	10,850	10,353	9,880
Navy.....	1,623	1,839	1,489	1,268
Air Force.....	3,962	4,509	4,316	4,767
Total.....	17,506	17,198	16,158	15,915

¹ There are approximately 330 colleges or universities where senior ROTC is conducted. At 33 of these schools all 3 military departments are represented; at 82, 2 departments are represented; and at 215 only 1 department is represented.

² Students in the first 2 years of Army and Air Force ROTC are in the basic course. The basic course is compulsory at some schools in compliance with State law or policy of the school. All students in the 3d and 4th years of ROTC in the Army, Navy, and Air Force programs are in advanced training.

³ Reflects costs in the funding categories of military personnel, Reserve personnel, and operations and maintenance; also includes cost of flight orientation training.

⁴ Includes only those personnel who can be clearly identified with the program.

⁵ The number and quality of officers produced is the primary measure of the accomplishment of the objective and performance of ROTC.

5. *Estimated magnitude of program in 1970*

It is estimated that the ROTC programs will remain at near the current level for the next 5 years with probable slight increase in officer production by 1970 as a result of emphasis on improved management.

6. *Prospective changes in program orientation*

(a) There are no pending legislative proposals. Implementation of the ROTC Vitalization Act of 1964 was begun with the 1964-65 school year with additional implementation during the 1965-66 school year.

(b) Instructions pertaining to a modified junior ROTC program are being promulgated for implementation beginning with 1966-67 school year to comply with the intent of the ROTC Vitalization Act of 1964 as it pertains to junior ROTC.

(c) Action is being taken to increase the production of many schools and thus reduce the cost per officer produced. Those units remaining as uneconomical producers will probably be discontinued. The trend from compulsory to elective basic course will probably continue during future years.

7. *Coordination and cooperation*

Overall policy is established and promulgated at OSD level in the Office of the Deputy Assistant Secretary of Defense, Manpower, Reserve Affairs. There is close coordination and cooperation between personnel of that Office and personnel in staff offices in the headquarters of each of the military departments at the Washington, D.C., level. Subordinate commands in each department plan and supervise the programs including coordination and cooperation with the authorities at the educational institutions where ROTC units are located. The ROTC unit staffs are integrated into the school systems and the professors of military science, aerospace studies, and naval science are accorded standing comparable to the regular college professors. No coordination with other Federal agencies is required except with the Department of Health, Education, and Welfare in a few administrative areas.

8. Laws and regulations

The ROTC Vitalization Act of 1964, Public Law 88-647, October 13, 1964, is the current authority for all ROTC programs. A number of Department of Defense directives have been published on this subject.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Active military personnel serving as instructors or administrators receive their basic pay at the uniform military pay rates without regard to type of duty or location. DOD policy for the modified Junior ROTC program contemplates that instructors in the program at secondary educational level will be retired military personnel employed by the school with the approval of the military service concerned. The law prescribes that such personnel will receive their retired pay and the difference between the retired pay and the total pay they would receive were they on active duty at their respective military grade. The military service is required to provide each school for each such instructor an amount which is equal to one-half of the differential. The school provides the other half.

(b) Students in Senior ROTC (college level) receive the following monetary benefits:

1. The military service pays the institution, for each scholarship student, the cost of tuition, books, fees, etc.; and to each such student \$50 per month subsistence fee for not to exceed a total of 4 years.

2. Each nonscholarship student is paid by the military service \$40 per month while he is in advanced training not to exceed payment for 20 months.

3. All advanced students attending the summer camp are paid 6 cents a mile for transportation to and from camp and pay at the rate of \$147.30 per month while in a training status.

10. Economic classification of program expenditures. (See table 2.)

Program: Reserve Officers' Training Corps.

Department or agency, and office or bureau: Department of Defense; Office of Training and Education.

TABLE 2.—Economic classification of program expenditures for fiscal year 1965

[In millions of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	44.1
Other.....	44.8

Total, Federal expenditures.....	88.9
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Non-Federal expenditures.....	(1)
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¹ No figures are available for State and private support of ROTC such as building, maintenance, cost of utilities, and salaries of employees.

MEDICAL CARE OF MILITARY PERSONNEL AND THEIR FAMILIES

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The primary purpose of the program is to maintain the health of members of the Armed Forces to the end that they will constitute an effective fighting force. Medical care is provided military personnel

as a part of discharging the overall medical mission of developing and maintaining the medical services required to support military operations both in war and peace. An additional purpose is to maintain high morale in the Armed Forces. This purpose has specific application to the family portion of the program.

2. Operation

The program is operated in military, other Federal, and in civilian medical facilities on a worldwide basis. Almost all of the medical care provided military personnel, however, is provided by military facilities. A significant—but not major—portion of the care provided the families of military personnel is obtained from civilian sources.

3. History

The origins of the Army Medical Service and the Navy Medical Department predate the Constitution. The Air Force Medical Service had its origin in the Army Medical Service. All of these services were established for the primary purpose of providing care to the active duty members of the Armed Forces. In essence, the medical care program for military personnel began with the establishment of our Armed Forces. All of the military departments have traditionally provided medical care in military hospitals and dispensaries on a space-available basis to dependents of active duty personnel. The statutory basis for this practice goes back to 1884.

In 1953 concern with the fact that 40 percent of the military dependents did not reside in the vicinity of a military hospital and hence received no military benefits, plus the remarkable expansion of health insurance and other employee benefits offered by industry, led the Secretary of Defense to establish an independent citizens advisory commission (the "Moulton Commission," headed by Dr. Harold G. Moulton of the Brookings Institution) to study and make recommendations on the dependent medical problems.

The Moulton Commission's recommendations, in turn, led to the submission by the Department of Defense of a legislative proposal which, upon enactment in 1956, became the Dependents' Medical Care Act. Under the act, dependents of active duty members of the uniformed services who do not reside with their sponsors may elect to receive medical care in uniformed services facilities (on a space-available basis) or inpatient medical care alone from civilian hospitals and physicians. Dependents residing with their sponsors may only obtain inpatient care from civilian sources if no uniformed service facilities are available.

4. Level of operations. (See table 1.)

Program: Medical care of military personnel and their families.
Department or agency, and office or bureau: Department of Defense.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimated)	Fiscal year 1967 (estimated)
(a) Magnitude of program.....	Dollars spent.....	1,020,600,000	1,066,300,000	1,235,200,000	1,458,400,000
(b) Applicants or participants:					
Individuals or families.....	Number of individuals.....	8,513,541	8,676,700	9,110,500	9,815,100
Active military members (direct).....	do.....	2,699,677	2,666,300	2,811,550	3,093,100
Retired military members (indirect).....	do.....	464,500	521,000	573,000	627,000
Dependents of active duty (indirect).....	do.....	3,975,000	3,974,000	4,061,000	4,275,000
Dependents of retired and deceased (indirect).....	do.....	1,374,364	1,515,400	1,665,000	1,820,000
(c) Federal finances:					
Unobligated appropriations available.....	Dollars.....	None	None	40,000,000	None
Obligations incurred.....	do.....	1,020,600,000	1,056,300,000	1,295,000,000	1,290,000,000
Allotments or commitments made.....	do.....	None	1,063,300,000	(40,000,000)	None
(d) Matching or additional expenditures for program: Amount in dollars paid by military personnel as share of cost of care of dependents.	do.....	5,400,000	5,400,000	5,400,000	5,800,000
(e) Number of Federal Government employees administering, operating, or supervising the activity.	Total man-years.....	118,500	117,850	125,750	140,850
	Civilian.....	29,900	29,980	32,650	38,550
	Military (exclusive of those engaged in direct support combat operations)	88,600	87,870	93,100	102,300
(f) Non-Federal personnel employed in program.....	Number of individuals.....	183	181	180	180
(g) Other measures of magnitude:					
1. Average daily number of individuals hospitalized.....	do.....	32,531	33,413	40,099	52,820
2. Number of outpatient visits.....	Number of visits.....	43,967,089	44,106,835	47,250,000	55,000,000

5. *Estimated magnitude of program in 1970*

It is estimated that the level or magnitude of performance of the military medical program in 1970 will reflect an increase consistent with advances in medical technology and increase in social and welfare programs within the Department of Defense. It is reasonable to assume that under peacetime conditions expenditures in 1970 will reflect an increase of approximately 10 percent above those of fiscal year 1965 at the rate of 2 percent per year.

6. *Prospective changes in program orientation*

(a) The legislative proposals which would modify this program are now being coordinated within the executive branch. These are:

(1) A proposal to establish a civilian health care program for retired members and their dependents to supplement the insufficient amount of care which will be available for this group in the future from military facilities.

(2) A proposal to authorize civilian outpatient care for the dependents of active duty members in order to provide a complete health care program for this group.

(3) A proposal to establish a civilian program providing health care, training and education for the mentally and physically handicapped children of active duty members.

(b) Proposed administrative and organizational changes.—No major administrative or organizational changes are anticipated. However, significant improvements in efficiency can be anticipated as a result of the use of computers, improved management techniques, and in the collection of better statistics. This should result in better organizational planning and more economical utilization of manpower, materiel, and facilities which in turn will result in improved patient care.

(c) Probable changes in the conditions under which the program will function in 1970.—This, to a large extent, will be dependent upon the technological, professional, and sociological advances which may occur. In these areas the possibilities are unlimited. The pharmaceutical industry is constantly introducing new drugs of extensive potential. Appliances and medical equipment manufacturers are taking advantage of miniaturization of electronic systems developed in the space industry. Many new materials are just now becoming available from research programs in a vast expanse of industries.

There is a growing interest in global epidemiology in which the military has a major interest for mobilization planning purposes. This can result in increased demands for vector control agents and methods.

The widespread practice of family planning may, in 1970, have a reducing effect upon the military medical program in the area of obstetrics.

Concepts of military medicine planning in 1970 will undoubtedly reflect greater use of the helicopter and extensive reliance upon airlift of the sick and wounded to fixed medical facilities for definitive care.

Demands for professional medical personnel in the country are increasing each year. It is reasonable to assume that more and more difficulty will be encountered in obtaining qualified professional personnel for the military medical services in 1970. This may result in a greater proportion of care being provided from civilian sources.

7. Coordination and cooperation

(a) All aspects of this program require coordination with the Assistant Secretary of Defense (Comptroller) and the Deputy Assistant Secretary of Defense (Military Personnel Policy). Many aspects require coordination with the General Counsel, Department of Defense. No special arrangements, procedures, or agreements are necessary to promote cooperation and coordination within the Office of the Secretary of Defense as such goals are achieved through normal staff procedures.

(b) The Office of the Deputy Assistant Secretary of Defense (Health and Medical) provides a means by which major medical policies and programs are coordinated for the medical departments of the Army, Navy, and Air Force. The major programs involve medical education, professional personnel requirements, and facility planning. The program entitled "Medical Education for National Defense" (MEND) is an example whereby civilian-medical institutions conduct educational programs with specific emphasis on military medicine.

The Armed Forces physicians' appointment and residency consideration program (Berry plan) applies to a medical student upon his graduation from medical school. The young physician who has not, yet fulfilled his military obligation, is offered through the Berry plan, two options. If he wishes to complete his military service as early as possible, the Berry plan offers active duty immediately after internship, or as late as 1 year after internship, in the service of his choice, at a time which is mutually acceptable. If he is anxious to complete specialty training before entering service, he is offered the opportunity to be considered for deferment to complete training in one of the specialties required by the armed services. These specialty requirements are based on carefully calculated estimates and must be filled. Through this option, the physician completes his training in the specialty of his choice and for which he was selected, in the civilian institution of his choice. Upon completion of the specialty training the physician will be brought to duty to serve for 2 years in that specialty.

(c) Public Law 89-264, sponsored by the Department of Defense, eliminates the need for one military department to reimburse another such department for hospital services provided its beneficiaries.

All actions concerning the draft for medical-professional personnel are coordinated in this office, after requirements are received from the Surgeons General of the Army, Navy, and Air Force. Direct liaison is maintained with the Director, Selective Service System.

All programs for the construction of medical facilities in the Army, Navy, and Air Force are coordinated in this Office and supported through all echelons of the Department of Defense, the Bureau of the Budget, and the Congress.

Medical materiel standardization for all the medical services is effected by this Office through the facilities of the Defense Medical Materiel Board, resulting in coordinated selection of items and uniform specifications.

The Office of the Deputy Assistant Secretary of Defense (Health and Medical) maintains membership on all of the professional councils of the National Institutes of Health and in this manner keeps abreast

of all research and development which may be of interest to the Department of Defense in the medical area. In addition, this office maintains membership on the Health Resources Advisory Council of the Executive Office of the President and representation within the National Research Council; civilian professional advisers in the area of medicine and dentistry are also available to this Office for consultation and development of professional policies.

In March 1965 the Department of Defense and the Veterans' Administration entered into an agreement regarding utilization of beds in VA facilities for military patients in support of a national emergency when the United States is not under attack.

(d) (See "i" below).

(e) (See "i" below).

(f) None.

(g) The Deputy Assistant Secretary of Defense (Health and Medical), Dr. Shirley C. Fisk, is a member of the board of governors of the American National Red Cross and by this means coordination of the relationships of the Red Cross and the three medical services is effected.

(h) None.

(i) Teams consisting of representatives of the Deputy Assistant Secretary of Defense (Manpower—Health and Medical), Bureau of the Budget, and the Army, Navy, and Air Force Surgeons General conduct surveys of civilian hospital capabilities in the vicinity of any planned construction of military medical facilities. These studies are for the purpose of determining the impact of the local community hospital capabilities on the planning for dependent facilities in military hospitals. Appropriate coordination of plans is carried out with various State Hill-Burton planning agencies.

8. *Laws and regulations*

Chapter 55 of title 10, U.S. Code, contains the Federal law authorizing medical and dental care in the Armed Forces.

A joint directive, Department of Defense and Department of Health, Education, and Welfare, implements the medical and dental care programs.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The overall economic effects of the medical program of the Department of Defense are difficult to determine.

The military medical program does, however, provide a means for the military to take care of its own and, therefore, reduces the impact upon civilian medical facilities which are in themselves experiencing shortages in capabilities to care for the existing civilian workload.

Civilian communities adjacent to military medical installations receive the economic benefit of salaries of military personnel and civilian employees attached to the installation.

The availability of military medical installations influence retired personnel to locate nearby, thus benefiting the economic situation in terms of increased population and funds.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Medical care of military personnel and their families.

Department or agency, and office or bureau: Department of Defense.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government purchases of goods and services:

Wages and salaries.....	\$640,000,000
Other.....	426,300,000

Total, Federal expenditures.....	1,066,300,000
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RETIRED PAY

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The military retirement program is designed to aid in the maintenance of vital effective military forces. The disbursement of retired pay is incidental to the operation of the program.

2. Operation

The military retirement program is administered by the military departments under broad general policy guidance of the Department of Defense. Eligibility for retired pay is as prescribed by Federal law. Appropriations to support the program are made annually to the Department of Defense. Disbursement of funds is through agencies of the military departments.

3. History

From the earliest colonial days, there have been some provisions for payment of pensions to aged and disabled personnel of the military and naval forces. However, the organized system for retirement of personnel which now exists had its inception approximately 100 years ago as a means of eliminating from the Active Forces a number of officers in key positions, who, because of age or infirmity, were unable to perform their duties. In the intervening years, the system has been subject to evolutionary change as the need for change becomes manifest. As now constituted, the military retirement system insures that the age and physical condition of military personnel are compatible with the demands of military service. It further insures that military personnel will have reasonable opportunity for career progression.

4. Level of operations. (See table 1.)

Program: Retired pay.

Department or agency, and office or bureau: Department of Defense.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

(a) Magnitude of program:

Average number on retired rolls:

Fiscal year 1964.....	410,853
Fiscal year 1965.....	462,463
Fiscal year 1966.....	512,821
Fiscal year 1967.....	567,462

- (b) Beneficiaries are the retired military member or his widow or children if the deceased member so elected. Benefit to retired member—widow and children based on actuarial equivalent of retired member's benefit.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67—Continued*

(c) Federal finances annual appropriation:			
	Fiscal year 1964-----	billion dollars--	1.2
	Fiscal year 1965-----	do-----	1.4
	Fiscal year 1966-----	do-----	1.6
	Fiscal year 1967-----	do-----	1.8
(d) Not applicable.			
(e)	Number of Federal Government employees, etc-----		(1)
(f)	Non-Federal Government employees-----		None.
(g)	Measurements of performance, etc-----		(2)

¹ Reasonably accurate estimate of numbers of employees engaged in this program are not available.

² None available.

5. *Estimated magnitude of program in 1970*

It has been estimated that in fiscal year 1971 there will be an average number of approximately 771,000 persons on the military retired rolls. A recent estimate of the retired pay costs for that year is approximately \$2.4 billion.

6. *Prospective changes in program orientation*

The military retirement system as an instrument of personnel management is under continuing review to insure that it is performing its function efficiently and economically. However, no major changes are anticipated which would have a basic effect on the objective of the system—namely, to aid in maintaining an effective, vital military personnel force.

7. *Coordination and cooperation*

The military retirement system is generally self-sufficient, but the beneficiaries of the system are frequently eligible for, and avail themselves of services provided by other agencies of the Government, such as the Veterans' Administration.

8. *Laws and regulations*

The military retirement system is based on laws which are codified in title 10, United States Code. The major provisions are set forth in chapters 61-73, 365-371, 571-573, and 865-871 of that title.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on distribution of personal income.

The principal effect of the military retirement system on the individual is to provide some measure of income following termination of active service by reason of a service-caused disability, or after completion of 20 or more years of service.

(b) Other economic effects.

The economic effects of the military retirement system on items 9.b. through 9.g. are difficult to assess. The majority of persons who are retired for nondisability reasons under the military retirement system are relatively young, often have family responsibilities, and in most cases cannot support themselves and their families on their military retired pay. They must seek employment to supplement their retired income. Thus, they add to the pool of employable persons. Persons retired for disability may, or may not, be employ-

able, depending on the severity of their disability. The majority of those retired for disability are receiving minimal income and if their physical condition permits, normally will engage in gainful employment if available.

10. *Economic classification of program expenditures*

As stated in response to item 4., above, the expenditures for retired pay are financed by a direct appropriation each year to the Department of Defense to cover anticipated expenditures for retired pay that year.

NOTE.—In national income terminology this is classified as a transfer payment to individuals.

MUSTERING-OUT PAY AND OTHER SIMILAR ALLOWANCES

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Separation payments made to service members to provide readjustment assistance following involuntary separation from military service prior to qualifying for retirement.

2. *Operation*

The following three programs for separation payments are administered by the military departments as prescribed by Federal law. Appropriations to support the programs are made annually to the Department of Defense:

(a) *Readjustment pay*.—Readjustment pay is authorized to members of the Reserve components who are involuntarily released from active duty after having completed at least 5 years of continuous active duty. The amount payable is 2 months' basic pay for each year of active service, not to exceed 2 years' basic pay, or \$15,000, whichever is the lesser. The readjustment payment of a member who is released from active duty because his performance of duty has fallen below acceptable standards or in the best interests of national security, is computed on the basis of one-half of 1 month's basic pay for each year of active service. The maximum amount payable to such members is 9 months' basic pay, or \$15,000, whichever is the lesser. Members released from active duty because of moral or professional dereliction are not entitled to readjustment pay (10 U.S.C. 687).

(b) *Severance pay, disability*.—Payment of disability severance pay is authorized to officers and enlisted personnel of the Armed Forces on active duty who are discharged because of physical disability and who have less than 20 years' service and less than 30 percent disability.

A member who is discharged with severance pay for physical reasons is entitled to an amount equal to 2 months' basic pay multiplied by the total years of active service, but not to exceed 2 years' basic pay (10 U.S.C. 1203, 1206, 1212).

(c) *Severance pay, nonpromotion and other*.—This pay is authorized to personnel who are severed from the services for nondisability reasons under the following listed conditions:

(1) Regular commissioned officers who twice fail of selection for promotion to grades O-3 through O-4 in the case of Navy and Marine Corps and O-3 through O-5 in the case of Army and Air Force. Pay

computed at 2 months' basic pay for each year of service not to exceed 12 years, or \$15,000, whichever is the lesser.

(2) Regular officers of the Navy and Marine Corps who are found unfit or unsatisfactory in the performance of their duties. Pay computed at 2 months' basic pay for each year of service not to exceed 12 years, or \$15,000, whichever is the lesser.

(3) Regular officers of the Army and Air Force whose performance of duty is substandard or who are found morally or professionally disqualified. Pay computed at 1 month's basic pay for each year of service, not to exceed 12 years.

There is no provision for severance payments to enlisted personnel (10 U.S.C. 1167, 3303, 3786, 3796, 5864, 5865, 6383, 6384, 6401, 6402, 6404, 6832, 8786, 8796).

3. History

Separation payments for military personnel came into general use with the enactment of the Officer Personnel Act of 1947. That act authorized severance payments for certain Regular officers for failure of selection for promotion.

The Career Compensation Act of 1949 introduced the concept of a severance payment for military personnel separated, as distinguished from retired, for disability.

The act of July 9, 1956, authorized readjustment payments to reservists involuntarily released from active duty after 5 or more years of continuous active duty. As originally enacted, the readjustment payment was one-half month's pay per year of active service, with a maximum of a month's pay. The act of September 7, 1962, increased the rate of readjustment pay to the current rate of 2 months' basic pay per year of active service and imposed the current ceiling on the amount of payment.

4. Level of operations. (See table 1.)

Program: Mustering-out pay and other similar allowances.

Department or agency, and office or bureau: Department of Defense.

TABLE 1.—Level of operation or performance, fiscal years 1964-67

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
a. Magnitude of program:				
(Unit—number receiving payments):				
Readjustment pay.....	696	315	730	734
Severance pay, disability.....	2,995	2,970	3,123	3,129
Severance pay, nonpromotion and other.....	671	608	439	475
Total.....	4,362	3,893	4,292	4,338
b. Numbers refer to those separated for reason stated in par. 2.....				
c. Federal finances:				
Annual appropriation (in millions):				
Readjustment pay.....	4.3	.6	4.1	4.9
Severance pay, disability.....	8.5	8.6	9.3	9.6
Severance pay, nonpromotion and other.....	7.5	7.9	5.2	5.7
Total.....	20.3	17.1	18.6	20.2
d. Not applicable.....				
e. Number of Federal employees:				
A reasonably accurate estimate of the number of Federal employees engaged in this program is not available.....				
f. Non-Federal employees: None.....				
g. Not available.....				

5. *Estimated magnitude of program in 1970*

Estimates of the probable level or magnitude of the program in 1970 are expected to maintain the current experience as indicated in 4, above, exclusive of the indeterminate number of disability separations resulting from hostile actions.

6. *Prospective changes in program orientation*

No change in the orientation of these programs is projected within the time frame of this report.

7. *Coordination and cooperation*

These programs are fully implemented within the Department of Defense and the military departments.

8. *Laws and regulations.* (See answer to Question 2.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

In view of the relatively small number of personnel that have received or will receive assistance under these programs and the manner in which the program purpose is served, it is not feasible to assess the overall economic effects of the program. The amount of individual payments under the program varies greatly with the circumstances of the individual at the time of separation, at which time he receives his total entitlement under the law. The variables of age, physical condition, length of service, family responsibilities, financial status, et cetera, would be weighed by each individual in determining whether to seek employment. As indicated in paragraph 2, the allowable payments are designed to ease the hardship of making an abrupt change in earning a livelihood.

10. *Economic classification of program expenditures*

As presented in answer to question 4, the expenditures for separation payments are financed by direct appropriation annually to the Department of Defense to meet the anticipated requirements for that year.

NOTE.—In national income terminology, these expenditures are classified as a transfer payment to individuals.

FAMILY HOUSING

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The Department of Defense family housing program is designed to insure that adequate housing is available for career military personnel and for key civilian personnel of the Departments of Army, Navy, and Air Force, in those instances where the civilian community is unable to meet their specific needs. The Department of Defense program is developed on an annual basis to insure that such requirements will be met in a timely manner.

2. *Operation*

The new construction program is authorized by Congress for specific locations on a project-by-project basis. The military departments

(through the various levels of command) conduct surveys to validate requirements, present the program to the Office of the Secretary of Defense, defend the program before Congress, receive authorization and funds for development of approved projects, design and develop such projects, establish contracting procedures and award construction contracts, and supervise construction which is accomplished by private enterprise. Funds are appropriated by the Congress to cover costs of construction and related expenses, including operation and maintenance and debt payments. Such appropriated funds are transferred into a family housing management account which includes all funds required to support the family housing program and is administered by the military departments through a series of transfer accounts.

3. History

The need to provide military family housing is a product of several factors: the cold war, the increasing complexity of warfare and weapons, the size and deployment of our Military Establishment, and the trend toward early marriages.

There was no significant shortage of family housing for personnel of the Armed Forces prior to World War II. At that time, our small peacetime Military Establishment consisted of units stationed in long-established permanent posts. Generally, there were sufficient family quarters on-station to take care of the married officers and the then few married senior-grade enlisted men. Because of the stability of deployment, private housing could be relied upon to take care of a large segment of the need, especially for installations located adjacent to metropolitan communities.

Today the size of the Military Establishment is almost 2.7 million officers and men, compared to 250,000 in 1935. Modern test stations have been built in the desert, and enormous airfields have been built adjacent to small communities. Our military forces are deployed around the world.

It is essential for the Military Establishment to retain a high percentage of officers and enlisted men on a career basis after they have completed their required tours of military service. It is not possible to operate our progressively more complex modern war machines without highly qualified, experienced personnel; and after 2 to 4 years of military service a young man is just beginning to acquire the skills which make him of special value to the military. It is, therefore, clear that unless a reasonable percentage of these young men can be persuaded to remain in uniform on a voluntary basis, the services would lose a costly investment in trained men.

A most significant fact about the young men who are completing their required military service today is the percentage who are married. Defensewide, 80 percent of all officers and noncommissioned officers are married. And married personnel will not choose military careers in peacetime, unless they can count on being together with their families most of the time, in reasonable adequate accommodations.

It is, therefore, apparent that family housing must be provided. The alternative is a high personnel turnover, greatly increased training costs, and less effective military forces. In providing such housing (to the extent that adjacent communities cannot), we have found it necessary to consider which of several alternate programs was most appropriate in each case.

A great deal has already been done during the past few years in providing adequate accommodations for our military families, as indicated below. This has helped raise reenlistment rates sharply above the 1954 low point. However, additional construction is still required, to meet the needs of new or greatly expanded installations, and to complete the job at established posts. In addition, the growing inventory of military family housing must be efficiently managed, in order to achieve the most effective utilization, and the maximum economies in operation and maintenance.

During the past several years, the DOD family housing construction and acquisition programs have been substantial. During the years 1953 through 1960, for example, the Department of Defense inventory of adequate family housing assets increased by some 195,000 units. These included some 99,000 Capehart units, 70,000 acquired Wherry units, 18,000 appropriated fund units, and 8,000 surplus commodity units. The value of these assets was then estimated to exceed \$2.8 billion. From 1961 to the present, all new construction projects were authorized for construction with appropriated funds. These totaled approximately 25,000 units with a value of approximately \$438 million.

In addition to these principal programs, some 5,500 rental guarantee units were built in France and Morocco (and an additional 5,000 units are now in the planning stage), about 7,000 private rentals are being leased in the United States and approximately 2,500 overseas, and about 7,800 section 809 units were built for essential civilian employees at research and development installations in the United States. Also, approximately 1,500 section 810 units were built by private enterprise near military installations, and some 1,100 more are under construction. DOD personnel have priority of occupancy in these units.

Title IV of the Housing Amendments of 1955 (Public Law 84-345, approved August 11, 1955) authorized the acquisition of military family housing under the so-called Capehart program. The statute contemplated that housing projects be constructed on Government-owned property, pursuant to competitive bidding by private contractors, financed by the proceeds of 100 percent mortgages insured by the Federal Housing Administration under a revised title VIII of the National Housing Act.

Capehart units are public quarters and are occupied on the basis of forfeiture of quarters allowances. Funds to pay the principal and interest on the Capehart mortgages are appropriated in the appropriation "Family housing, Defense." The DOD inventory contains approximately 115,000 Capehart units.

Some 83,000 family housing units were built under the original title VIII of the National Housing Act, the so-called Wherry program. The same act which authorized the Capehart program (Housing Amendments of 1955) also authorized acquisition of Wherry projects by the military departments.

Pursuant to this legislation, the Department of Defense acquired a total of 79,000 Wherry units. These units have been and are being repaired and improved to public quarters standards and designated public quarters. Because of some combinations of the smaller units to obtain larger quarters, the number acquired has been reduced to about 75,000 Wherry units.

Appropriated fund housing, although less significant quantitatively than the Wherry or Capehart programs, has been essential to the Defense Department's plan for reducing the military housing deficit. It has proved a flexible source of new construction both in the United States and overseas, wherever special programs are impractical.

As noted above, prior to 1961 budgetary limitations prevented a large-scale program of Government expenditure for military family housing. Construction of new housing with appropriated funds came virtually to a halt in the immediate postwar period, partly as the result of the uncertainty of the Nation's long-range military plans, partly because of the existence of large numbers of temporary World War II housing assets. Most of the funds which Congress did appropriate in this period were used to convert these temporary rental units into adequate public quarters.

The passage of the Defense Department housing bill in 1954 (Public Law 83-765) marked the beginning of an appropriated fund housing program of major significance. This legislation authorized 11,967 family units in fiscal year 1955, but appropriations were made for only 40 percent of the authorization. In the following year, appropriations were granted for most of the unfunded portion of the fiscal year 1955 program as well as for the fiscal year 1956 authorization of 16,582 units contained in Public Law 84-161, but construction continued to fall short of authorization while projects were reviewed to see if they could more suitably be developed under the newly passed title VIII (Capehart) program. In 1956 an additional 3,790 units were authorized in Public Law 84-968, making a total of 32,339 for fiscal years 1955, 1956, and 1957. Of these and subsequent authorizations through fiscal year 1961, only about 18,000 units were actually built. However, starting in fiscal year 1962 and including fiscal year 1966, 33,750 appropriated fund units have been authorized and funded.

In 1953, the Department of Defense formulated a privately financed family housing program in France which would provide urgently needed adequate accommodations for Army and Air Force families, without involving substantial construction expenditures. Authorization for such a program was contained in section 302 of Public Law 82-534.

From 1953 to 1954 contracts were entered into with selected French builders, guaranteeing a specified level of rental income for a specified period of years. In return for these guarantees, the builders provided the land and capital, built housing projects conforming to U.S. standards, and made the units available for rent to U.S. families. A total of 4,800 units were built at 34 locations in France, and 700 units were built in Morocco.

In order to meet requirements for family housing in foreign countries with a minimum expenditure of appropriated funds, the DOD was authorized by section 407 of Public Law 83-765, to construct housing of a total value not to exceed \$25 million, utilizing foreign currencies obtained from the sale of surplus commodities made pursuant to Public Law 83-480. Subsequent amendments increased the total amount of the authorization to \$250 million, obligated the DOD to repay the Commodity Credit Corporation from quarters allowances withheld from occupants of such housing, and authorized expenditure of a maximum of 25 percent of the total cost of a project from appropriated funds.

It was the policy of the Department of Defense first to explore the use of the surplus commodity program in meeting needs for housing in foreign countries, on the theory that exports of surplus agricultural commodities were stimulated and dollar costs were held to a minimum. Approximately 9,000 units of family housing were built in foreign countries with the proceeds from sales of surplus agricultural commodities. These units are located in the United Kingdom, France, Japan, Spain, Italy, Turkey, Pakistan, and the Azores. With the withdrawal of U.S. forces from some of the areas where surplus commodity housing had been built, the present inventory of these units now totals about 7,000.

In 1957, authority was obtained from the Congress to designate certain public quarters inadequate, and permit military personnel to continue to occupy such quarters on a rental basis. Such legislative authority eliminated inequities which had existed for some time, whereby certain military personnel forfeited their entire quarters allowances for inadequate quarters, while others occupied fully adequate units at the same cost.

Units designated inadequate were required to be improved to standards of adequacy, demolished or sold or converted to other than family housing use by June 30, 1965. Units which met certain criteria for retention (approximately 22,000) have been kept in the DOD inventory and are presently being used by enlisted personnel.

4. Level of operations. (See table 1.)

Program: Family housing.

Department or agency, and office or bureau: Department of Defense.

TABLE 1.—Level of operations or performance, fiscal years 1964–67

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Magnitude of the program: Average number of family housing units operated and maintained.....	367,844	366,382	373,162	387,675
(b) Participants: Families.....	354,602	356,123	364,987	378,371
(c) Federal finances: Appropriations enacted.....	\$643,701,000	\$631,151,000	\$665,846,000	\$521,900,000
(d) Not applicable.....				
(e) Number of Federal Government employees administering, operating, or supervising: ¹				
(1) Direct:				
(a) Average number of all employees.....	2,395	2,511	2,593	2,718
(b) Personal compensation and benefits.....	\$15,114,000	\$15,793,000	\$16,424,000	\$17,251,000
(2) Indirect:				
(a) Man-years.....	14,965	14,917	15,047	15,608
(b) Compensation.....	\$75,956,000	\$79,606,000	\$82,865,000	\$85,845,000
(f) Not applicable.....				
(g) Not applicable.....				

¹ At local level only; excludes intermediate command and departmental levels.

5. Estimated magnitude of program in 1970

It is anticipated that in 1970 the Department of Defense will program for the construction of 12,500 family housing units which will include approximately 8,500 units of replacement quarters. In addition, it is expected that the Department of Defense will maintain the current level of programing for improvements, leasing, construction of trailer pads, payment of debt service on encumbered units presently in the DOD inventory, and operation and maintenance of the 1970 inventory of family housing.

6. Prospective changes in program orientation

Proposed changes in program orientation will involve increased emphasis on replacement of the existing inventory which will be phasing out of its useful life. Additionally, it is possible that some relief may be given to the family housing needs of lower-grade enlisted personnel. In this latter connection, it is expected that by 1970, a substantial portion of the needs for career men will have been met by increases in private construction and completion of prior years' on-base construction programs. Accordingly, it will be appropriate to devote the major effort to raising the standards of living of the non-career man by programing construction of housing for his family. This will require new legislation which the Department of Defense will consider proposing. There are no other new legislative proposals which the Department of Defense expects to sponsor. Further, we do not anticipate any proposed administrative or organizational changes which would affect the DOD family housing program. As for probable technological, economic, or social changes in conditions under which the program will operate in 1970, it is doubtful that such changes will have any direct bearing on the family housing program of the Department of Defense.

7. Coordination and cooperation

Under existing procedures, the Department of Defense maintains continued liaison and cooperates to the maximum extent with the Department of Housing and Urban Development in the development of annual new construction programs. It is expected that such cooperation will continue. In addition, close liaison is maintained with FHA and VA with respect to utilization of units held by these agencies. Inasmuch as new construction programs are developed solely by means of direct appropriations and the Congress has indicated a preference for continuing these financial arrangements, we do not anticipate any new concepts of financing the DOD family housing program. The Office of the Secretary of Defense will continue to cooperate fully with the military departments and with the defense agencies in the development of annual family housing programs. We do not anticipate any change in such liaison and coordination. The Department of Defense has relied to a large measure on the State Department for liaison with foreign governments and international organizations in connection with clearance for overseas family housing programs. We do not anticipate any change in that arrangement. Only limited liaison is maintained with State and local governments in connection with the DOD family housing program. There is no basis for promoting more extensive liaison with such agencies.

With respect to nonprofit organizations or institutions and business enterprises, we plan to work closely with various real estate boards, homebuilders organizations, and independent research and development groups in developing DOD family housing programs. The Department of Defense will continue to explore the use of new products and new techniques in connection with the development of the construction program.

8. Laws and regulations

The DOD family housing program is operating primarily on the basis of annual military construction and appropriations laws. The

latest such acts (fiscal year 1966) are Public Law 89-188 and Public Law 89-202, respectively.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

With respect to the economic effects of the DOD family housing program on the various items mentioned, in general, the Defense program will have a minimum effect on personal incomes of persons served, on the productivity of workers, on industrial organization and management, on employment and other economic activity, on geographical differentials, or on contribution to the gross national product. In general, the provision of family housing to military personnel is a key factor in the retention of such personnel and, as such, does not have as its purpose the growth of the gross national product or the expansion of any phase of the economy. Accordingly, we do not feel that the items covered in this question are applicable to the Defense family housing program.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Family housing.

Department or agency, and office or bureau: Department of Defense.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	93.8
Other.....	365.7
Other categories: Debt payment.....	159.2

Total, Federal expenditures.....	618.7
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PROGRAM TO ASSIST EMPLOYEES AFFECTED BY BASE CLOSURES, CONSOLIDATIONS, AND REDUCTIONS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

To assist employees whose positions are eliminated or moved geographically to another location in securing continued employment and in stabilizing their personal incomes.

2. *Operation*

The program is internally administered by the Department of Defense with some supplemental assistance from the Civil Service Commission, the Department of Labor, and the State Employment Services.

3. *History*

With the beginning in 1961 of the program to eliminate obsolete military bases and facilities, it became apparent that a broader effort was needed to deal with the problems incident to personnel reductions and dislocations.

Among the measures that have been initiated to ease the burden of these changes on Defense employees are longer advance notice to

employees of plans for closings; phaseout of bases over periods as long as 3 to 4 years; payment of the employees' moving expenses to other locations in the Department of Defense; saved pay for both Classification Act and wage board employees who accept positions at lower grades; stockpiling jobs for career employees by discontinuing appointments or by hiring only temporary personnel in position categories in which large surpluses of career employees are anticipated; retraining displaced employees for other positions; close collaboration with the Civil Service Commission in finding positions in other Federal agencies and in developing special authorities to facilitate the phase-down of activities and the reassignment of employees; close cooperation with the Department of Labor in counseling, testing, and referring employees interested in positions in private industry; and establishment of a Department of Defense nationwide priority referral system to capture the vast placement potential represented by normal attrition within the Department of Defense.

4. Level of operations

Since the program is administered almost entirely through the regular personnel operations and personnel staffs of the Department of Defense, it is not feasible to develop a table of the type suggested which would separate out from the decentralized employment and placement operations of the Department of Defense that portion of effort which relates to employees affected by reductions and base closures. The general magnitude of the effort, however, is reflected by the fact base closures, reductions, and consolidations announced since March 1961 will result in the elimination or dislocation of over 130,000 civilian jobs in the Department of Defense. During the period January 1, 1964, through September 30, 1965, placements and transfers of dislocated employees averaged about 2,660 per month. Upon completion of the consolidation of Contract Administration Services functions by the end of calendar year 1965, the rate of such placements is expected to drop to around 1,900 per month and to continue at this level through fiscal year 1967.

5. Estimated magnitude of program in 1970

It is anticipated the program to assist employees affected by organizational changes and the elimination of obsolete bases will be a continuing program. The level of operations outlined above are expected to continue through fiscal year 1969 when the bulk of the currently announced reductions in industrial-type activities employing large numbers of civilian personnel will be completed. It is anticipated, however, that the program will continue to operate at a lower level thereafter as other obsolete facilities are eliminated and other adjustments in structure and composition of the work force are made to keep the Department abreast of technological changes and of national requirements.

6. Prospective changes in program orientation

Pending legislative proposals: Legislation (H.R. 10607) which is pending to liberalize payments of allowances to employees forced to move and to provide relief to employees who are forced to sell their homes at a loss, is expected to facilitate the operations of the program. The principal deterrent to successful operations to date is the re-

luctance of employees to move to new locations where jobs are available. While much of this reluctance stems from other than economic factors, a major contributing factor is the financial losses which an employee currently faces when required to move his household to another location.

7. Coordination and cooperation

Regulations require that employees being affected by reductions must be given priority consideration for vacancies which develop in any component of the Department of Defense. To accomplish this objective priorities have been established and a nationwide referral system using computers to match jobs and people has been placed in operation.

Arrangements have been made with the Civil Service Commission to assist in placing employees in other Federal agencies through priority referral and priority certification procedures. Arrangements have been made with the Department of Labor to make the facilities of the Manpower Development and Training Act available for the retraining of employees for jobs in private industry. State Employment Services have provided counseling and placement services. The cooperation of business enterprises has been solicited and many have cooperated by using closing bases as recruitment sources.

8. Laws and regulations

Secretary of Defense memo of July 24, 1963, DOD Instructions 1414.5, 1410.1, and 1416.7 and DOD Directive 5410.12. The program is based upon the general authority of the Secretary of Defense and the Secretaries of the military departments to manage the personnel of the departments. The following are statutes which affect related matters: Transportation, Administrative Expenses Act of 1946, as amended; saved pay, Classification Act of 1949, as amended; training, the Government Employees Training Act, Public Law 85-507, and the Manpower Development and Training Act of 1962, Public Law 88-214, as amended; severance pay, Federal Employees Salary Act of 1965, Public Law 89-201.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

While it is not possible to provide quantitative estimates of the economic effects of the program, the effects on personal incomes of the persons assisted obviously is substantial. In this regard, most employees are placed at their current level of earnings. Some employees must take lower grades in order to be placed but the largest portion of these employees are eligible to have their pay saved for a 2-year period. Factors such as repromotion or general increases in wages tend to offset the initial reduction by the end of the 2-year period. The total program has a very substantial effect on stabilizing personal incomes of employees.

10. Economic classification of program expenditures

As indicated in response to question 4 above, since the program is meshed into total personnel operations of the Department of Defense, it is not feasible to estimate the expenditures related to this particular placement, reassignment and retraining effort. All expenditures are

Federal Government expenditures and are primarily for wages and salaries plus some related expenses for transportation and relocation costs, training, and severance pay.

PROCUREMENT ACTIVITIES DESIGNED TO ASSIST DEPRESSED AREAS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program is designed to assist concerns in labor surplus areas to participate in defense procurement, to provide job opportunities in communities where unemployment is high.

2. Operation

It is wholly a Federal operation dealing with prospective private defense contractors and defense procurement officials.

The DOD has established the following six subprograms to promote military procurement in labor surplus areas, and during fiscal year 1965 intensified action on these programs in order to maximize assistance to concerns in such areas:

(1) Defense and servicewide (Army, Navy, Air Force, Defense Supply Agency, and the Defense Contract Administration Service) action for development and utilization of procurement sources in labor surplus areas.

(2) Using appropriate "preferential procedures" to assist labor surplus contractors, including "set-asides."

(3) Assuring that prime contractors develop and utilize their subcontracting labor surplus area sources.

(4) Procurement clinics to explain the Federal contract process to labor surplus areas.

(5) Defensewide and servicewide (Army, Navy, Air Force, Defense Supply Agency, and the Defense Contract Administration Service) counsel and assistance to State, industry, and communities through designated labor surplus and small business specialists.

(6) Participation on special projects covering long time labor surplus areas, disaster areas, or areas experiencing closing of industries, such as Appalachia, Alaska, and South Bend.

3. History

In 1952, under the authority of the Defense Production Act, the Director of the Office of Defense Mobilization issued a series of Defense Manpower Policies to assure maximum utilization of manpower during the Korean conflict. Defense Manpower Policy No. 4 stated that it was Government policy to "encourage full utilization of existing production facilities and workers in preference to creating new plants or moving workers, thus assisting in the maintenance of economic balance and employment stability."

The policy continues in effect under the Office of Emergency Planning, in the Executive Office of the President (successor agency to ODM).

4. Level of operations. (See table 1.)

Program: Procurement activities designed to assist depressed areas.
Department or agency, and office or bureau: Department of Defense.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65*

[(g) Other measures of level or magnitude of performance]

	Fiscal year 1964	Fiscal year 1965
Dollars awarded firms in labor surplus areas and percent of total awards.....	\$4.1 billion....	\$4.2 billion.
Awards to labor surplus area firms (by preference).....	16.3 percent....	17.2 percent.
Number of labor surplus area firms added to bidders' lists.....	2,672.....	2,363.

5. *Estimated magnitude of program in 1970*

Variables here include the number of labor surplus areas (which have decreased from 715 in fiscal year 1964 to 545 in fiscal year 1965); the industrial capability located in them; the "mix" of defense procurement; and the dollars to be spent. This latter figure is tied to the 5-year force structure and will vary with the world situation. At the same time, under programs of other agencies, the industrial capability of many areas is expected to increase. Thus, although no definitive projections can be made, the level through 1970 can be expected to remain at about the fiscal year 1965 level.

6. *Prospective changes in program orientation*

- (a) None.
- (b) None.
- (c) Any such changes seem to be offsetting rather than accumulating.

7. *Coordination and cooperation*

This program, though carried on with appropriated funds, is operated within the overall guidelines of procurement policy. Contracts are awarded based on competition among qualified producers. They are not allocated by area to assist employment. There is no line item or fund obligation to alleviate economic dislocations—in fact, expenditure of Department of Defense funds to pay a price differential for that purpose is specifically prohibited by the DOD Appropriation Act since 1954. Thus, part (i) of this question cannot be answered.

(ii) (a) Coordination within the Office of the Deputy Assistant Secretary of Defense (I. & L.) for Procurement Policy includes ASPR considerations in 1-800 series. Similar coordination within the DOD Secretariat.

(b) Coordination with Economic Utilization Advisors of the Army, Navy, Air Force, and the Defense Supply Agency, and with the Service field offices.

(c) Coordination through the Surplus Manpower Committee with OEP, Commerce, Labor, and SBA.

(d) Cooperate with State economic development commissions and the like.

(e) Sometimes with local economic development organizations in conjunction with Program No. 4.

(f) None.

(g) None.

(h) None.

(i) Assistance to prospective defense contractors in their efforts of competition in Federal procurement.

(j) None.

8. *Laws and regulations*

The DOD program of assisting labor surplus areas and industries (now referred to as areas of substantial unemployment) is conducted under the authority of Defense Manpower Policy No. 4, and the Armed Services Procurement Regulation 1-800. There is a limitation on procurement agencies, including the Department of Defense, contained in paragraph 4(b)(1) of DMP No. 4 which states that in no case will price differentials be paid for the purpose of carrying out this policy. This provision stems from section 623 of the DOD Appropriation Act (Public Law 89-213, dated Sept. 29, 1965), which section has been in the annual DOD Appropriation Act since 1954.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects.*

Not answered.

10. *Economic classification of program expenditures*

As indicated earlier the large number of variables preclude long-range projections, but the program is expected to continue at the 1965 level.

PROCUREMENT ACTIVITIES DESIGNED TO ASSIST SMALL BUSINESS

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The program is designed to afford small business every opportunity to compete for prime and subcontract awards, and breaks down into six subprogram activities consisting of—

- (a) Source development and utilization.
- (b) Preference.
- (c) Subcontracting.
- (d) Procurement clinics.
- (e) Counsel and assistance.
- (f) Special projects.

2. *Operation*

It is a wholly Federal operation working through small business specialists assigned to designated offices in the procurement organizations. The specialists assist small business by actively searching for new sources; including in military bidders' mailing lists the names of established and potential small business suppliers; assuring that bids are solicited from a proportionate number of small firms in all cases where the entire bidders' list is not being solicited; by reviewing procurement plans to assure that procurements are divided in reasonably small, economically sound production lots; seeing that sufficient time is allowed for the preparation and submission of bids, and the establishment of favorable delivery schedules, specifications and other provisions consistent with military requirements; to the maximum possible extent, assuring that opportunities for the submission of bids for quantities less than the total procurement requirement; screening every proposed procurement to set aside all or part of such procurements for bidding solely by small business firms, where awards could be made to responsible small business firms at reasonable prices; and like activities within the aforementioned six subprograms.

3. History

DOD attention to small business commenced in World War II and was continued officially with the passage of the Armed Services Procurement Act (Public Law 413, 80th Cong.) in 1947, now codified in 10 U.S.C. 2301 et seq. The act conveyed to Defense procurement officials the intent of the Congress that small business concerns should receive a fair proportion of Government procurement.

The Small Business Act of 1953 (Public Law 163, 83d Cong., 1st sess.), reenacted in 1958 (Public Law 85-536), established the Small Business Administration and in section 202 set forth national policy as follows:

It is the declared policy of the Congress that the Government should aid, assist, and protect insofar as is possible the interests of small business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts for supplies and services for the Government be placed with small business enterprises, and to maintain and strengthen the overall economy of the Nation.

Section 15 of the Small Business Act of 1958 empowers the Small Business Administration and Government contracting officers to join in set-aside action (wholly or partially) covering procurements by limiting competition to small business firms when such action is deemed in the interest of maintaining or mobilizing the Nation's full productive capacity, or is in the interest of national defense or war programs. Similar set-aside power is vested in DOD procurement offices in 10 U.S.C. 2304(a)(1) and utilized by them for set-aside actions.

4. Level of operations. (See table 1.)

Program: Procurement activities designed to assist small business.
Department or agency, and office or bureau: Department of Defense.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65*

(g) Other measures of level or magnitude of performance]

	Fiscal year 1964	Fiscal year 1965
Defense prime contracts to small business firms.....	\$4.8 billion....	\$5.3 billion.
Percentage of defense prime contract awards to small business firms.....	18.0 percent....	20.3 percent.

5. Estimated magnitude of program in 1970

The level and mix of defense procurement in fiscal year 1965 was such that small business was able to compete for and win a larger dollar value and percentage of prime contracts than heretofore. It is expected that the operation of the program in 1970 will continue at the approximate level of fiscal year 1965.

6. Prospective changes in program orientation

- (a) None.
- (b) None.
- (c) Any such changes seem to be offsetting rather than accumulating.

7. Coordination and cooperation

- (i) No projections possible.
- (ii) (a) Coordinate within the Office of the Deputy Assistant Secretary of Defense (I. & L.), and within its Defense Secretariat.

- (b) Coordinate with small business adviser of the Army, Navy, Air Force, and Defense Supply Agency.
- (c) Coordinate with Small Business Administration.
- (d) Coordinate with State and Commerce Departments;
- (e) None.
- (f) None.
- (g) None.
- (h) None.
- (i) Assistance to prospective defense contractors in their efforts of competition in Federal procurement.
- (j) None.

8. *Laws and regulations*

Small Business Act of 1958 (Public Law 85-536), 10 U.S.C. 2301 (a)(1), and Armed Services Procurement Regulation 1-700 series.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Not answered.

10. *Economic classification of program expenditures*

Not applicable.

ECONOMIC ADJUSTMENT PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The economic adjustment program of the Department of Defense is designed to assist communities to organize and plan for economic growth as a means of assisting them in their efforts to offset payroll losses resulting from the closing or reduction of military installations, or reductions in defense contracts.

2. *Operation*

The Office of Economic Adjustment, Office of the Assistant Secretary of Defense (Installations and Logistics), responds to invitations from community leaders to assist. Members of the staff analyze community economic adjustment problems, assess local economic development potentials, and, where closure and disposal of a defense installation is involved, provide advice and guidance on community acquisition and utilization of such property. It also invites the participation of other Federal agencies whose established programs are applicable—chiefly GSA; DHEW; HHFA; SBA; OEO, Departments of Labor, Interior, Agriculture, Commerce, and the military services. The Office of Economic Adjustment is wholly a headquarters operation, but its staff makes personal visits to all communities suffering significant economic impacts resulting from defense decisions. Other participating Federal agencies work through regional offices, usually, although headquarters personnel often accompany staff members of the Office of Economic Adjustment on visits to communities. The Office of Economic Adjustment monitors all Federal actions throughout the readjustment process. A similar relationship is developed between the Office of Economic Adjustment and State agencies when the opportunity exists. The Office of Economic Adjustment is

allotted about \$150,000 annually which it spends on consultants' fees or technical assistance contracts when these services are not available from other agencies.

3. History.

The Office of Economic Adjustment was authorized in March 1961, by the Secretary of Defense, at the request of the President. It became operational May 3, 1961. At the same time, in response to a Presidential request, an advisory committee to the Secretary of Defense was established, composed of Federal agencies whose programs are applicable. This committee is chaired by a designee of the Secretary of Commerce, and meets, normally, about once a month. Contacts among its members are maintained continuously.

4. Level of operations. (See table 1.)

Program: Economic adjustment program.

Department or agency, and office or bureau: Department of Defense.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Unit	1964	1965	1966	1967
(a) Magnitude of the program.....	Case.....	24	46	56	56
(b) Participants:					
State government agencies.....	Participants.....	9	9	13	13
Local communities.....	Applicants.....	24	46	56	56
Individuals or families.....	.....	0	0	0	0
Other.....	Universities.....	5	13	17	17
(c) Federal finances:					
Unobligated appropriations available.	Dollars.....	0	0	150,000	150,000
Obligations incurred.....	Not available.....				
Allotments or commitments made for the program.	do.....				
(d) Matching or additional expenditures for the program.	do.....				
(e) Number of Federal Government employees administering, operating, or supervising (OEA only).	Technicians.....	3	7	7	7
(f) Non-Federal personnel employed in the program.	Consultants.....	1	2	5	5
(g) Other measures of level or magnitude of performance.	Not available.....				

5. Estimated magnitude of program in 1970

Estimated probable level or magnitude of performance of the program in 1970: 50 cases. It takes about 3 years as a minimum, for a community to recover, 4 to 5 years for it to reach all its objectives. Considering that most communities will have reached objectives by 1970, but that additional communities may be impacted, and including planned future emphasis on contract situations, the workload is expected to remain about level when 1966 is compared with 1970. There may be higher peaks in intervening years.

6. Prospective changes in program orientation

The number of base closures, and the need to accumulate experience in community capabilities, has dictated emphasis until now upon the base closure situations. It is anticipated that emphasis may shift by 1970 to contract situations. The community approach will probably be the basis of such efforts then as now.

7. Coordination and cooperation

(a) Within the Department of Defense:

(i) The military services, at local levels, and through the chain of command, are helpful in retention of surplus equipment to

promote community objectives; phasing the transfer of employees and establishing closing dates in consonance with community adjustment capabilities; adjusting military operations, where possible, to permit release of portions of an installation before the closing date when this will benefit a community.

(ii) OEA maintains close liaison with project officers in the offices of the military Secretaries, and is assisted by the Assistant Secretaries of Defense and the Secretary and Deputy Secretary of Defense and their special assistants. OASD (I. & L.) provides administrative and financial support.

(b) With other units of the Department of Defense: The defense agencies cooperate in the same manner and same framework as the military services.

(c) With other Federal Government departments or agencies:

(i) Other agencies supply experts for visits to communities, give close attention to applying for communities those programs they administer which are useful, and join with DOD in financing special studies. They are a ready source of information and advice.

(ii) Coordination and cooperation are maintained through the Interagency Advisory Committee to the Secretary of Defense, and through personal contact between OEA staff members and individual officials in other agencies. Both of these forms of liaison are predicated upon Presidential calls for the cooperation of all Federal agencies in the defense program.

(d) With State governments or their instrumentalities:

(i) State assistance, either financial or technical, is always invited.

(ii) State cooperation is solicited by communities. If it is not forthcoming, OEA joins with the communities in a presentation of their problems at State levels.

(e) With local governments or communities:

(i) OEA responds to invitations from spokesmen for communities. These usually include municipal and county officials, business, labor, and civic groups, organized on a nonpartisan basis. Local financing for community programs is often provided by such groups.

(ii) OEA makes it clear that it cannot work with segments of a community, but must be approached by a broad-based, non-partisan group.

(f) With foreign governments or international organizations: Not applicable.

(g) With nonprofit organizations or institutions: Civic organizations, universities, nonprofit industrial corporations cooperate as part of the community group. OEA sometimes lets contracts to such organizations for study of community problems.

(h) With business enterprises: OEA does not deal directly with business enterprises; however, businessmen are an important element of community action groups.

(i) With others: Individuals of great ability who enjoy community support are frequently helpful in energizing and leading a community. OEA sometimes hires such persons, on a temporary basis, as consultants.

8. Laws and regulations

The program of the Office of Economic Adjustment is governed by Department of Defense Directive No. 5410.12 of October 20, 1961, the subject of which is "Policies and Procedures for Minimizing Economic Impact on Communities Resulting From Adjustments in Defense Programs."

The appropriation authorization for fiscal year 1965 was contained in Public Law 88-446, 78 Stat. 465, Department of Defense Appropriation Act, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a), (b), (c), (d), (e), (f), (g). The overall economic effects of the program of the Office of Economic Adjustment are suggested by the following table showing the utilization of military property released, 1961-65 (see table 2):

TABLE 2.—Utilization of military property released, 1961-65

New use	Number of locations	States	Acres
Civic airports.....	23	13	6,478
Schools and universities.....	98	34	11,617
Parks, recreation, community development.....	78	32	39,486
Private industry for production.....	37	18	12,647
Individuals and small companies.....	171	39	55,472
Federally owned reserved lands.....	6	3	627,785
Other Federal agencies.....	57	25	36,336

Examples of the economic effect of the program in individual communities are as follows:

The closing of Donaldson Air Force Base, Greenville, S.C., in June 1963, and the conversion of the base into an industrial park have resulted in the establishment of scores of enterprises at the new Donaldson Center and in the surrounding area. As of June 30, 1965, more than 7,000 new civilian jobs had been created to replace the 4,100 military and 590 civilian personnel at the base when it closed.

Closure of Greenville Air Force Base, Greenville, Miss., in June 1964 stimulated community action in airport development, vocational and technical training and other educational activities, and recreational development which caused nonagricultural employment in Greenville to rise by 2,796 between January 1964 and June 1965.

Acquisition by American Machine & Foundry Co. of the Naval Ordnance Plant at York, Pa., in advance of its scheduled closing in June 1965, resulted in the retention of the Navy's work force at the same rates of pay and without loss of retirement or other benefits and a subsequent increase in employment at the plant of 60 percent.

The combined effect of crop failures and the closing of Harlingen Air Force Base in June 1962 caused approximately 6,000 persons to move away from Harlingen, Tex., by early 1962. By June 1965 the community effort to restore lost population, find constructive uses for the air base, attract industry and tourists, and upgrade the downtown area had restored 4,200 persons to the population total and permitted sale to new owners of 1,150 homes vacated when the base closed.

By the end of June 1965 major Job Corps urban centers, with a total capacity of nearly 15,000 trainees, had been established at 8 surplus defense installations, including Camp Gary, Tex., Camp Kilmer, N.J., and Camp Parks, Calif. Five installations had been turned over for Job Corps rural centers and several other surplus defense properties were being considered for the Job Corps program.

(h) At the instigation or with the concurrence of the Office of Economic Adjustment, two special studies of the effects of cut backs in Defense contracts have been undertaken under contract and with joint sponsorship by the Department of Defense and the Arms Control and Disarmament Agency. The first of these, an as yet unpublished study entitled "A Case Study of the Effects of the Dyna-Soar Contract Cancellation Upon Employees of the Boeing Co. in Seattle, Wash., December 9, 1963-March 31, 1964," was completed by the contractor, the Washington State Employment Security Department, in February 1965. The second, to be entitled "The Impact on Long Island Labor Force of Defense Contract Phaseouts," is in preparation by the Division of Employment of the New York State Department of Labor.

The Dyna-Soar study provides information on (a) the characteristics of affected workers; (b) their post-layoff work experience; (c) the major obstacles they encountered in finding another job; and (d) the assistance workers received in seeking work. It concludes that while the affected workers exhibited a high degree of self-reliance and while all that could be done for the workers under existing programs was done, greater assistance was needed with respect to locating jobs, disposing of homes, and meeting costs of relocation.

10. *Economic classification of program expenditures.* (See table 3.)

Program: Economic adjustment program.

Department or agency, and office or bureau: Department of Defense.

TABLE 3.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$146, 935
Other (travel).....	15, 000
Consultants.....	3, 700

Total, Federal expenditures. 155, 635

¹ Excludes cost of transportation by special air mission military aircraft utilized for most visits to communities.

DEPARTMENT OF JUSTICE

CONTENTS

	Page
Law enforcement assistance.....	226
Federal Bureau of Investigation:	
National Academy program.....	229
Field police training program.....	232
Bureau of Prisons—Casework, education, and vocational training program.....	235

LAW ENFORCEMENT ASSISTANCE ACT OF 1965

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

Objective is to assist in the development of projects and demonstrations involving new techniques and innovative approaches in all areas of law enforcement, including training and professional education for personnel. Included are programs dealing with crime prevention, law enforcement, criminal justice and corrections. Emphasis will be placed upon projects having a regional or national significance, or value as a model for other States and communities.

2. Operation

Operates through grant or contract assistance to State or local public agencies or private nonprofit organizations. Technical assistance will also be provided. Administered from Washington, D.C.

3. History

Program authorized by Law Enforcement Assistance Act of 1965 (Public Law 89-197) signed by President on September 22, 1965. Appropriation of \$7,249,000 authorized by Public Law 89-309, October 31, 1965. Office of Law Enforcement Assistance established by Attorney General which is currently staffed by 17 personnel, with 8 additional positions to be filled during current budget year. Over 700 inquiries have been received; one grant and one contract authorization have been executed; and, several others are nearing finalizing.

4. Level of operations. (See table 1.)

Program: Law Enforcement Assistance Act of 1965.

Department or agency, and office or bureau: Department of Justice.

TABLE 1.—Level of operations or performance, fiscal years 1966-67

Measure	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (number of projects).....	82	250
(b) Applicants or participants:		
State government agencies (number of projects).....	14	70
Local communities or governments (number of projects).....	23	100
Individuals or families.....		
Other: Universities, civic and professional organizations ¹ (number of projects).....	45	80
(c) Federal finances:		
Unobligated appropriation available (programs).....	\$7,249,000	\$13,549,000
Obligations incurred (programs).....	\$7,249,000	\$13,549,000
Allotments or commitments made:		
Projects.....	\$6,959,000	\$13,146,000
Administration.....	\$290,000	\$403,000
(d) Matching or additional expenditures for the program (estimated addi- tional costs absorbed by grantees).....	\$1,750,000	\$3,500,000
(e) Number of Federal Government employees administering, operating, or supervising the activity (law-enforcement assistance administrative personnel).....	23	25
(f) Non-Federal personnel employed in the program ²	500	1,000
(g) Other measure of level or magnitude of performance.....		

¹ Included in this category are State universities. They are not included above in the State government agency category.

² Data represents estimated number of persons, a portion of whose salary will be derived from Federal funds during the fiscal year.

5. Estimated magnitude of program in 1970

Authority for 3 years to 1968. Anticipated level of activity fiscal year 1967 is \$13,549,000, not more than half of which will probably be expended for training of personnel. Not now possible to estimate magnitude of program in 1970.

6. Prospective changes in program orientation

(a) None.

(b) With the completion of the work of the President's Commission on Law Enforcement and the Administration of Justice increased emphasis will be placed upon the development and testing of appropriate knowledge and new programs relating to law enforcement efforts.

(c) With a considerable increase in population in the most crime-prone age group expected in the next few years, expansion of law enforcement training facilities must be undertaken. Increased Federal financial aid will probably be necessary if State and local authorities are to meet these needs. This might take the form of grant-in-aid financing of training programs, which will involve a change from the original emphasis on pilot or experimental programs only.

7. Coordination and cooperation

(a) Every effort is being made to maintain a flow of information between staff members concerning all aspects of the program.

(b) Staff members will be designated to serve as liaison with other interested officers of the Justice Department (Criminal Division, Federal Bureau of Investigation, and Bureau of Prisons). In addition, program will maintain close working relationships with the National Crime Commission and the District of Columbia Crime Commission.

(c) This Office has participated in several interdepartmental conferences to obtain data on launching grant programs and discuss problems common to each. Arrangements are being made to continue this process, probably through offices of President's Committee on Youth Crime and Delinquency. In this regard, each applicant is required to indicate the nature and extent of other Federal financial assistance for related projects. Program staff is developing an awareness of other Federal programs, has sought to obtain comprehensive lists of grant aid from other programs in crime-related areas, and coordination is a continuing objective.

(d) to (i) With respect to other listed categories, the nature of the program is such that representatives of most of these groups will be in contact with the Office as its activities develop. Also, grant applicants will be required to coordinate their efforts with appropriate State and local agencies prior to receipt of assistance. They must be able to demonstrate that their efforts will be related to the plans and needs of such local agencies. Further, the act requires local financial participation in projects assisted where possible.

After a grant is made, staff members will be in frequent contact with the grantee and cooperating local groups and agencies, with a view toward both evaluation and coordination of all related efforts.

8. *Laws and regulations*

Public Law 89-197, Law Enforcement Assistance Act of 1965 (89th Cong., 1st sess.). Fiscal year 1966 appropriation, \$7,249,000, enacted by Public Law 89-309, dated October 31, 1965 (89th Cong., 1st sess.).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The total investment of this program in personnel training and professional education will probably be less than \$3 million for initial activity in fiscal 1966. As a result and because of newness of program, data on economic impact is virtually impossible to project. Personnel training may well yield personal income increases for participants but no figures are available and this effect cannot be predicted with certainty.

Since law enforcement is neither a large employer nor consumer, and because of the modest proportions of the program, any effects upon the economy will most likely be minimal. If successful in basic objective of reducing crime incidence, one possible long-range effect is to foster greater economic activity and economic security. This would provide an indirect but nevertheless positive benefit to the economy. It is possible also that States and localities in achieving more efficient law enforcement will be able to reallocate community resources to other societal needs.

10. *Economic classification of program expenditures*

Data not available since the program was not operative in fiscal year 1965.

Federal Bureau of Investigation**FBI NATIONAL ACADEMY PROGRAM****PART I. DESCRIPTION OF THE PROGRAM***1. Objectives*

The FBI National Academy was established to train a professional corps of career law-enforcement officers as executives, administrators, and instructors for the advancement of police agencies on all levels.

2. Operation

The FBI National Academy is a 12-week course conducted in Washington, D.C., and at the FBI Academy and firearms range on the Marine Corps Base at Quantico, Va. It is programed and conducted entirely by the Training Division of the FBI.

3. History

The FBI National Academy was established on July 29, 1935, when 23 selected law-enforcement officers were invited to Washington for a 12-week period of training similar to that given special agents of the FBI at that time. The Academy was born in a time of great need since these were the days of vicious criminal gangs, when dangerous desperadoes roamed virtually at will over wide areas of the Nation. Mr. Hoover knew that a national police force was not the answer and felt that the solution lay, instead, in raising the levels of law enforcement through professional training. It was believed that the great majority of crime problems could best be resolved locally and if sufficient law enforcement at this level could be achieved on a broad scale, the problem would be solved. The curriculum of the National Academy has been refined with each of the 75 sessions held to date to update those areas of training necessary for law enforcement to keep up with the needs of the society which it serves. The classes have varied in size since the first session of 23 men and in recent years each of the 2 sessions held each year has contained from 90 to 100 officers. Candidates come from duly constituted law-enforcement agencies from local, county, State, and Federal departments.

Since 1962 provision has been made to take up to 20 officers from friendly nations outside the United States in an effort to assist in the counterinsurgency program of the U.S. Government. Most of these officers are sponsored under the public safety program of the Agency for International Development, U.S. Department of State.

With the graduation of the 75th session of the FBI National Academy on May 26, 1965, there have been 4,740 graduates. As of that date 2,910 were still actively engaged in law enforcement and over 28 percent of them hold positions as executive heads of their agencies. There have been 105 graduates from a total of 29 different foreign countries and 48 graduates from U.S. territories and possessions. The 76th session of the National Academy with 96 officers in attendance representing 39 States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Park Police, White House Police, U.S. Army and U.S. Air Force, and 9 foreign countries will graduate November 3, 1965, and bring the total number of graduates to 4,836. The current curriculum includes subjects, such as criminal law, public speaking, police record systems, defensive tactics, fingerprint identification, photography, investigation, and other phases of police administration.

The impact of the FBI National Academy program is best felt by those officers who return home and impart to their fellow officers the most up-to-date methods of crime detection.

4. *Level of operations.* (See table 1.)

Program: FBI National Academy.

Department or agency, and office or bureau: Department of Justice; Federal Bureau of Investigation.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*¹

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates
(a) Magnitude of the program (12-week session).....	2	2	2
(b) Participants (law enforcement officers):			
State governments.....	25	26	26
Local governments.....	123	103	114
County governments.....	15	33	20
Federal agencies.....	7	7	7
Foreign government agencies, U.S. territories and possessions.....	22	25	29
(c) Federal finances:			
Unobligated appropriations available.....			
Obligations incurred.....	\$57,600	\$58,200	\$29,400
Commitments made.....			\$29,400
(d) Matching or additional expenditures for the program (specify nature of entries).....			
(e) Number of Federal Government employees administer- ing, operating, or supervising the activity:			
Administration ² (full year employees).....	2	2	2
Instruction (man years).....	2.2	2.2	2.2
(f) Non Federal personnel employed in the program.....			
(g) Other measures of level or magnitude of performance.....			

¹ Estimates for fiscal 1967 are approximately the same as for fiscal 1966.

² This consists of 1 GS-15 inspector, and 1 GS-6 secretary.

5. *Estimated magnitude of the program in 1970*

The Attorney General of the United States announced on May 26, 1965, that President Johnson had authorized an increased appropriation with which to modernize and expand the facilities of the FBI National Academy at Quantico. He stated that these funds would permit the sixfold expansion of the FBI's present capacity to offer training to State and local officers. The present number of approximately 200 National Academy graduates annually would be increased to 1,200 per year.

In addition, if funds are approved to expand our facilities at Quantico, we will be in a position to furnish specialized training of 2- and 3-week duration to as many as 1,000 police officers per year.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—Pending legislative proposals have asked for an appropriation of \$14,763,000 for the construction of a new academy facility on the Marine Corps Base at Quantico, Va. It is our understanding that the sum of \$2,201,000 has been approved by both the House and the Senate for the purpose of design and site preparation.

(b) *Proposed administrative and organizational changes.*—It is expected that in order to accomplish the goal of graduating 1,200 National Academy men each year it will take a permanent staff of approximately 40 full-time instructors.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social.*—Included in the

planning for the new training facility are the most modern audiovisual aids to present the best possible instruction the most economically.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Within the FBI Training Division the current staff of instructors is used to lecture not only to the National Academy but to new agents and inservice training programs for experienced agents.

(b) *With other units of your department or agency.*—Certain lecturers are called upon in the physical sciences, records, and investigative fields from other divisions of the FBI outside the Training Division.

(c) *With other Federal Government departments or agencies.*—The Secret Service, U.S. Post Office Department, U.S. Army, and other agencies of the Federal Government, when requested, supply instructors to handle specific subjects related to their agencies. As previously mentioned, the Agency for International Development coordinates the processing of candidates from friendly foreign governments for attendance at the National Academy. The Agency for International Development pays a subsistence allowance to these men and \$800 to the FBI for each participant to help defray costs of background investigations and expenses relating to processing of applications for attendance.

(d) *With State governments or their instrumentalities.*—Representatives of State government agencies appear as guest lecturers before the FBI National Academy.

(e) *With local governments or communities.*—Chiefs of police and local government officials are visiting lecturers before the FBI National Academy.

(f) *With foreign governments or international organizations.*—In some instances candidates come from foreign countries which do not have an AID program. Normally, correspondence is held directly between these governments and the FBI.

(g) *With nonprofit organizations or institutions.*—Not applicable.

(h) *With business enterprises.*—Not applicable.

(i) *With others.*—There is, of course, close coordination and cooperation with the law enforcement agencies which send students to the FBI National Academy. The nomination must come from the local government agency before a candidate is considered.

8. *Laws and regulations*

The legal basis for the FBI National Academy and field police training schools (training given to other than FBI employees) originated in title 5, United States Code, section 22, the so-called house-keeping statute. This statute authorizes the head of each department to prescribe regulations for the government of his department, the conduct of its employees, and the performance of its work. Police schools are one of the innumerable functions carried out by the executive departments of the Government under that statute by virtue of judicial interpretation.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) *Effects on personal incomes of persons served or involved and on distribution of personal incomes.*—As noted in question 3, over 28

percent of the graduates of the FBI National Academy still in law enforcement are now executive heads of their agencies. This has no doubt increased their personal income, but we have made no attempt to measure this statistically.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—There is no doubt that the intensive training given to a law enforcement officer while attending the FBI National Academy raises his productivity. However, here again, no attempt has been made to measure this statistically. Also, see answer to question 9(a).

(e) *Any benefits (not included above) resulting from the particular governmental program.*—The FBI National Academy program certainly results in a better law enforcement officer for the community, and this in turn results in better police protection for all of the communities which send representatives to the FBI National Academy.

Sections (c), (d), (f), (g), and (h) are not applicable.

10. *Economic classification of program expenditures.* (See table 2.)

Program: FBI National Academy program.

Department or agency, and office or bureau: Department of Justice; Federal Bureau of Investigation.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government—Purchases of goods and services:

Wages and salaries-----	\$30, 726
Other-----	27, 474
	58, 200
Total Federal expenditures-----	58, 200

ADDENDUM

The following printed material may be of some assistance to the committee staff in this matter: "The Story of the FBI National Academy," "FBI National Academy Curriculum," "FBI Training Assistance for Local Police," reprinted from the FBI Law Enforcement Bulletin, April 1965; "30 Years of Progress Through Training," reprinted from the FBI Law Enforcement Bulletin, July 1965; "Cooperation, the Backbone of Effective Law Enforcement," "FBI Annual Report, Fiscal Year 1965."

FBI FIELD POLICE TRAINING PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The FBI's field police training program is a cooperative training activity extended free of charge to municipal, county, and State law enforcement agencies to aid them in increasing their knowledge and capabilities in the requirements of their profession. The program helps to better equip local law enforcement personnel to serve the people of their communities, recognizing that the local law enforcement officer is the first line of defense in the police profession.

2. *Operation*

The program is operated on a national basis through each of the 56 FBI field divisions. Requests for training assistance from local law enforcement agencies are received by the special agent in charge of

the FBI office in the area; assistance is extended by especially trained FBI special agent personnel in the form of helping to organize training schools, planning curriculums, obtaining qualified instructors, and presenting instruction. The entire program is coordinated through the Training Division of the FBI in Washington, D.C.; each training activity must be approved before it is given, even though each program is designed toward training needs of the requesting local law enforcement agency.

3. History

The FBI has been extending training assistance on the field level to local law enforcement since 1936. During the ensuing years, law enforcement at all levels has become increasingly aware of the values accruing to the agencies which carefully select and train their personnel. Training assistance is repeatedly requested for recruits, at inservice programs, in schools for command and supervisory personnel, and in specialized fields such as searches and seizures, due process in criminal interrogation, firearms, defensive tactics, sex crime investigations, police photography, use of the crime laboratory, fingerprinting, major case investigations, etc. The advent of training for the law enforcement officer has done much to give that vocation a professional status.

4. Level of operations. (See table 1.)

Program: FBI field police training program.

Department or agency, and office or bureau: Department of Justice; Federal Bureau of Investigation.

TABLE 1.—Level of operations or performance, fiscal years 1964-67¹

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates
(a) Magnitude of the program (schools).....	4, 163	4, 867	* 5, 500
(b) Participants (no data available of types of agencies) (law enforcement officers).....	117, 275	149, 290	* 165, 000
(c) Federal finances:			
Unobligated appropriations available.....			
Obligations incurred.....	\$438, 934	\$507, 529	\$132, 590
Allotments.....			\$397, 772
(d) Matching or additional expenditures for the program (specify nature of entries).....	None	None	None
(e) Number of Federal Government employees administering, operating, or supervising the activity:			
Administration (full-year employees).....	4 3	3	3
Instruction (man-years).....	⁵ 18.7	⁶ 20.3	⁶ 23.0
(f) Non-Federal personnel employed in the program.....	⁷ (7)	⁷ (7)	⁷ (7)
(g) Other measures of level or magnitude of performance.....			

¹ Estimates for fiscal 1967 are approximately the same as for fiscal 1966

² Since our participation in local police training is based only on direct requests received from local law enforcement agencies, it is most difficult to estimate the number of schools that we will participate in; the number of students; and the man-years of instruction. The number of schools participated in for the first 3 months of the 1966 fiscal year represented a 40 percent increase over the same period in fiscal year 1965. There is no guarantee that this trend will continue; therefore, we have made our estimates on a conservative basis.

³ See note 2 above.

⁴ The full-time employees concerned with the administration of the program in Washington, D.C., consist of 1 GS-14 special agent supervisor, 1 GS-10 educational specialist, and 1 GS-4 clerk-typist.

⁵ The FBI has over 1,000 special agents who are qualified through training and experience to instruct local law enforcement officers in various aspects of law enforcement. These special agents are assigned in all parts of the United States and the man-year figures show the amount of instruction provided by our personnel for the fiscal years indicated:

⁶ No data available.

⁷ Not applicable.

5. *Estimated magnitude of program in 1970*

It is difficult to make an estimate here because, as explained above, our participation in these schools is based only on direct requests received from local law enforcement agencies. Our best estimate is that in the fiscal year 1970, we will participate in approximately 6,000 such schools, with attendance of approximately 180,000 officers, and that this will require approximately 25.1 man-years of instruction on the part of FBI personnel. (See our answer to question 5 of the questionnaire relating to the FBI National Academy program with respect to specialized training at Quantico of as many as 1,000 police officers per year.)

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—There are no pending legislative proposals relating to the FBI field police training programs as such.

(b) *Proposed administrative and organizational changes.*—There are no proposed administrative or organizational changes.

(c) *Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social.*—There is a good possibility that technological advances in law enforcement in 1970 will have an effect on the type of training assistance required by local law enforcement agencies. It is not possible to make an accurate forecast here, but further application of computer technology in law enforcement, for example, could well affect the training needs of the local police.

7. *Coordination and cooperation*

(a) *Within your bureau, division, or office.*—Since training assistance to local and State law enforcement is a cooperative function by this Bureau and not by any single unit, several headquarters divisions of this organization, including all field divisions, participate in this activity. For example, training in identification matters is an integral part of this program. Such training requires specialized knowledge on the part of the instructor corps; the FBI Identification Division often must provide the expertise needed. The same principle applies to the FBI Laboratory and instruction on topics concerning the use of the crime laboratory.

(b) *With other units of your department or agency.*—See question 7(a) above.

(d) *With State governments or their instrumentalities.*—Coordination is of course necessary if training assistance is being furnished to a State law enforcement agency.

(e) *With local governments or communities.*—Coordination is of course necessary with local governments or communities whenever a local law enforcement agency requests training assistance from the FBI.

Sections (c), (f), (g), (h), and (i) are not applicable.

8. *Laws and regulations*

See our answer to question 8 on the questionnaire relating to the FBI National Academy program.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) *Effects on personal incomes of persons served or involved and on distribution of personal incomes.*—We have made no attempt to measure the effect of this training on the personal incomes of officers who attend the classes.

(b) *Effects on the placement or productivity of workers, or both, and on their earnings.*—There is no doubt that the training given local law enforcement personnel through the FBI field police training program has contributed to the productivity of the officers in attendance. There is likewise no doubt that training received by some of these officers has been a factor in qualifying them for additional advancement within their departments. However, no attempt has been made to measure this statistically.

(c) *Any benefits (not included above) resulting from the particular governmental program.*—The FBI field police training program certainly results in a better law enforcement officer for the community, and this in turn results in better police protection for all of the communities to which training assistance has been rendered. This training program has certainly enhanced the capabilities of local law enforcement agencies over the past 30 years.

Sections (c), (d), (f), (g), and (h) are not applicable.

10. *Economic classification of program expenditures.* (See table 2.)

Program: FBI field police training program.

Department or agency, and office or bureau: Department of Justice; Federal Bureau of Investigation.

TABLE 2.—*Economic classification for program expenditures for fiscal year 1965*

Federal Government—Purchases of goods and services:	
Wages and salaries.....	\$433, 780
Other.....	73, 749
Total, Federal expenditures.....	507, 529

ADDENDUM

See addendum on questionnaire relating to FBI National Academy program concerning printed material.

Bureau of Prisons

CASEWORK, EDUCATION, AND VOCATIONAL TRAINING PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

As it relates to the inquiry relating to human resources programs, the objectives of the Federal prison service are the diagnosis and treatment of educational, social, physical, and mental deficiencies existing among the inmates. These deficiencies are met by:

(a) A casework program that provides for an individualized counseling system.

(b) A medical and psychiatric program that provides for the prevention, diagnosis and treatment of physical and mental diseases of inmates.

(c) An education and vocational training program that provides academic and skills training to improve the capacities of offenders for socially useful work in the community.

2. Operation

These programs are Federal operations wholly and are conducted in approximately 30 installations under headquarters supervision. Institutions range in size from small camps to large penitentiaries and employee staff size ranges from 7 to 425 employees.

3. History

The Bureau of Prisons was established by an act of Congress in May of 1930. The Bureau is charged with the safekeeping, care, protection, instruction, and discipline of all persons charged with or convicted of offenses against the United States. Institutions are planned and limited in size so as to facilitate the development of an integrated Federal penal and correctional system which will assure the proper classification and segregation of Federal prisoners according to their character, the nature of their crime, their mental condition, and other conditions that have a bearing on providing an individualized system of discipline, care, and treatment. During its history the Bureau has gradually strengthened the range and variety of training and treatment programs for offenders; has developed a career correctional service; has improved the levels of professional staffing and upgraded physical facilities consistently with program demands. (See pamphlet entitled "30 Years of Prison Progress.")

4. Level of operations. (See table 1.)

Program: Casework, education, and vocational training program.
Department or agency, and office or bureau: Department of Justice; Bureau of Prisons.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

	Fiscal year 1964 estimates	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Measure:				
1. Casework program.....	30	30	30	34
2. Education and vocational training program.....	27	27	27	27
3. Medical program.....	24	24	24	24
(b) Applicants or participants:				
1. State government agencies.....	NA	NA	NA	NA
2. Local communities or governments.....	NA	NA	NA	NA
3. Individuals or families:				
(a) Casework—Commitment (inmates).....	36,935	31,673	30,741	29,147
(b) Education and vocational training program—Enrollment (inmates).....	23,000	23,332	24,687	25,196
(c) Medical program—Cases (inmates).....	32,840	37,002	38,494	32,840
4. Other.....				
(c) Federal finances:				
1. Unobligated appropriations available.....	NA	NA	NA	NA
2. Obligations incurred.....	NA	NA	NA	NA
3. Allotments or commitments made:				
(a) Casework program (budget appropriation).....	\$1,620,586	\$1,620,586	\$1,620,586	\$1,620,586
(b) Education and vocational training program (budget appropriation).....	\$3,000,000	\$2,883,097	\$2,700,978	\$3,100,000
(c) Medical program (budget appropriation).....	\$2,916,000	\$2,873,000	\$2,768,000	\$3,340,000

TABLE 1.—*Level of operations or performance, fiscal years 1964-67—Continued*

	Fiscal year 1964 estimates	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(d) Matching or additional expenditures for the program	NA	NA	NA	NA
(e) Number of Federal Government employees administering, operating, or supervising the activity:				
1. Casework personnel	165	165	165	165
2. Education and vocational training personnel	290	284	280	297
3. Medical personnel	283	283	283	283
(f) Non-Federal personnel employed in the program:				
1. Education and vocational training personnel—Part time	215	204	215	215

5. *Estimated magnitude of program in 1970*

Estimates of the probable level of operations in 1970 are difficult to determine. The years ahead will involve continuing reevaluation, improvements in programs, and innovations. However, the emerging role of corrections involves the development of more effective measures for intervention by the Federal prison system in criminal careers. For this reason, we anticipate that the level of the Federal prison service's operations will continue to grow in quality and depth.

6. *Prospective changes in program orientation*

Prospective or probable program changes will center on the Federal prison service's ability to intervene in the criminal career, especially of youthful and young adult offenders. To the extent that criminal careers are a reflection of major community social problems of poverty, unemployment, school dropouts, and mental illness, new emphasis will be placed upon the coordination of Bureau programs with those of other agencies seeking solutions to broad social problems.

Also, prospective changes will involve the equivalent of utilization of existing facilities to insure that optimum efficiency is being achieved. This includes the analysis of programs at youth institutions, reviews of institutional operations, revision of some institutional missions, and the development of new facilities of varying kinds. Special emphasis will be placed upon programs which make greater use of a broad range of community resources and services.

The enactment of legislation creating community residential centers and work release programs will permit the Federal prison service to intensify its services and exploit more fully legally authorized community related correctional treatment services. To date approximately 1,000 inmates are involved in both programs.

7. *Coordination and cooperation*

The Federal Prisoners Rehabilitation Act (18 U.S.C.), enacted on September 10, 1965, provides the Department of Justice with new authority to mount community based programs which are expected to have significant impact on the transition of offenders from institutional life to freedom in the community. It is expected that the development of such programs will stimulate increasingly close working relationships with agencies of the Department of Health, Education, and Welfare, including the Vocational Rehabilitation Administration, U.S. Office of Education, the U.S. Department of Labor, the Office of Economic Opportunity, and many others.

8. *Laws and regulations*

Not answered.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Inasmuch as the Federal prison service will be involved in the development of more effective measures of intervening in criminal careers, the economic effects of Bureau of Prisons' programs will center on the adjustment inmates make in the community upon release. For this reason, in the area of education, more attention will be given to economic competence in the occupational field for which the inmate has aptitude and, in the casework area, more attention will be given to assisting the inmate in making community adjustment after release.

Although no immediate dollar value can be placed upon such programs, they should have a significant impact upon the capacities of individuals to remain in the community as productive contributors to the economy.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Casework, education, and vocational training program.

Department or agency, and office or bureau: Department of Justice; Bureau of Prisons.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Purchases of goods and services: Wages and salaries (total, Federal expenditures)	\$7, 376, 683
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DEPARTMENT OF THE INTERIOR

CONTENTS

	Page
Bureau of Indian Affairs:	
Indian education.....	239
Indian welfare.....	243
Employment assistance for Indians.....	245
Indian industrial development.....	249
Indian Arts and Crafts Board.....	252
Indian credit and financing program.....	257
Housing programs for Indians.....	260
Bureau of Mines: Accident-prevention education.....	262
Bureau of Commercial Fisheries: Fisheries loan fund.....	267
Office of Territories:	
Guam rehabilitation.....	269
American Samoan development.....	275
Trust Territory of the Pacific Islands.....	282
Federal Water Pollution Control Administration.....	287

Bureau of Indian Affairs

INDIAN EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The Bureau of Indian Affairs, through its education program, aims to prepare Indian people to realize the basic goals of the Bureau: (1) maximum Indian economic self-sufficiency; (2) full participation of Indians in American life; and (3) equal citizenship privileges and responsibilities for Indian people. To accomplish this, the Bureau has the following education goals: (1) educational opportunity for every Indian person as far as his ability and interest will take him; (2) a level of educational attainment for Indian people at least equal to that for the general population; and (3) a kind of education and training which will be of maximum use to Indian people in attaining the basic goals.

At this time Indians are not as well educated as the general population and have unique educational needs. Therefore, the educational program conducted by the Bureau is, in a real sense, "special" education.

2. Operation

(a) In fiscal year 1965 the Bureau operated directly 258 schools and 19 dormitories housing public school students, with a combined enrollment of more than 52,000 students. This school system was administered through 10 area offices and more than 70 agencies and field offices, under Washington office direction.

(b) In addition the Bureau gave financial assistance to States and school districts in the education of nearly 55,000 Indian children attending public schools.

(c) The Bureau also gave scholarship aid to 1,718 Indian students at the post high school level.

3. History

(a) The Bureau of Indian Affairs was created in the War Department in 1824 and transferred to the Department of the Interior at the time of its establishment in 1849.

(b) For more than three centuries Indian education in the United States was largely under the direction of missionaries. However, many of the treaties between the United States and Indian tribes provided for the establishment of schools for Indian children. As early as 1842 there were 37 Indian schools in operation and by 1881 the number had increased to 106. As has been stated, in 1965 there were 258 Bureau schools and 19 additional dormitories.

(c) The Meriam survey of 1928 led to the reform of Indian schools with respect to higher standards of operation and a modernized curriculum designed to more nearly meet the needs of the children.

(d) Within the last 15 years the trend has been to transfer Indian children to public schools. However, with much greater emphasis on school attendance the number of Indian children in schools of all kinds grew, between 1952 and 1964, from 102,000 to 142,000.

4. Level of operations. (See table 1.)

Program: Indian education.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (participating individuals) ¹	104,615	108,630	115,381	122,884
(b) Applicants or participants:				
State government agencies (contracts)...	14	14	14	14
Local communities or governments (contracts).....	13	13	13	13
Individuals or families: ¹				
Individuals assisted by Johnson-O'Malley Act contracts.....	52,999	² 54,641	58,000	61,000
Higher education grants.....	1,327	1,718	1,400	2,045
BIA school enrollee.....	50,289	52,271	55,981	59,839
Other (specify).....				
(c) Federal finances:				
Appropriations available (thousands of dollars).....	66,082	70,159	76,074	83,309
Obligations incurred (thousands of dollars).....	66,044	69,092	76,074	83,309
Allotments or commitments made (thousands of dollars).....				
(d) Matching or additional expenditures for the program (specify nature of entries).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles) ^{1, 2}	5,717	5,883	6,251	6,300

¹ In addition, the following numbers of persons were served on a part-time basis in the summer programs and in the adult education program: fiscal year 1964, 54,355; fiscal year 1965, 58,875; fiscal year 1966 estimates, 43,000; fiscal year 1967 estimates, 35,000.

² Estimated.

³ These employees fall into all three categories.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

- (a) Pending legislative proposals: None at present.
 (b) Proposed administrative and organizational changes: No answer.
 (c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social: The educational level of Indians will have risen but so will that of the general population. The question will be whether Indians will have gained, relatively. Employment by 1970 will be even more sophisticated in its demands than at present, requiring a higher level of basic education.

7. *Coordination and cooperation*

- (a) Within your bureau, division, or office:
1. Coordinates within the Bureau with the Division of Community Service in selection of students for boarding school enrollment, liaison between school and home, and care of handicapped children.
 2. Coordinates with Branch of Employment Assistance on vocational training and placement of vocational graduates.
 3. Coordinates with poverty program liaison officials on such matters as Headstart, Neighborhood Youth Corps, etc.
- (b) With other units of your department or agency:
 Coordination with other bureaus in the Department is less frequent. There are some examples, e.g.:
1. Bureau of Land Management—survey and transfer of land for school sites.
 2. Office of Territories—teacher supply.
- (c) With other Federal Government departments or agencies:
1. There is frequent coordination with the U.S. Office of Education, most often regarding Federal support programs for public schools enrolling Indian children—Public Law 874, Public Law 815, and the Elementary and Secondary Act of 1965.
 2. The Office of Economic Opportunity through our Bureau liaison on Operation Headstart, Neighborhood Youth Corps, Job Corps, etc.
 3. Department of Agriculture—school lunch.
- (d) With State governments or their instrumentalities: There is a great deal of coordinative activity with State governments, mainly concerning the granting of Federal education aid under the provisions of the Johnson-O'Malley Act (49 Stat. 1458). Other negotiations involve the transfer of schools from Federal to public school operation, coordination of standards, and exchange of assistance with respect to instructional materials, curriculums, and inservice training of teachers.
- (e) With local governments or communities (specify type or level of government):
1. In a few cases Johnson-O'Malley contracts are made directly with local school districts. This is true in several cases where children live in BIA dormitories and attend public schools.
 2. Transfer of educational responsibility for Indians from Bureau to public schools.
 3. There is a constant interreaction between Bureau boarding schools and the local communities in which the schools exist.

(f) With foreign governments or international organizations: The Bureau does not to any significant degree coordinate directly with foreign governments concerning education programs. However, under the aegis of other Federal agencies it cooperates actively with foreign governments and international agencies in exchanges of educational materials and in exchanges of views and experience relating to the education of underdeveloped peoples. The Bureau assists in the orientation of a good many foreign visitors.

(g) With nonprofit organizations or institutions (specify types): From time to time the Bureau is asked to make a recommendation concerning an application from a college to a foundation for funds for research in Indian education. The Bureau coordinates with nonprofit organizations which raise funds for scholarship aid.

Occasionally the Bureau contracts with a university or some other nonprofit organization for research or consultative services.

(h) With business enterprises (specify types): None ordinarily other than procurement of equipment, supplies, and materials.

(i) With others (specify): The Bureau must coordinate with many tribal governments on many matters affecting the education of Indian children.

8. *Laws and regulations*

(a) The Snyder Act of 1921 (42 Stat. 208; 25 U.S.C. 13) provided substantive law for appropriations covering the conduct of activities by the Bureau of Indian Affairs, including education. The scope and character of authorizations contained in this act were broadened by the Indian Reorganization Act of 1934 (48 Stat. 984; 25 U.S.C. 461).

(b) The Johnson-O'Malley Act of 1934, as amended (49 Stat. 1458; 25 U.S.C. 452) made it possible to contract with States and their subdivisions for education and other social services to Indians.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) National studies reveal that the average high school graduate could expect to receive one-third more in lifetime earnings than an elementary school graduate, and a college graduate could expect to earn two-thirds more than an average high school graduate. In addition to the greater returns to the individual, investment in education is also measured by returns to the Government and society in the form of additional tax contributions, decreased burden upon society to support welfare and delinquent members, increased productivity, etc.

(b) Bureau high school programs emphasize learnings at the pre-vocational or preparatory level for continuation in higher education, since just a high school education is no longer sufficient to meet competition in the labor market and the needs of industry. Grants and other scholarship aids from Bureau and other sources are enabling Indian students to continue schooling beyond high school. Bureau school census reports show there are twice as many Indian students attending colleges and vocational schools above the high school level today as there were 10 years ago. Post high school vocational courses in three Bureau schools prepare students for employment or further training, with entrance salaries of some of the Haskell Institute graduates exceeding \$6,000 a year.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Indian education.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:	
Wages and salaries.....	\$40, 863, 180
Other.....	19, 192, 706
Transfer payments to individuals and nonprofit organizations.....	1, 242, 325
Grants to State and local governments.....	7, 794, 264
Total, Federal expenditures.....	69, 092, 475

INDIAN WELFARE

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

(a) To provide financial assistance to needy Indian families living on reservations, when such assistance is not available from other sources.

(b) To provide child welfare services when such services are not available from established child welfare agencies, including arrangements for the protection and care of dependent or neglected children, planning for adoption, and securing appropriate institutional care.

(c) To provide counsel and guidance to Indians with family problems or other serious social problems.

2. *Operation*

The welfare program operates primarily as a direct Federal operation, with assistance and services provided by agency offices, with supervision from area offices, and overall supervision from the central office. There are contracts with five State welfare departments for foster care services for Indian children, but this represents a very small part of the total program.

3. *History*

The Federal Government has provided assistance and services to needy Indians in various forms since the establishment of the Bureau of Indian Affairs over 100 years ago. The employment of professional social workers began during the early 1930's and the provision of assistance in cash (replacing rations) to meet subsistence needs began on a small scale in 1944. The welfare program was organized in its present form in 1952.

4. *Level of operations.* (See table 1.)

Program: Indian welfare.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program:				
General assistance, financial.....	18,414	20,006	20,200	20,200
Child welfare assistance, financial.....	2,554	2,734	2,850	3,080
Services only.....	11,761	12,298	12,500	12,700
(b) Applicants or participants:				
State government agencies, welfare department.....	5	5	5	5
Local communities or governments (specify).....				
Individuals or families (see (a) above). Other (specify).....				
(c) Federal finances:				
Unobligated appropriations available (thousands of dollars).....	11,029	12,409	12,442	12,913
Obligations incurred (thousands of dollars).....	10,886	12,309	12,442	12,913
Allotments or commitments made (specify).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles).....	337	332	342	342

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social: Unknown.

7. *Coordination and cooperation*

(a) Within your bureau, division, or office: There is close cooperation with the Branch of Education and the Branch of Employment Assistance.

(1) Children who cannot or should not live at home, and for whom foster care is not feasible, are referred to the boarding schools. There is consultation with school authorities regarding problems which develop in the school. There is also followup of dropouts of children referred to boarding school.

(2) Employable persons receiving or applying for assistance who may be qualified for relocation or adult vocational training are referred to the Branch of Employment Assistance.

(b) With other units of your department or agency: No answer.

(c) With other Federal Government departments or agencies:

(1) There is consultation and exchange of information with the Bureau of Family Services, HEW, and the Children's Bureau, HEW, regarding provision of public assistance and child welfare services to Indians.

(2) There are occasional discussions with the Department of Agriculture regarding provision of surplus food commodities for Indians.

(3) The Division of Community Services represents the Bureau on the Interdepartmental Committee for Children and Youth, which includes many Federal agencies.

(d) With State governments or their instrumentalities:

(1) There is continuous liaison with the State welfare departments regarding provision of public assistance under the Social

Security Act (old-age assistance, aid to families with dependent children, aid to the blind, and aid to the permanently and totally disabled), and child welfare services for Indians.

(2) Indians are referred to public institutions for appropriate care.

(e) With local governments or communities (specify type or level of government): Needy Indians are referred to county welfare departments to apply for public assistance under the Social Security Act, and, when appropriate, for child welfare services. There is continuous liaison to assure that their needs are considered.

(f) With foreign governments or international organizations: None.

(g) With nonprofit organizations or institutions (specify types): Indians with special needs or handicaps are referred to nonprofit institutions (i.e., institutions for dependent children and handicapped children operated by religious or private welfare agencies) and payment is made for their care.

(h) With business enterprises (specify types): No answer.

(i) With others (specify): No answer.

8. Laws and regulations

The act of November 2, 1921 (25 U.S.C. 13) provides that the Bureau shall direct, supervise, and expend such moneys as Congress may from time to time appropriate for the benefit, care, and assistance of Indians throughout the United States. This and the annual appropriation acts constitute the legislative authority for the welfare program.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: The assistance granted provides income for needy persons to meet basic needs.

10. Economic classification of program expenditures. (See table 2.)

Program: Indian welfare.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:	
Wages and salaries.....	\$2, 306, 072
Other.....	1, 153, 326
Transfer payments to individuals and nonprofit organizations..	8, 849, 760
Total, Federal expenditures.....	12, 309, 158

EMPLOYMENT ASSISTANCE FOR INDIANS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The Branch of Employment Assistance assists those Indian people who voluntarily apply and qualify for services by providing, if needed, financial assistance to move from reservation areas to selected urban industrial communities of their choice where there is a job market with

steady, gainful employment; on-the-job training opportunities for both skilled and unskilled labor; adult vocational training; extensive public educational opportunities for all age groups; an environment for improved living standards; and an opportunity to participate in a broader social and economic society, where they may become self-sustaining citizens.

2. Operation

Wholly a direct Federal operation conducted in agencies and area offices and in seven large urban cities. Technical supervision is provided to the agencies by the area offices, and to the area offices by the Washington headquarters office. Washington headquarters office directly supervises the seven large urban cities operations.

Upon acceptance of an application for employment assistance service, the Indian participant is provided a grant of funds which is to financially assist him and/or his family until he is employed, and receives his first paycheck. If participant is to pursue a course of vocational training, the grant is to financially assist him and/or his family through the period of training and the first month after completion of training. These grants are to be used for transportation to destination points, maintenance costs including housing, supplemental furniture items, and personal and health needs and school tuition and related costs. Employment assistance staff at destination points provide guidance services in community living, housing, employment, and training.

3. History

The employment assistance program is an outgrowth of the job placement program carried out in cooperation with State and Federal employment services which began on the Navajo Reservation in the late 1940's and focused largely upon seasonal employment in agriculture and on the railroads. During this early period some Indians were given help in moving permanently away from the reservation and in establishing themselves in large cities. On the basis of this experience, the Bureau in 1952 conducted a national program of relocation for employment of Indian volunteers. This embraced all tribes that come within the sphere of the Bureau's responsibilities. In 1956, the program was given additional impetus when Congress enacted a law (Public Law 959 of the 84th Congress) authorizing the Bureau to provide Indians, chiefly between the ages of 18 and 35, with vocational training, on-the-job training, and apprenticeship training. Lack of skill had been a serious limiting factor in the early employment assistance activities, and the 1956 enactment was thus a major milestone in the gradual development of the present program.

4. Level of operations. (See table 1.)

Program: Employment assistance for Indians.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Fiscal year 1965	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (unit) ¹	5,871	6,606	7,221	8,001
(b) Applicants or participants:				
State government agencies.....				
Local communities or governments (specify).....				
Individuals of families (specify).....				
Other (unit) ¹	5,871	6,606	7,221	8,001
(c) Federal finances:				
Appropriations available (thousands of dollars).....	9,361	12,205	14,513	15,184
Obligations incurred (thousands of dollars).....	9,272	12,117	14,513	15,184
Allotments or commitments made (specify).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles) ²	395	413	445	454

¹ A single individual or head of family. Family members are direct beneficiaries of program activity and accompany head of family.

² Employees supervise, administer, and operate program activities.

5. Estimated magnitude of program in 1970

Not answered.

6. Prospective changes in program orientation

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social: No answer.

7. Coordination and cooperation

(a) Within your bureau, division, or office: Cooperates with all branches in Bureau, but especially the Division of Education, and the Branches of Welfare, Law and Order, and Credit in determining the Indian participant's status, state of affairs, and educational achievements. Also cooperates and coordinates employment opportunities with Branch of Industrial Development.

(b) With other units of your department or agency: Cooperates and coordinates with all Bureaus in the Department in developing job opportunities for Indians.

(c) With other Federal Government departments or agencies: Cooperates with and seeks assistance from the Departments of Labor; Health, Education, and Welfare; Commerce, and Agriculture in obtaining job opportunities for Indians. Also seeks the assistance of the Department of Health, Education, and Welfare in providing health services for Indians.

(d) With State governments or their instrumentalities: Seeks assistance and cooperates with the State employment services in obtaining employment for Indians.

(e) With local governments or communities (specify type or level of government): Seeks assistance of any local or community government agency offering a service that is required or desired by the Indian.

(f) With foreign governments or international organizations: None.

(g) With nonprofit organizations or institutions (specify types): Seeks assistance from any agency when desired or requested by the Indian; e.g., Travelers Aid Society.

(h) With business enterprises (specify types): Seeks assistance of any employing establishment to obtain jobs for Indians.

(i) With others (specify): Seeks assistance from any school or other training facility which provide courses of training leading to a skill whereby the Indian, upon completion, will be employed.

8. Laws and regulations

25 U.S.C. section 13 (Nov. 2, 1921, 42 Stat. 208).

25 U.S.C. section 309 (Aug. 3, 1956, 70 Stat. 986), Public Law 959.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: Through employment the income of some has increased to the extent that they now qualify to pay Federal and/or State income taxes. This income has increased the individual's purchasing power to obtain those goods that were heretofore beyond his reach.

(b) Effects on the placement or productivity of workers, or both, and on their earnings: The productivity of the Indian has been increased substantially through training and/or retraining, and his earnings have increased proportionately. The desires of many have changed and they are now making themselves available for employment and/or training in order to become productive and increase their earning power.

(c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any: The availability of Indian workers and the skills they possess or have learned through training plus their aptitude for acquiring a skill have been a factor in inducing business enterprises to locate branch plants on or near Indian reservations. The branch plants that have been established are now closer to their market, which naturally cut their costs of operations.

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity: The Indian who has been served through the efforts of the employment assistance program has economically improved himself and/or his family. He has become a stable member of the community, either the reservation, if he is employed nearby, or his newly adopted community if he has relocated. Increased employment under the program has favorably affected the economy of the reservation area in either case.

For (e), (f), (g), and (h): None.

10. Economic classification of program expenditures. (See table 2.)

Program: Employment assistance for Indians.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries..... \$2, 868, 285

Other..... 1, 170, 747

Transfer payments to individuals..... 8, 078, 065

Total, Federal expenditures..... 12, 117, 097

INDIAN INDUSTRIAL DEVELOPMENT

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The Indian industrial development program is particularly dedicated to bringing about the economic development of individuals and groups through creation and establishment of nonagricultural employment, offering work experience on or near Indian reservations. To obtain this objective while contributing to the overall objectives of the Bureau, certain goals are sought to broaden the economic base of the community:

1. Organize local communities to undertake development of commercial, manufacturing, and service enterprises.
2. Designate, preserve, and develop areas for commercial recreation and sites for business and industrial development.
3. Stimulate utilization of local resources to enhance the area economy.
4. Establish permanent employment opportunities.
5. Provide opportunities for reservation area work experiences.
6. Generate opportunities for tribal investments in local businesses.
7. Secure outside capital investments in the reservation business communities.
8. Enhance reservation income with additional payrolls.

2. Operation

Federal operation conducted in area offices and at Indian reservations with guidance from central offices in Washington, D.C. Technical assistance is provided within the Bureau, as are training programs, revolving credit funds, and education.

Cooperation with other governmental agencies such as ARA, EDA, OEO, SBA, and CFA.

3. History

The industrial development program was formally established in 1957 and includes commercial tourism and recreation development. There is a small staff in Washington to provide overall direction and the necessary contacts with other agencies of Government at the national level; field industrial development specialists, located in Chicago and Los Angeles, work directly with representatives of private industrial companies, industrial development organizations, and professional plant location service organizations to acquaint them with the objectives of the program and the opportunities available for slant location in the reservation areas; area industrial development specialists and tourism development specialists, stationed in the various area offices, cover the entire Indian-populated areas.

To date, 80 industrial plants, including 15 under construction, have been established in reservation areas. When all of the plants have reached full operation, it is anticipated that they will provide nearly 3,000 job opportunities for Indians. It is estimated that these jobs will directly benefit 12,000 Indian people. Twenty of the eighty plants were established during fiscal year 1965.

4. *Level of operations.* (See table 1.)

Program: Indian industrial development.

Department or agency, and office or bureau: Department of the Interior; Bureau of Indian Affairs.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (current employment).....	2,529	3,000	3,500	4,200
(b) Applicants or participants:				
State government agencies.....				
Local communities or governments (specify).....				
Individuals or families (specify).....				
Other (tribal development committees).....	32	32	36	40
(c) Federal finances:				
Appropriations available.....	\$504,179	\$703,900	\$694,000	\$850,000
Obligations incurred.....	\$495,580	\$685,297	\$694,000	\$850,000
Allotments or commitments made (specify).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles) ¹	36	44	44	44

¹ All 3 categories represented.5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: Not answered.

(c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social: Not answered.

7. *Coordination and cooperation*

(a) Within your bureau, division, or office.

1. Branches of resources.
2. Branch of credit and financing.
3. Branch of real estate appraisal.
4. Branch of real property management.
5. Branch of employment assistance.

We act as prime coordinator from initial contact with industry seeking location through to final phases of negotiation. We utilize the experiences of other branches in appraising land, drawing up the lease, arranging financing and training needs.

(b) With other units of your department or agency: Occasionally.

(c) With other Federal Government departments or agencies:

We have very close liaison with OEO, ARA, EDA, SBA and CFA. Each of these programs is of assistance in working with industrial prospects, interested communities, and Indian tribes.

Staff assistance from the central office in Washington is provided to the industrial development specialists in area offices who work with the tribes to form well-organized industrial corporations.

(d) With State governments or their instrumentalities: We work very closely with the economic development divisions of the 24 States

that have Indian reservations. This work involves much cooperation of State, Federal, and community authorities.

(e) With local governments or communities (specify type or level of government):

In a number of cases a city or town has entered into an industrial project with an Indian tribe and an industry whereby they share in the investment, or in initiating financing through revenue bonds.

Recently, Emle Western Co., a manufacturer of hosiery, decided to locate in Muskogee, Okla. The firm knew of this city through the efforts of the industrial development branch. The citizens of Muskogee arranged financing through an ARA loan and a municipal revenue bond for building and equipment. The Creek Tribe is to make a substantial investment in the project. Ultimately this is expected to provide 300 jobs for the Indians and the local residents.

Thirty-two tribes have adopted industrial development programs and are prepared to work with manufacturers in arranging for buildings or equipment.

(h) With business enterprises (specify types): Our objective involves working with manufacturers throughout the Nation in an endeavor to create job opportunity on or near Indian reservations. We also seek commercial ventures which create new wealth and job opportunity.

For (f), (g), and (i): None.

8. *Laws and regulations*

25 U.S.C. 13.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: At the 1965 employment level of 3,000 achieved through this program, annual payroll exceeds \$4 million.

(b) Effects on the placement or productivity of workers, or both, and on their earnings: The 3,000 new jobs have helped to build confidence not only in those Indian workers who have been employed by them, but also in many others who have observed the trainability and employability of Indians.

(c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any: The 80 plants that have located, or announced plans to locate, on or near Indian reservations, are not concentrated in any one area and consequently it is difficult to assess the full impact upon the economy. We are aware of the job opportunities and the fact that there has been creation of new savings accounts and increased buying power. The establishment of industry has had its satellite effect in creating retail outlets such as laundromats and restaurants to serve the new employees.

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, production, sales, prices, or other phases of economic activity: The reservation plants are not sufficient in number

to make a major contribution to the area wage scale or to affect prices.

(e) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected: Numbers of Indians are encountering their first permanent work experience and as a result have entered into the economic mainstream for the first time. The increased buying power has had a socioeconomic effect, evidenced by increasing improvements in housing, greater interest in better living conditions, etc.

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts: Not answered.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: Not measurable.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Indian industrial development.

Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$483, 180
Other.....	202, 117

Total, Federal expenditures.....	685, 297
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INDIAN ARTS AND CRAFTS BOARD

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The Indian Arts and Crafts Board of the U.S. Department of the Interior, serves Indian and Eskimos, and the general public as an informational, promotional, and advisory clearinghouse for all matters pertaining to the development of authentic Indian and Eskimo arts and crafts.

Through its varied activities the Board aims to promote the artistic and cultural achievements of the Indian and Eskimo artists and crafts people; to create a demand and interest in the production of authentic products; and to provide the stimulation necessary to broaden markets and production which results in a direct economic benefit to the Indian and Eskimo people.

2. *Operation*

The Indian Arts and Crafts Board is wholly a direct Federal operation, receiving appropriations annually from Congress. The Indian Arts and Crafts Board consists of five Commissioners, appointed by the Secretary of the Interior, who serve without pay. The Commissioners are leading authorities in Indian arts and crafts, and they include: Chairman, Dr. Frederick J. Dockstader, director of the Museum of the American Indian, New York; Rene d'Harnoncourt, director of the Museum of Modern Art, New York; Vincent Price, noted actor, writer, collector, lecturer, and connoisseur of art; Erich

Kohlberg, dealer and leader in the sales and promotion of authentic Indian arts and crafts; and Lloyd New Kiva, director of the Art Department, Institute of American Indian Arts, Santa Fe, N. Mex. Employees of the Board include a staff of 12 specialists who are located in strategic areas and cover the entire United States. In addition, the Board employs an administrative, secretarial, and maintenance staff of 12.

In addition to its advisory and informational services, the Board operates three museums which contain superb collections of Indian art and craftsmanship: the Southern Plains Indian Museum in Anadarko, Okla.; the Sioux Indian Museum in Rapid City, S. Dak.; and the Museum of the Plains Indian in Browning, Mont. In these museums are Indian-owned sales shops selling the finest handmade Indian products.

Demonstration workshops for training and promotion are conducted by the Board where Indian and Eskimo people may observe and participate in the production of authentic products and demonstrate their abilities for the benefit of their own people as well as the general public. The Board also develops temporary exhibitions which have worldwide circulation and provides interpretive services to assist the general public with the selection of authentic products being produced today. The Board initiates research and gives technical advice in the fields of production, marketing and promotion of quality products for the economic development of authentic Indian arts and crafts.

3. History

In 1926, the Institute for Government Research began an independent survey of conditions of Indians on reservations and in Government schools and hospitals over the United States. The report of the survey, conducted under the direction of Lewis C. Meriam, was published in 1928. In this report public attention was for the first time directed to the value of Indian arts and crafts as a means of furnishing additional income to low-income groups of Indians. The report especially emphasized the value of crafts as home occupations for Indian women.

The report led to a general reappraisal of Indian conditions, and to the establishment, in 1934, of a committee to survey Indian arts and crafts and to submit a report on their condition and economic importance to the Secretary of the Interior. The survey committee served without pay, and was made up of persons who had had a lifelong interest in Indian problems. Supporting the general conclusions of the Meriam report, the survey committee laid great emphasis on the economic value of Indian arts and crafts, especially to Indian women who could not be employed outside their homes.

Since the committee could act only to make a report and recommendations to the Secretary of the Interior, it was necessary to establish a permanent agency for carrying out the committee's recommendations. On August 27, 1935, Public Law No. 355, 74th Congress, was passed by the Senate and House of Representatives "to promote the development of Indian arts and crafts and to create a board to assist therein and for other purposes."

4. Level of operations. (See table 1.)

Program: Indian Arts and Crafts Board.

Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(c) Federal finances:				
Unobligated appropriations available.....	\$312,700	\$326,000	\$374,000	\$374,000
Obligations incurred.....	\$312,308	\$326,000	\$374,000	\$374,000
Allotments or commitments made (specify).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles).....	17	18	18	18

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social: Not answered.

7. *Coordination and cooperation*

(a) Within your bureau, division, or office:

Although the Indian Arts and Crafts Board is a separate and distinct agency of the Department of the Interior, full and complete cooperation and assistance between the Board and the Bureau of Indian Affairs, an agency of the Department of the Interior, has existed since the Board's creation. The Bureau of Indian Affairs is responsible for handling all administrative work for the Indian Arts and Crafts Board, i.e., procurement, personnel, budget, property, finance, and plant management. The Board is given the same efficient and professional treatment on all matters pertaining to the above by the Bureau of Indian Affairs just as any Division or Branch within the Bureau would receive.

In addition to administration, the Indian Arts and Crafts Board and the Bureau of Indian Affairs, both in Washington and in the field, work very closely on matters relating to credit and financing, industrial development, projects development, and general Indian information, in the furtherance of the Board's objectives as coordinated with the objectives of the Bureau of Indian Affairs.

(b) With other units of your department or agency:

The Indian Arts and Crafts Board serves as the adviser on the development of art and craft to all agencies of the Department and one example is currently working with National Park Service to establish guidelines for promoting and marketing native craft products in national parks. Also, in cooperation with National Park Service the Board has established a permanent demonstration workshop at the new National Park Service Visitor Center at Sitka National Monument, Sitka, Alaska. The center provides facilities for native Alaskan craftsmen where they will be able to develop their designing, production, and marketing abilities; promote the sale of their products; and demonstrate their skills for the benefit of the general public.

The Indian Arts and Crafts Board cooperates with all government agencies, correlating and assisting in the development of art and craft legislation, guidelines, and programs. The Board is currently engaged in activities with the Department of Labor; Department of Health, Education, and Welfare; Department of Commerce; Small Business Administration; Smithsonian Institution; Library of Congress; Department of State; Department of Agriculture; and the Office of Economic Opportunity.

The Board works with State governments and their instrumentalities as well as local governments and communities where there is a concentration of art and craft activity. Internationally the Board is currently working with the Latin American governments and with international organizations such as the World Craft Council, and UNESCO, in art, craft, and museum development programs.

The Board is engaged in programs that include innumerable nonprofit organizations and institutions, as well as business enterprises that are related to the marketing, production, and promotion of art and craft and all those related to the phases of museum administration and operation.

(c), (d), (e), (f), (g), and (h).

Not answered.

8. *Laws and regulations*

Public Law 355, 74th Congress, to promote the development of Indian arts and crafts and to create a board to assist therein, and for other purposes.

Public Law 87-887, to provide protection for the golden eagle.

Public Law 87-27, Area Redevelopment Act.

Public Law 87-415, Manpower Development and Training Act and amendment.

Smith-Hughes Act.

George-Barden Act, titles I and III.

Vocational Education Act of 1963, research and training.

Appalachian regional development program.

Higher Education Facilities Act of 1963, title I.

National Defense Education Act of 1958, title V-A.

Cooperative research program (arts and humanities), research and development centers.

Elementary and Secondary Education Act of 1965, titles I and IV.

Office of Economic Opportunity legislation.

Federal Housing Administration legislation.

National Art Foundation, titles I and II.

Several States—i.e., New Mexico, Arizona, California, Alaska, Colorado, South Dakota, and Alaska—have enacted legislation regarding the sale of imitation American Indian articles as genuine and providing a penalty therefor.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: In a report issued to the Secretary of the Interior for the fiscal year ending June 30, 1964, it was

stated that during the year an estimated 8,650 Indian and Eskimo craftspeople earned a net income of \$2 million producing and selling craft products. The resulting average income of \$230 annually per individual benefited approximately 55,000 people.

(b) Effects on the placement or productivity of workers, or both, and on their earnings: To date the Board has been unable to measure accurately the effects on the placement or productivity of workers and on their earnings due to the highly personalized manner in which the artists or craftsmen seek and find employment. In recognition of the problem of measurement, the Board emphasizes programs that generate employment incentives on the broadest possible basis. For example, the Board's grantee and demonstration workshop has opened opportunities in the development of the finest of Indian and Alaskan arts and crafts. Attracting outstanding craftsmen who are producing and developing new techniques and ideas and who work in a variety of media, it is the aim of the program to make these craftsmen self-sufficient, whether they continue to work in crafts on a full-time basis or rely on it only for a supplemental income. These craftsmen have acquired additional skill and competence in design, craftsmanship, quality of products, and elementary business procedures. Assistance is given these craftsmen to encourage their return to their homes to teach this knowledge to others and increase the economic base of their villages.

(c) Effects on business or industrial organization and management, the stimulation of new business enterprises or expansion of existing ones, business location, and effect on competition, if any: The demand for high-quality crafts exceeds the supply. However, there are many craftsmen producing crafts of lesser quality who do not have the marketing advantage. The programs of the Board are geared to upgrading these craftsmen so that they can increase their income and economic base.

In this process of upgrading, efforts are directed toward each level to craft training, production, marketing, and promotion, with the result that new craft-oriented industries and businesses are being established and encouraged. To increase the marketability, the Board coordinates information about these various activities and makes it available to all potential consumers.

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity: Again, it has not been possible for the Board to accurately measure the results; however, as an example, with technical assistance provided by the Board it is known that increases in income from sales and production have been achieved by the established Indian-owned outlets, including Hopi, Qualla, Choctaw, Sioux Tipi Shop, Southern Plains, and Seminole.

(e) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected: See (d).

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts: Not applicable.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: No data are available to adequately

indicate the size of the contribution of this program to the rate of growth of the gross national product.

(h) Other data or comments relevant to economic impacts or significance of the particular governmental program: Interest in Indian arts and crafts continues to grow at a rapid rate, not only on the part of the general public, but among the Indian and Eskimo people themselves, who realize that by increasing their production of high quality crafts they will augment their income considerably. In many Indian families, the supplemental income from this source is of great importance, and frequently, it is the only cash income some families receive. With the continued advice and assistance of the Indian Arts and Crafts Board, the gains already achieved by Indian artists and craftsmen will be insured, additional craftspeople will be helped, and the overall program will be strengthened.

As a result of the concentrated efforts of the Indian Arts and Crafts Board in the development of Indian arts and crafts, important guidelines, criteria, experimental programs, promotion and marketing opportunities have provided basic information now being used in the development of major non-Indian craft programs such as in the Appalachian area, OEO, arts and humanities, and those being initiated by other government as well as nongovernment and international agencies.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Indian Arts and Crafts Board.

Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$212, 820
Other.....	113, 180

Total, Federal expenditures.....	326, 000
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INDIAN CREDIT AND FINANCING PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

To help raise the economic and social conditions of Indians through a credit and financing program composed of—

(a) A revolving loan fund established by the Congress of the United States.

(b) Funds of tribes loaned and invested in their own organizations.

(c) Enlisting outside capital from governmental and private sources.

2. *Operation*

A direct Federal operation conducted in area and agency offices with central office staff assistance. Loans are generally made through tribal organizations.

3. *History*

Section 10 of the act of June 18, 1934 (47 Stat. 986) authorized the appropriation of \$10 million to be established as a revolving fund for

loans to Indian chartered corporations. This was subsequently amended to extend eligibility to all tribes, bands, groups, and individual Indians of one-quarter degree or more Indian blood. The present authorization for the fund is \$27,900,000, of which all but \$3,200,000 authorized by the Navajo-Hopi Act (25 U.S.C. 631) and \$400 authorized by the act of June 18, 1934 (25 U.S.C. 470) has been appropriated.

4. *Level of operations.* (See table 1.)

Program: Indian credit and financing program.

Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

[Dollars in millions]

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program:				
BIA revolving loan funds available.....	\$9.15	\$5.36	\$4.53	\$2.11
BIA advances made.....	\$6.70	\$2.19	\$3.70	\$1.69
BIA loans outstanding, June 30 (number).....	403	372	392	405
BIA loans outstanding, June 30.....	\$23.1	\$23.7	¹ \$45	¹ \$50
Tribal funds loaned and invested, June 30.....	\$36.5	\$52.7	\$60	\$70
Financing received by Indians from other governmental and private sources.....	\$103.4	\$157.3	¹ \$250	¹ \$275
(b) Applicants or participants:				
Individual loans outstanding, June 30 (number).....	318	283	300	310
Tribal loans outstanding, June 30 (number).....	85	89	92	95
(c) Federal finances:				
Appropriations available.....	\$1.325	\$1.496	\$1.678	\$1.584
Obligations incurred.....	\$1.292	\$1.456	\$1.678	\$1.584
(d) Matching or additional expenditures for the program (none)				
(e) Number of Federal Government employees administering, operating, or supervising the activity.....	132	142	145	138

¹ Dependent on enactment of pending legislation.

NOTE.—(f) Non-Federal personnel employed in the program—information not available. (g) Other measures of level or magnitude of performance—information not available.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: Establishment of an Indian loan guarantee and insurance fund of \$15 million. An increase in the revolving fund by \$35 million has also been proposed.

(b) Proposed administrative and organizational changes: No answer.

(c) Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social: No answer.

7. *Coordination and cooperation*

(a) Within your Bureau, division, or office: This program serves fund requirements arising from other Bureau activities such as agriculture, education, forestry, and commercial and industrial development.

(b) With other units of your department or agency: In cooperation with the Bureau of Reclamation, attempts are being made to qualify Indian tribes under the Small Reclamation Projects Act.

We are also working with the Bureau of Commercial Fisheries in an effort to establish tribal members in the fishing industry by obtaining funds from that Bureau's loan programs.

(c) With other Federal Government departments or agencies: Memorandums of understanding with Farmers Home Administration, Federal Housing Administration, and Veterans' Administration; arrangements made through these memorandums extend the services of these agencies to Indians residing on trust lands.

Arrangements have been made with Federal National Mortgage Association and through Presidential action establishing a special assistance program for the purchase of mortgages on leasehold estates on Indian reservations; \$5 million has been earmarked for this purpose.

Arrangements are being worked out with SBA particularly with regard to the State and local development companies program which provides for the establishment of local development corporations to finance projects on Indian reservations.

(d) With State governments or their instrumentalities: We are exploring the possibility of creating development corporations under State laws to generate financing for tribal development.

(e) With local governments or communities (specify type or level of government): In many instances, tribes have joined local communities, generally located outside nearby reservations, in financing industries on or near reservations.

For (f), (g), and (h): None.

(i) With others (specify): Investment firms, insurance companies, banks, and other private sources of Indian financing.

8. Laws and regulations

25 U.S.C. 13.

Act of June 18, 1934, as amended, Public Law 383, 73d Congress, 48 Stat. 986, 25 U.S.C. 470; act of June 26, 1936, Public Law 816, 74th Congress, 49 Stat. 1968, 25 U.S.C. 506; and act of April 19, 1950, Public Law 474, 81st Congress, 64 Stat. 44, 25 U.S.C. 631.

The act of November 4, 1963 (77 Stat. 301).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a), (b), (c), (d), and (e): Loans to agricultural activities serve largely to stabilize employment and income. Loans for commercial and industrial development and forestry in recent years have chiefly increased employment and income of individuals.

For (f), and (h): None.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: Not measurable.

10. Economic classification of program expenditures. (See table 2.)

Program: Indian credit and financing program.
Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 2.—Economic classification of program expenditures for fiscal year 1965

Federal Government:	
Loans.....	\$1, 456, 447
Total, Federal expenditures.....	1, 456, 447

HOUSING PROGRAMS FOR INDIANS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

Nine out of ten Indian families are living in overcrowded, deplorably substandard housing. It is estimated that 60,000 housing units will be needed to bring this up to minimum standards of decency.

Until 1961 Indians had not had the benefits of the various Federal housing programs. The objective of the program is to do something about this deplorable situation which has been almost completely neglected since the 1930's. The Bureau of Indian Affairs has worked with the various Federal housing agencies and now Indians are eligible for the benefits of Federal Housing Administration's mortgage guarantee provisions, the housing loan program of the Farmers Home Administration and the low-rent housing program of the Public Housing Administration.

In addition to this, because the existing Federal legislation could not benefit some Indian families who could not qualify for assistance because of physical or economic disability, the Bureau received a small annual appropriation of \$500,000 in the fiscal years 1964 and 1965 and \$996,000 in 1966 for home improvement.

2. Operation

(a) *Public Housing Administration.*—Loans from the Public Housing Administration to tribal housing authorities for the design and construction of low-rent housing projects.

In addition to the conventional low-rent projects of the same type that have been available for many years to municipalities, a "mutual help" program has been devised cooperatively by the Public Housing Administration and the Bureau of Indian Affairs where, in effect, PHA makes loans to the tribal housing authority to purchase building supplies and materials and skilled labor. The Indian people participating in the project donate their land and labor and thereby establish an equity in the house permitting them to have their homes free and clear in 16 to 18 years.

The Bureau has helped the Indian families organize and qualify for PHA assistance, trains the participants, and supervises the construction of the mutual-help projects.

The Public Housing Administration has earmarked funds for the construction of 1,400 mutual-help units and 1,600 low-rent units on 46 Indian reservations. The 1,600 low-rent units are valued at about \$25 million and the mutual-help units at about \$13 million less about \$2,300,000 which will be contributed by the Indian participants' labor and land.

Six hundred low-rent units are completed or under construction and 300 mutual-help houses are completed or under construction. The 1,700 low-rent and mutual-help houses for which funds have been set aside are expected to be under construction in the spring or summer of 1966. Twenty-seven other reservations have applied for public housing involving about 2,000 additional units, construction of which can be expected during fiscal years 1966 and 1967.

(b) *Federal Housing Administration.*—Insured housing loans obtained through private banks and savings and loan companies. About 140 families received loans totaling approximately \$1,600,000 during 1965.

(c) *Farmers Home Administration*.—Housing loans for Indian farm families otherwise qualified. Loans amounting to \$7 million were made to 1,000 Indian families during 1965. The regular credit staff of the BIA assisted Indian families in applying and qualifying for these loans.

(d) *BIA housing improvement program*.—In fiscal 1964, 1965, and 1966 direct appropriations were made to the Bureau to provide house improvement, repair, or replacement for Indian families, unable because of physical or economic disability to contribute labor, repay a loan or otherwise qualify for other housing programs. A simple core-type structure that can be built and erected by Indian labor has been developed; \$500,000 was appropriated in 1964 and an equal amount in 1965. One hundred and forty-five homes were improved or replaced. For fiscal 1966, \$996,000 is available for improvement or replacement of 128 homes.

3. *History*. (See answers to questions 1 and 2.)

4. *Level of operations*. (See table 1.)

Program: Housing programs for Indians.

Department or agency, and office or bureau: Department of Interior; Bureau of Indian Affairs.

TABLE 1.—*Level of operations or performance, fiscal years 1964–67*

	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
PUBLIC HOUSING				
(a) Magnitude of the program:				
1. Housing authorities established.....	54	73	80	85
2. Housing authorities with approved loans.....	40	48	60	70
3. Number of houses applied for.....	3,600	5,000	6,500	7,000
4. Number of houses with funds ear- marked.....	2,400	3,100	4,000	5,000
5. Houses completed or under con- struction.....	320	670	1,100	2,000
(c) Federal finances.....	(¹)	(¹)	(¹)	(¹)
(d) Additional Federal expenditures (BIA per- sonnel employed to assist tribes to or- ganize, supervise construction of, and management of housing):				
1. Number of employees.....	6	18	61	139
2. Appropriations.....	\$102,400	\$417,000	\$765,000	\$1,709,100
HOUSING IMPROVEMENT				
(a) Magnitude of program (number of homes repaired or replaced).....	56	79	128	128
(c) Federal finances:				
Appropriations to BIA.....	\$500,000	\$500,000	\$996,000	\$996,000
Number of employees.....	0	0	8	8

¹ Loans funded under Housing Acts of 1964 and earlier.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None at present.

(c) Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social: Unknown.

7. *Coordination and cooperation*

(a) Within your bureau, division, or office: Utilization to the maximum extent of existing Bureau personnel for administrative, fiscal, procurement, welfare, and supervisory services to the tribes.

(c) With other Federal Government departments or agencies: Working under memorandum of agreement with PHA and PHS to coordinate programs, provide organizing and supervisory assistance which cannot be performed by those agencies for the tribes.

(e) With local governments or communities: Assistance to tribal housing authorities established by the tribal councils.

(h) With business enterprises: Not applicable.

For (b), (d), (f), (g), and (i): None.

8. *Laws and regulations*

U.S. Housing Act of 1949 and subsequent revisions.

Department of the Interior appropriation bills, 1963, 1964, 1965, and 1966.

Department of Agriculture appropriation bills.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

For (a), (b), (c), (d), and (g): Not determinable. For (f) and (h): None.

(e) Any benefits (not included above) resulting from the particular governmental program: Vastly improved living conditions.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Housing programs for Indians.

Department or agency, and office or bureau: Department of Interior, Bureau of Indian Affairs.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$125, 010
Other.....	733, 126

Total, Federal expenditures.....	¹ 858, 136
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¹ Total expenditures listed represent only funds expended by BIA for supervision and assistance to tribes for public housing and for material, equipment, and labor on Indian home improvement. PHA loans to housing authorities amounting to \$35,000,000 not included.

Bureau of Mines

ACCIDENT-PREVENTION EDUCATION

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The Bureau's accident-prevention educational program is based on the philosophy that it is far better to prevent accidents and personal injuries by avoiding the development of hazardous situations than to rely on detecting and eliminating them after they occur.

This program is designed to develop an understanding of the causes and means of preventing accidents and injuries, teaching safe mining and other industrial practices, and instructing in first-aid and mine-rescue methods.

2. *Operation*

The Bureau of Mines accident-prevention educational program is a direct Federal operation conducted in all five health and safety districts throughout the United States with Washington office headquarters supervision.

3. *History*

The accident-prevention educational program began virtually with establishment of the Bureau of Mines on July 1, 1910. The great number of coal mine disasters in the first decade of the 20th century aroused a public indignation that led to the Bureau's establishment. The educational work began with instruction in rescue and recovery procedures following mine disasters, including the use of self-contained breathing apparatus. Then the teaching of first aid procedures was instituted about 1912 so that miners would be capable of properly caring for their injured fellow workmen until medical help could be obtained.

In 1938 safety educational classes were organized and instruction given at the mines. These classes were organized first to instruct the supervisors but later other classes were organized for workmen. Sometimes workmen attend accident-prevention classes with their supervisors. The training courses embrace both technologic information and psychological motivation.

The training courses are designed for both underground and surface mining operations and other plant facilities and involve coal, metal and nonmetallic mining, quarrying, metallurgical, petroleum, and natural gas industries. The courses now embrace protection against unsafe and unhealthful conditions and practices.

Widespread dissemination of information is obtained through distribution of publications; by screenings of Bureau-produced, safety-educational motion picture films; by conducting demonstrated lectures at group meetings; and by actively supporting and participating in safety- and health-promoting programs of local, district, State, regional, and national safety organizations.

The Bureau of Mines First Aid Manual is among the best sellers of the Superintendent of Documents.

4. *Level of operations.* (See table 1.)

Program: Accident-prevention education.

Department or agency, and office or bureau: Department of Interior; Bureau of Mines.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program ¹	352,169	359,205	365,000	365,000
(b) Applicants or participants:				
State government agencies.....				
Local communities or governments (specify).....				
Individuals of families (specify).....				
Other (specify).....				
(c) Federal finances:				
Unobligated appropriations available.....				
Obligations incurred (estimated).....	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Allotments or commitments made (speci- fy).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity:				
Administering and operating (full time).....	51	58	61	65
Administering and operating (partial).....	58	56	49	50
Supervising (partial).....	24	24	28	21

¹ Number of employees of mineral industries and members of their families reached by training, demonstrations, safety motion picture showings, etc.

5. Estimated magnitude of program in 1970

Not answered.

6. Prospective changes in program orientation

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: A safety-education and training administrator has been appointed to head all the Bureau's accident-prevention educational work, including the preparation of publications, preparation of training courses, training of instructors in accident-prevention education work, and the production of safety-educational films and other visual aids.

It is anticipated that the motion-picture unit will be expanded to include more "still" photography to obtain suitable photographic subjects for illustrating publications and for the making of lantern slides and sound-slide film strips.

(c) Probable changes in the conditions under which the program will function in 1970; e.g., technological, economic, social: Not answered.

7. Coordination and cooperation

(a) Within your bureau, division, or office: The accident-prevention educational program is oriented to the requirements of the mineral industries throughout the United States and is "tailored" to meet the needs of those industries within the five health and safety districts.

In special instances cooperation is extended to other Bureau of Mines divisions.

(b) With other units of your department or agency: On several occasions other departmental units have requested training in the Bureau's course in first-aid-to-the-injured and such requests have been honored.

(c) With other Federal Government departments or agencies: Cooperation has been extended to other Federal departments and agencies which have requested instruction in respiratory-protective apparatus and requests for safety demonstrations.

(d) With State governments or their instrumentalities: Cooperation has been given to State governments that request assistance in educational procedures and instruction.

(e) With local governments or communities: Cooperation has been given to local governments that request assistance in educational procedures and instruction.

(f) With foreign governments or international organizations: On numerous occasions in the past, foreign governments and organizations have requested safety demonstrations and many requests have been complied with; also training in first-aid and mine-rescue procedures has been given.

The Bureau's First-Aid Manual and various miners' circulars, which were prepared for accident-prevention training classes, have been translated into Spanish and are used extensively in Mexico and other Latin American countries.

(g) With nonprofit organizations or institutions: Cooperation has been given to State governments that request assistance in educational procedures and instruction.

(h) With business enterprises: Most of the accident-prevention educational work is provided for employees of business enterprises represented by the mineral industries, involving coal, metal, and non-metallic mining, quarrying, metallurgical, cement, ceramic, petroleum, and natural gas.

8. *Laws and regulations*

Act of May 16, 1910, establishing the Bureau of Mines. Public Law 179.

Act of February 25, 1913, amending the act of May 16, 1910. Public Law 386.

Public Law 552, 82d Congress, known as the Federal Coal Mine Safety Act.

Public Law 376, 89th Congress, known as the Federal Coal Mine Safety Act, as amended, March 26, 1966.

Funds for the accident-prevention educational program are derived from annual Bureau of Mines appropriations for "Inspections, investigations, and rescue work" of the health and safety activity.

Part (e)(2) Sec. 212 of Public Law 89-376 empowers the Secretary of the Interior to make grants to States to assist them in planning and implementing programs for the advancement of health and safety in coal mines. The sum of \$500,000 was authorized to be appropriated for the fiscal year ending June 30, 1966, and for each succeeding fiscal year to carry out the program.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: The effect of a good accident-prevention program on the incomes of persons served or involved is profound. An injured person may be temporarily or permanently disabled. When an employee is required to accept workman's compensation insurance his regular wages stop and of course his personal income generally is sharply reduced until he is able to resume his normal occupation. Thus the avoidance of injury has a direct effect on the earning capacity of workmen.

(b) Effects on the placement or productivity of workers, or both, and on their earnings: A good accident-prevention program resulting

in the avoidance of injury has a direct effect on the placement and productivity of workers. When a key employee is injured his place usually is taken by a substitute whose skill is less than the injured. This has a direct impact on group activity, including their productivity and earnings, until the injured workman has recovered enough to resume his regular job. Moreover the injured workman may have his productivity and earnings impaired if he sustains a partial permanent disability.

(c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any: Accidents and injuries in any business enterprise are wasteful and costly. Aside from the humanitarian aspects, usually accidents and injuries are accompanied by damage or destruction of equipment, physical plant and facilities. Therefore they have a most direct impact on business management, competition, etc.

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity: The avoidance of accidents and injuries through an effective accident-prevention program has a beneficial economic impact on any business enterprise. Good injury experience results in stable employment, increased production, reduced costs, better competitive sales prices, and improved employer-employee relationships.

(e) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected: The Bureau of Mines accident-prevention program is designed to provide guidance and leadership to the various mineral industries which is intended to stimulate industry to "carry the ball" of safety. The Bureau through its training courses "sparkplugs" the desire for industry to institute its own accident-prevention programs and from time to time assists industry with new material and guidance as appropriate in the circumstances.

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts: Geography plays an insignificant part in an effective accident-prevention program except as it may affect climatic conditions. The philosophy behind the saving of human life and avoidance of injury to the workman is universal. The economic impact on his family and himself to say nothing of the avoidance of pain and suffering is not influenced by geographical differences.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: It is difficult if not impossible to translate the cost of accidents and injuries into dollars and cents. A long-used rule of thumb is that the indirect costs are four to five times the direct costs of medical, hospital, and compensation insurance expenses. All that can be said is that the economic impact of personal injury on the worker, his family, and the industry he works in is, indeed, sizable. A poor industrywide accident record most certainly will have a depressing effect on the rate of growth of the gross national product.

(h) Other data or comments relevant to economic impacts or significance of the particular governmental program: Since the Bureau of Mines was established in 1910 the promotion of health and safety throughout the mineral industries has been a prime function. Education, engineering, inspection and, to a limited extent, enforcement have played important parts. All are so thoroughly integrated that it would be impossible to say the exact part played by each. But it is an indisputable fact that, of all, education is the most important in preventing accidents and injuries.

The rate of fatal injury in the mineral industries, including coal, metal and nonmetallic mining, quarrying, and other mineral industry processing plants has shown an overall improvement from 1.8 industrial deaths per million man-hours of exposure in 1910 to 1.5 in 1926, 1.1 in 1941, 0.62 in 1956, 0.52 in 1961, 0.58 in 1962, 0.55 in 1963, and 0.48 (preliminary) in 1964.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Accident-prevention education.

Department or agency, and office or bureau: Department of the Interior; Bureau of Mines.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:	
Purchases of goods and services.....	\$2, 000, 000
Total, Federal expenditures.....	2, 000, 000

Bureau of Commercial Fisheries

FISHERIES LOAN FUND

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The fisheries loan fund was established to provide financial assistance which will aid the commercial fishing industry to bring about a general upgrading of the condition of both fishing vessels and fishing gear, thereby contributing to more efficient and profitable fishing operations.

2. *Operation*

Loans to fishing vessel owners.

3. *History*

The program was authorized by the Fish and Wildlife Act of 1956 with an expiration date of June 30, 1965. It was extended to June 30, 1970, and a number of changes were made in the authorizing legislation by Public Law 89-85 in July 1965.

4. *Level of operations.* (See table 1.)

Program: Fisheries loan fund.

Department or agency, and office or bureau: Department of Interior: Bureau of Commercial Fisheries.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (number of applications).....	219	157	200	200
(b) Applicants or participants:				
State government agencies.....				
Local communities or governments (specify).....				
Individuals or families (specify).....				
Other (number of vessel owners).....	219	157	200	200
(c) Federal finances: Revolving fund:				
Unobligated appropriations available (thousands of dollars).....	6,108	6,571	6,485	6,286
Obligations incurred (thousands of dollars).....	2,450	1,450	1,886	2,009
Allotments or commitments made (number).....	118	74	110	115
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles):.....	19	19	19	19

¹ Administering program; on a part-time basis.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

None.

7. *Coordination and cooperation*

(a) Within your bureau, division, or office: Fishing vessel construction subsidy program and fishing vessel mortgage insurance program both also provide for financial assistance to vessel owners. These programs are handled by the same personnel as handle the fisheries loan program so complete coordination is attained.

(b) With business enterprises: Continual contact is maintained with banks in fishing communities to encourage them to handle additional vessel financing.

For (b), (c), (d), (e), (f), (g), and (i): None.

8. *Laws and regulations*

Authorization: Section 4, Fish and Wildlife Act of 1956, as amended by Public Law 89-85 (16 U.S.C. 742c).

Regulations: 50 C.F.R. 250 (Federal Register, Aug. 11, 1965).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income: Since the program began nearly 900 vessels have received loans that enabled them to keep operating. This has kept their owners and crews employed.

(b) Effects on the placement or productivity of workers, or both, and on their earnings: Approximately 55 percent of the funds loaned have assisted in upgrading the vessels and so have helped to increase their earnings.

(c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition, if any: See (a).

No distinction is made between individual owners and corporations or partnerships.

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity: The assistance in keeping nearly 900 vessels in operation has undoubtedly helped to keep up employment and earnings in the industry.

(e) Any benefits (not included above) resulting from the particular governmental program. Specify the groups or economic segments primarily affected: None.

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts: Effect has been felt in most fishing areas with particular emphasis in New England, California, and Alaska.

(g) The measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: Cannot be identified.

(h) Other data or comments relevant to economic impacts or significance of the particular governmental program: None.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Fisheries loan fund.

Department or agency, and office or bureau: Department of Interior: Bureau of Commercial Fisheries.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	0.2
Other.....	.1
Loans.....	2.0
Total, Federal expenditures.....	2.3

Office of Territories

GUAM REHABILITATION

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Public Law 88-170 (77 Stat. 302) authorizes appropriations "to provide for rehabilitation in connection with the damage caused in Guam by Typhoon Karen on November 11, 1962; to provide for the construction of necessary public works, including the acquisition of real property; to develop and stimulate trade and industry; and to provide facilities for community life through a program of useful public works and community development." The total sum authorized to be appropriated is \$45 million.

2. *Operation*

The Government of Guam initiates a request for Federal funds for a specified project, which in turn has been authorized by the territorial legislature and approved by the Secretary of the Interior. Projects so approved are then included in the request for appropriations under the Guam Rehabilitation Act. Once appropriated, the funds are

transmitted to Guam periodically, to reimburse expenditures made or payments due on approved projects. The Director of the Office of Territories has been authorized to exercise the authority of the Secretary of the Interior with respect to Public Law 88-170 (F.R. Doc. 64-9203, September 10, 1964).

Under the act, 50 percent Federal grants 50 percent Federal loans are provided as to all projects except water projects, power projects or telephone projects and except as to any sums paid to the government of Guam to permit Guam to qualify for participation in other Federal programs. As to the excepted categories, the Rehabilitation Act is entirely a loan program, with interest and repayment to be made over a period of 30 years beginning June 30, 1968; \$200,000 of the total program has been appropriated for preparation of an economic development plan for Guam, and this appropriation need not be repaid by Guam.

3. History

In 1962 and 1963 Guam was devastated by two major typhoons, which destroyed most civilian homes and many Government structures. Guam was declared a major disaster area and received some \$14 million in assistance from the Office of Emergency Planning. It soon became apparent that merely to rebuild the flimsy structures that existed before the typhoon would not provide protection against future typhoons. Furthermore, it was recognized that Guam, which was occupied by the enemy during World War II and severely damaged in the course of reacquisition by the United States, had never been adequately rebuilt. Educational, sanitary, and other public facilities in Guam did not, before as well as after the typhoons, attain minimum stateside standards of adequacy. The Guam Rehabilitation Act evolved, therefore, not merely as a special Federal program to repair typhoon damage but as a program with broader objectives, designed to develop Guam, insofar as funds could be made available for improvement of its public facilities, along the lines of a typical mainland community.

4. Level of operations

Of the total \$45 million authorized to be appropriated, \$28.7 million has been appropriated to date (including 1965 and 1966 fiscal years). The first disbursement of Federal funds was made in September 1964. As indicated in table 1 attached, only about one-ninth (a little over \$5 million) of the total program actually has been transferred to the government of Guam, to satisfy outstanding obligations, through October 6, 1965.

Top priority in construction programs to date has been given to educational facilities (\$1.7 million of the \$8.9 million appropriated has been expended) and public works (especially the \$500,000 beginning on the total \$4.2 million appropriated for a system of sewers.) The large expenditure for power (\$1.7 million) is the government of Guam contribution to the construction of a powerplant by the Navy Department, which produces power for resale to Guam consumers. A beginning has been made on construction of the air terminal and development of an improved water supply and distribution system.

The next large projects to be initiated will be construction of a commercial port, for which \$4.8 million has been appropriated, and construction of housing and community facilities in the villages (\$3.6

million appropriated). Another \$1.3 million in funds appropriated as the Guam contribution to an urban renewal program is being held in abeyance, pending action of the territorial legislature. The economic development study is expected to be completed by January 1966.

No Federal employees are assigned exclusively to the Guam rehabilitation program. The Governor of Guam has appointed a local coordinator of Rehabilitation Act projects. Most construction is being done by private contractors, with negotiation and supervision of the contracts in most instances assumed by the Department of Defense (Navy). Private contractors are also engaged in Defense construction and maintenance work; for this reason, the percentage of the 3,000 construction workers in Guam who are employed exclusively on Rehabilitation Act projects is not known.

The Guam Rehabilitation Act provides some benefits—e.g., the air terminal, school buildings—for the entire 75,000 population; however, the 50,000 persons residing outside the military base area undoubtedly will benefit by more of the proposed public improvements—especially sewers, water systems, village development—than residents of the military base, which already has such facilities.

Table 1 contrasts appropriations with expenditures to date; the total amount of contract obligations is not available. Table 1 also summarizes the total loans and Federal grants so far authorized and expended.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

No changes contemplated, with the possible exception of urban renewal projects.

7. *Coordination and cooperation*

Public Law 88-170 authorizes the government of Guam to utilize the available services of agencies of the Federal Government on a reimbursable basis, and authorizes such agencies to provide services without reimbursement if such nonreimbursable services are otherwise authorized by law.

In this connection, the Area Redevelopment Administration of the Department of Commerce and the Agency for International Development of the Department of State advised and assisted the Department of the Interior in selection of a private contractor to conduct an economic development study. The Bureau of the Census has been requested to assist the government of Guam in collecting and compiling adequate statistics on Guam commodity imports from foreign countries. The National Park Service of the Department of the Interior is advising the government of Guam on development of park and recreation areas to be enjoyed by the people of Guam and to make Guam a more attractive area for tourist visits. As noted above, the Department of Defense (Navy) is supervising a large number of Guam rehabilitation construction projects. Whenever a Guam Rehabilitation Act project can be related to an existing Federal program (e.g., urban renewal), the assistance of the agency administering the program (e.g., Housing and Home Finance) has been requested and received.

8. Laws and regulations

Guam Rehabilitation Act, Public Law 88-170 (77 Stat. 302).

Department of the Interior Appropriations Acts for fiscal 1965 (Public Law 88-356, 78 Stat. 273, 278, July 7, 1964) and 1966 (Public Law 89-52, 79 Stat. 174, 179, June 28, 1965).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The Guam Rehabilitation Act provides for construction of public facilities; it is designed to improve the quality of education, sanitation, and living conditions generally to make Guam a more attractive community and thus indirectly attract new investors to Guam. Only \$5 million of Rehabilitation Act funds have been disbursed to date, and this expenditure has overlapped, to some extent, the period of OEP and Defense Department reconstruction of typhoon damage. Additional Defense Department construction also may have been undertaken as a result of the crisis in Vietnam. The economic effects of the Guam Rehabilitation Act program therefore cannot be isolated from the effect of many other important factors; however, Guam Rehabilitation Act projects undoubtedly have made a contribution to any recent economic improvement.

There is virtually no unemployment in Guam but also no data on trends in employment and payrolls. The labor force, including about 3,400 temporary alien workers, was estimated at 18,750 in 1964. The principal economic indicators available for Guam are (1) income tax collections, especially collection of the territorial tax and (2) Guam merchandise imports.

Income tax collections.—Guam retains the Federal income tax collected in Guam (the territorial income tax) and also receives directly from the Federal Government income taxes withheld from the salaries of Federal employees stationed in Guam, who are of course mainly employees of the Department of Defense. Territorial income taxes, reflecting changes in earnings subject to tax and numbers employed, are the better economic indicator. The taxes returned to Guam by Federal agencies (mainly Defense) tend to vary over the years with programs that may depend only incidentally on economic factors.

Guam tax collections

[In millions of dollars]

Fiscal year	Total	Territorial income tax (U.S. rates)	U.S. income taxes returned
1965.....	10.1	6.4	3.7
1964.....	9.7	5.5	4.2
1963.....	7.7	3.9	3.8
1962.....	7.9	4.2	3.7
1961.....	9.3	4.9	4.5
1960.....	10.1	5.7	4.4
1959.....	9.4	5.4	4.0

It may be noted that territorial income tax collections have increased substantially in the past 2 years, notwithstanding the reduction in tax rates in 1964, and notwithstanding in fiscal 1965, a level of military activity in Guam that was not so high as in several earlier years (e.g., 1960-61).

Guam merchandise imports.—Typhoon reconstruction and Guam rehabilitation programs contributed to a substantial increase in imports from the United States 1962-64, as shown in table 2. Imports in the categories of metals and manufactures and machinery and vehicles more than doubled, to a total of \$18.2 million in 1964. In the first half of 1965, shipments of U.S. goods to Guam have, somewhat surprisingly, decreased about 30 percent as compared with 1964. So far as can be determined from first quarter 1965 data, imports from foreign countries are at or below the level of 1964. Changes in the classification of U.S. shipments to Guam have made 1964-65 comparisons more difficult; one category in which a decrease in U.S. shipments can be identified is machinery and vehicles (about \$3 million decrease).

Guam imports of merchandise

[In millions of dollars]

	Total	From the U.S.	From foreign countries
1965 (1st half).....	(¹)	13.8	(¹)
1965 (1st quarter).....	9.7	7.5	2.2
1964.....	49.2	40.0	9.2
1963.....	41.6	33.1	8.5
1962.....	26.6	21.0	5.6
1959.....	28.0	23.9	4.1

¹ Not available.

Source: Shipments of U.S. goods to Guam are reported regularly by the Bureau of the Census, FT-800 reports, government of Guam reports on the value of imports from foreign countries are available in totals and are in part estimated; in the above tabulation, fiscal year reports from Guam are averaged to a calendar-year basis.

Per capita income.—In the calendar year 1964, personal income in Guam is estimated at little more than \$1,000 per capita, by applying percentage changes in income tax collections since 1960 to the personal income sample of the 1960 population census. Because of a substantial increase in population since 1960, the level of total income, but not income per capita, has improved.

10. *Economic classification of program expenditures.* (See table 1.)

Program: Guam rehabilitation act.

Department or agency, and office or bureau: Department of the Interior; Office of Territories.

TABLE 1.—*Guam Rehabilitation Act appropriations and disbursements*

[In thousands of dollars]

	Federal appropriations, fiscal 1965-66			Federal disbursements		
	Total appropriated	Fiscal 1965	Fiscal 1966	Total to Oct. 6, 1965	July 1 to Oct. 6, 1965	Fiscal 1965
Total.....	28,657.0	19,000.0	9,657.0	5,057.4	2,112.9	2,944.5
Of which:						
Loans.....	16,547.5	10,820.0	5,727.5	3,482.3	1,098.8	2,383.5
Grants.....	12,109.5	8,180.0	3,929.5	1,575.1	1,014.1	561.0
A. 50 percent loan-50 percent grant programs, project total.....	23,819.0	15,960.0	7,859.0	2,965.3	1,938.1	1,027.2
1. Educational facilities.....	8,888.0	8,263.0	625.0	1,669.9	1,189.1	480.8
2. Public works.....	5,678.0	5,067.0	611.0	1,104.0	635.9	468.1
Of which: sewers.....	(4,205.6)	(3,677.6)	(528.0)	(468.2)	(248.3)	(219.9)
3. Air terminal.....	850.0	850.0		185.8	113.0	72.8
4. Commercial port.....	4,800.0		4,800.0			
5. Village development.....	3,603.0	1,780.0	1,823.0	5.6	.1	5.5
B. Total loan programs, project total.....	4,638.0	2,840.0	1,798.0	1,999.7	129.8	1,869.9
6. Village development (urban renewal).....	1,315.0		1,315.0			
7. Utilities.....	3,323.0	2,840.0	483.0	1,999.7	129.8	1,869.9
Of which:						
Power.....	(1,100.0)	(1,925.0)	(175.0)	(1,726.8)	(9.2)	(1,717.6)
Wells and waterlines.....	(1,151.0)	(915.0)	(236.0)	(207.1)	(120.7)	(86.4)
C. Total grant program:						
8. Economic development study.....	200.0	200.0		92.4	45.0	47.4

Source: Government of Guam tabulation of 1965 appropriations, U.S. Congress, Committee on Appropriations, Subcommittee, Department of the Interior Appropriations, hearings, 1966, Office of Territories files for checks disbursement and project detail.

TABLE 2.—*Guam trade*

[In thousands of dollars]

	1964	1963	1962	1959
U.S. shipments to Guam.....	39,987.9	33,074.5	20,979.0	23,926.0
Animals and animal products, edible.....	3,257.0	2,847.9	2,366.6	2,108.8
Animals and animal products, inedible.....	214.5	154.8	103.3	185.0
Vegetable food products and beverages.....	6,502.3	3,792.4	3,138.7	3,147.1
Vegetable products, inedible except fibers and wood.....	1,182.2	916.5	723.3	832.4
Textile fibers and manufactures.....	790.6	628.1	464.1	664.0
Wood and paper.....	2,402.4	2,681.2	1,421.8	2,648.3
Nonmetallic minerals.....	2,618.4	1,595.6	676.7	1,672.0
Metals and manufactures, except machinery and vehicles.....	6,432.5	4,196.4	4,482.8	3,414.1
Machinery and vehicles.....	11,741.8	11,893.4	4,535.9	5,967.4
Chemicals and related products.....	1,771.8	1,569.8	1,057.0	1,071.4
Miscellaneous.....	3,074.4	2,798.4	2,008.8	2,215.8
Guam imports from foreign countries ^{1 2}	9,200.6	8,483.6	5,600.5	4,108.1
Japan.....	4,255.4	3,819.2	2,186.3	1,201.7
Australia/New Zealand.....	^{1 2} 2,143.8	2,463.2	1,781.3	636.4
All other.....	^{1 2} 2,801.4	2,201.2	1,632.9	2,270.0
Total (U.S. shipments plus foreign imports).....	49,188.5	41,558.1	26,579.5	28,034.1
Reported Guam total ²	41,365.1	36,294.6	25,541.9	30,334.4

¹ One-half fiscal year 1964 annual report plus separate report July-December 1964.

² Average of totals in annual report of fiscal years, except with respect to 1964.

Source: U.S. Bureau of the Census, FT-800 reports except where otherwise specified.

AMERICAN SAMOAN DEVELOPMENT

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

"Until Congress shall [otherwise] provide" to exercise the powers of the President with respect to the administration of civil government in American Samoa (act, Feb. 20, 1929, 45 Stat. 1253; 48 U.S.C. 1431a), which were delegated to the Secretary of the Interior by Executive Order 10264, June 29, 1951, 16 F.R. 6419.

2. Operation

The operating expenses of the Governor's office, the legislature, and the chief justice and the high court are met by direct Federal appropriations. Requests for Federal grant funds, to finance program expenditures (less estimated local revenues) and the construction program are initiated by the government of American Samoa. After necessary review and approval within the executive branch, the request is transmitted to Congress as part of the executive budget. Once appropriated the funds now are transmitted to the government of American Samoa as required. (Prior to fiscal 1965, appropriated funds were transmitted quarterly; the accumulation of unobligated grant funds appropriated in prior years permitted financing of 1965 actual expenditures for program activities and construction without additional withdrawals from Treasury.) There is no statutory maximum for appropriations that may be authorized for American Samoa.

3. History

On June 28, 1960, Senate Resolution 330 authorized the Committee on Interior and Insular Affairs "to conduct a full and complete study and investigation of conditions in American Samoa for the purpose of determining what should be done to improve economic and other conditions and to give the people of American Samoa a greater amount of self-government." The constitution of American Samoa was promulgated by the Secretary of the Interior, effective October 17, 1960, or well in advance of the subcommittee report to the Senate Committee on Interior and Insular Affairs (U.S. 87th Cong., 1st sess. S. Doc. 38, July 17, 1961).

In the years 1956-59, Federal funds appropriated for the government of American Samoa included direct appropriations of \$114,350 to \$142,625 and grant funds of less than \$1.2 million per year to finance all program activities. In 1960 and 1961, grants increased to \$1.7 and \$2 million per year, mainly for construction of a jet airport. In 1961, the subcommittee observed (S. Doc. 38, op. cit., p. 26) that—
governmental functions and services * * * have been greatly stunted in relation to realistic necessary requirements—

as a result of the limited grant funds available, and again (p. 25):

Necessary improvements that will lift the economy above its bare subsistence level, essential aids that will provide further vitally needed medical services and overcome adverse health and sanitary conditions, adjustments and additions that will shore up the public school system and provide Samoans with the kind of education and training they now so urgently need—all these cost money. Nevertheless, they are basic in American Samoa for improving the general standard of living and in establishing a firm foundation for political and social advancement.

Beginning with fiscal year 1962, Federal grants have financed a major economic and social development program in American Samoa,

with primary emphasis on improvement of education, as well as other public services and public facilities. In the fiscal years 1962-65, direct appropriations and grants have totaled well over \$40 million. (See table 1.)

4. *Level of operations*

Of the \$40.4 million net appropriations available from 1962 to 1965, approximately $\frac{1}{3}$ has been required to finance operating expenditures and $\frac{2}{3}$ for the construction program. With enactment of an American Samoa income tax patterned after the Federal statute, local revenues since 1963 have surpassed 1964-65 budget estimates. As a result, about \$1.3 million may be available to reduce appropriations for operating expenditures of 1966. Of some \$26 million authorized for construction projects, about \$17 million had been expended, another \$2.5 million obligated, while \$6.5 million remained unobligated as of June 30, 1965. In the years 1962-65 education services and facilities accounted for almost one-third of the American Samoan development program (\$12.9 of the \$40.5 million in gross expenditures and obligations without regard to source of funds, as computed from table 1, \$6.9 of \$21 million operating expenditures, and table 2, almost \$6 million of \$19.5 million total expenditures and obligations, construction). Annual appropriations for medical services have more than tripled. With respect to the major construction projects, funds appropriated for schools, educational television and teacher housing, for powerplant, airport and roads had been very substantially expended or obligated by October 1, 1965. (See table 2.)

In 1961, American Samoa had one high school, 41 ramshackle village schools and Samoan teachers with limited facility in English and 5th and 6th grade educations, by stateside standards, in most instances. In concrete terms, the Samoan development program has built one new high school, is constructing another while a third remains to be built. Fourteen of the planned 26 consolidated village schools have been completed and 74 of the planned 88 houses for stateside teachers. Of very special importance has been the trailblazing—and in educational terms, truly revolutionary—system of educational television, that has now been fully constructed at a cost of some \$2.6 million. With a relatively few qualified teachers, virtually the entire education system of American Samoa, at first for elementary schools and then for the high schools, was almost instantaneously upgraded, and at considerably less cost than if all unqualified Samoan teachers had been replaced by statesiders. Stateside teachers now are used primarily as principals, administrators and instructors on the ETV system. Educational television has been so outstandingly successful it is being studied by international agencies and foreign countries.

In 1961, Samoans suffered from unchecked disease and malnutrition, and sanitary conditions were deplorable. An islandwide mass treatment for filariasis has been conducted, treatments in outpatient clinics increased to 60,062 (for a population of perhaps 27,000) in 1965, and 7 stateside doctors and 5 registered nurses have been employed. Sanitation and hospital services have improved, even while construction of the new hospital and sewage system is still to be undertaken.

There are only 12 Federal employees with the Department of the Interior in American Samoa. In addition, the fiscal 1965 budget made provision for 225 stateside employees—including 162 in education and 20 in medical services—who would be non-Federal employees of the local government. The 1965 budget also provided 1578 positions for American Samoans, including 389 teachers and 358 in the Department of Medical Services. As of February 18, 1965, the government of American Samoa employed a total of 2,482 persons including construction workers and employees of government enterprise, such as the public utility system, as well as employees in government departments. The 2,482 total probably does not include the 237 statesiders (U.S. Department of Labor, Wage and Hour and Public Contracts Division, "Industries in American Samoa," May 1965, p. 9).

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

No major changes contemplated.

7. *Coordination and cooperation*

In the first stages of the construction program, the government of American Samoa received considerable assistance from the Navy Department. The Federal Aviation Agency has established a communications facility at Pago Pago International Airport, which handles both aeronautical communications and a certain amount of Government point-to-point communications. The National Park Service has planned a park and recreation area development program for American Samoa. Personnel of the Department of Health, Education, and Welfare supervised the establishment of a school lunch program, when Federal grants for this purpose were extended to American Samoa.

8. *Laws and regulations*

Act, February 20, 1929, 45 Stat. 1253, 48 U.S.C. 1431a; Executive Order 10264, June 29, 1951, 16 F.R. 6419.

Department of the Interior Appropriations Acts:

1962: Public Law 87-122, 75 Stat. 246, 250; Public Law 87-332 (\$4.5 million supplemental), September 30, 1961; Public Law 87-14 (\$465,000, South Pacific Conference in American Samoa) March 31, 1961.

1963: Public Law 87-578, 76 Stat. 335, 339.

1964: Public Law 88-79, 77 Stat. 96, 102.

1965: Public Law 88-356, 78 Stat. 273, 278.

1966: Public Law 89-52, 79 Stat. 174, 179.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The substantial increase in government construction and services created employment for about 1,000 additional persons, 1960-65. With the establishment of a second tunafish canning plant and a can factory, and related expansion of trade and service industries, private employment also increased by 664, 1960-64:

Employment	1960 ¹	1964 ²
Total employed.....	5,833	8,608
Employed in agriculture.....	2,840	3,842
Nonagricultural employment.....	2,993	4,766
Private wage and salary workers.....	1,427	2,091
Government workers.....	1,349	³ 2,482
Self-employed.....	135	129
Unpaid family workers.....	82	64

¹ U.S. Bureau of the Census, Population, 1960.

² Annual report of the Governor of American Samoa to the Secretary of the Interior, fiscal 1964, unless otherwise indicated.

³ U.S. Department of Labor, Wage and Hour and Public Contracts Division, "Industries in American Samoa," May 1965.

There are about 5,000 aliens in American Samoa, mainly western Samoans, but the number in the labor force is not known.

A program of tax exemption, together with the tariff benefits available to producers in the U.S. possessions under general headnote 3(a) of the Tariff Schedules of the United States (19 U.S.C. 1202), has developed a tunafish canning industry in American Samoa and a related can fabricating plant. Tunafish and fish products shipped to the United States now account for virtually all American Samoan exports. Imports into American Samoa, which are also mainly imports from the United States, have increased in volume very substantially in recent years. The discrepancy between American Samoan reported figures, which do not include shipments received for Government account, and Bureau of the Census reports of shipments of U.S. goods to American Samoa provide a rough measure of the volume of American Samoan imports directly related to the local government's development program. Nongovernmental imports of American Samoa also increased (according to data available from the government of American Samoa through fiscal 1964), but to a much lesser extent than total imports.

American Samoan trade

[In thousands of dollars]

Imports and exports	1961	1962	1963	1964	1965 (annual rate)
IMPORTS					
1. From the United States, total ¹	3,871.4	8,178.9	13,788.4	9,848.6	13,536.2
Estimated government imports ²	453.1	3,738.3	9,035.0	(³)	(³)
Estimated nongovernmental imports.....	3,418.3	4,440.6	4,753.4	(³)	(³)
2. From foreign countries (estimated) ⁴	1,065.6	1,178.4	1,488.0	(³)	(³)
Total imports.....	4,937.0	9,357.3	15,276.4	(³)	(³)
EXPORTS ⁵					
Fish and fish products.....	6,959.0	10,498.0	12,055.0	9,715.0	-----
Total exports.....	7,031.0	10,749.0	12,285.0	9,768.0	-----

¹ Bureau of the Census data, calendar years.

² Difference between Bureau of the Census data, calendar years, and average of fiscal year data on imports from the United States as reported from American Samoa.

³ Not available.

⁴ Average of fiscal year data on imports from foreign countries as reported from American Samoa; figures do not include value of fresh fish landed from foreign fishing vessels.

⁵ U.S. Department of Labor data obtained by calendar years.

Source: U.S. Bureau of the Census, FT-800 reports; report of the Governor of American Samoa to the Secretary of the Interior, fiscal year 1964; U.S. Department of Labor, Wage and Hour and Public Contracts Division, "Industries in American Samoa," May 1965.

No income data regularly are collected in American Samoa. From data compiled by the 1960 population census, personal income in 1959 may be computed at about \$3.6 million in total or \$182 per capita. (Cash income figures, which do not include the monetary value of free housing or goods produced and consumed at home, understate the real income per capita of Samoans, especially with respect to the relatively large number of persons engaged in agriculture.) Since 1959, personal income in American Samoa appears to have doubled, and in large part because of the government development program; notwithstanding population growth, some very rough recent estimates evidence a rising income per capita.

The Wage and Hour and Public Contracts Division of the Department of Labor collected data on salaries of government employees as of February 1965; the computed annual payroll for 2,482 government employees would be about \$3.8 million. The tunafish canneries had 777 employees in 1965 earning an average of \$1.046 per hour, but working a reported 1,313 hours per year; the canneries' annual payroll is perhaps another \$1.1 million. All other employees covered by the Fair Labor Standards Act may earn \$1 million in total (about 500 persons, if the work is full time at \$1 per hour). Another 800 persons in private employment not covered by the FLSA probably earn considerably less than \$1 per hour, or perhaps \$800,000 annually. With some small allowance for rental income and the profits of unincorporated business, personal income may be about \$7 million in the current period (as compared with \$3.6 million in 1959) and perhaps \$259 per capita (as compared with \$182 in 1959) if the American Samoan population, including an estimated 5,000 aliens, indeed is as high as 27,000. In this connection, it may be noted that the Fair Labor Standards minimum for the principal private employers in American Samoa, the tunafish canneries, was established at 38 cents per hour in 1957, was increased to 75 cents per hour on August 31, 1959, and has been \$1 per hour since September 9, 1963.

In November 1965, the first tourist hotel will open, 100 percent owned by 1,200 American Samoan shareholders and assisted by the Area Redevelopment Administration in its financing. With the new hotel plus regular air service on U.S. carrier routes from Hawaii to Australia and New Zealand, and only recently to Tahiti, it is hoped that tourism will become an important new industry for American Samoa, and a further stimulus to its economic growth.

10. *Economic classification of program expenditures.* (See tables 1 and 2.)

Program: American Samoan development.
 Department or agency, and office or bureau: Department of the Interior; Office of Territories.

TABLE 1.—American Samoa—Appropriations and expenditures ¹, fiscal years 1962-65 and 1966 estimate

[In thousands of dollars]

Appropriations and expenditures	1962-65 total	Fiscal 1962	Fiscal 1963	Fiscal 1964	Fiscal 1965	Fiscal 1966 estimate
Total appropriation.....	40,511.4	9,666.6	13,044.0	12,276.0	5,524.8	4,093.0
Less direct appropriation not expended ²	-98.5	-16.0	-27.5	-55.0		
I. Net appropriation.....	40,412.9	9,650.6	13,016.5	12,221.0	5,524.8	4,093.0
II. Operating expenditures, total.....	20,972.5	3,471.4	4,432.8	5,696.3	7,372.0	8,103.5
A. Program activities, total.....	20,081.5	3,301.6	4,212.2	5,461.1	7,106.6	7,784.4
1. Education ³	6,948.8	877.6	1,169.9	2,003.7	2,897.6	3,333.5
2. Medical services.....	3,638.0	702.2	818.9	998.2	1,118.7	1,324.2
3. Protection, persons and property ⁴	661.5	114.2	140.0	169.4	237.9	298.5
4. Resources development.....	1,113.3	142.3	273.6	297.2	400.2	429.8
5. Operations, maintenance, Public works, transportation and utilities.....	5,666.8	969.4	1,154.8	1,532.8	2,009.8	1,803.1
6. General administration.....	2,053.1	495.9	655.0	459.8	442.4	595.3
B. Territorial government ⁵	891.0	169.8	220.6	235.2	265.4	319.1
7. Governor's office.....	484.2	95.8	117.3	128.3	142.8	178.0
8. Chief justice and high court.....	237.9	39.7	61.8	60.4	76.0	91.0
9. Local judicial and public defender.....	57.3	10.3	11.5	16.2	19.3	21.1
10. Legislative expense.....	111.6	24.0	30.0	30.3	27.3	31.0
III. Less estimated local revenues ⁶	-7,951.8	-1,100.0	-1,212.3	-2,472.1	-3,167.4	⁷ -4,010.5
IV. Total appropriations required for operating expenditures.....	13,020.7	2,371.4	3,220.5	3,224.2	4,204.6	4,093.0
V. Balance of appropriations available.....	27,392.2					
Less appropriations expected to be reprogrammed ⁸	1,358.5					
VI. Appropriations available for construction adjusted ⁹	26,033.7	6,917.8	9,062.4	⁹ 8,706.2	⁹ 1,347.3	
VII. Construction expenditures, total.....	16,976.8	¹⁰ 4,955.3	2,818.8	¹¹ 5,073.0	4,129.7	
Unliquidated obligations, June 30, 1965.....	2,512.3					
Unobligated balance, June 30, 1965.....	6,544.6					

¹ Expenditures shown here refer to actual expenditures when made by American Samoa. These do not always coincide with the expenditures made by the Federal Government. In fiscal 1965, for example, the Federal budget does not show expenditures for grant programs. The expenditures made by American Samoa in 1965 come from money which had been disbursed by the Federal Government in prior years.

² Sum of appropriations minus expenditures, required to be returned to the Treasury, 1962-64.

³ Including public information.

⁴ Including civil defense.

⁵ Except for local judicial and public defender, financed, as are program expenditures, from grant funds. The expenditures in this category are described as "direct" expenditures.

⁶ Actual revenues were \$2,472,100 in 1964, \$3,167,400 in 1965, as compared with budgeted amounts of \$1,800,000 and \$2,416,000. For 1962-63, budgeted amount is estimated at \$2,312,300.

⁷ Including \$988,400 revenues of prior years in excess of budgeted amounts.

⁸ Mainly excess of actual revenues over budgeted amount. It is expected that almost \$990,000 will be used to reduce 1966 operating appropriation (included in local revenues, 1966), another \$114,000 for the construction program, balance unallocated at this time.

⁹ Including reprogrammed items. \$23,871,200 is 1962-65 total of budgeted amounts.

¹⁰ Computed; 1962-65 expenditures total minus expenditures reported 1963-65.

¹¹ Expenditures \$4,295,000 plus net liquidation of prior year obligations \$778,000.

Source: Department of the Interior estimates of appropriations, 1964-67, and government of American Samoa data on construction programs.

TABLE 2.—American Samoa—Major construction activities, fiscal years 1962-65

[In thousands of dollars]

Object classification	Construction programs					Unobligated balance (as of Sept. 30, 1965)	Expenditures and obligations, 1962-65 ¹
	1962	1963	1964	1965	Total, 1962-65		
1. Education.....	863.0	4,390.5	275.0	989.3	6,517.8	522.6	5,995.2
High schools and special schools ²	526.0	368.8	145.0		1,039.8	31.0	1,008.8
Village schools.....		1,581.2			1,581.2	491.6	1,089.6
Educational television.....	40.0	1,582.5		³ 989.3	2,611.8		2,611.8
Housing (primarily for teachers).....	297.0	858.0	130.0		1,285.0		1,285.0
2. Medical services ⁴		214.0	2,970.0		3,184.0	2,734.4	449.6
3. Resources development ⁵			⁶ 805.0	⁷ 352.0	1,157.0	894.4	262.6
4. Operations and maintenance, public works, transportation and utilities.....	4,167.9	3,506.1	3,691.0	2,101.0	13,466.0	2,552.4	10,913.6
(a) Water, power and electrical system.....	895.0	2,002.6	1,000.0	⁷ 1,063.0	⁸ 4,960.6	404.9	4,555.7
(b) Transportation (jet airport).....	2,350.0	600.0			⁹ 2,950.0		2,950.0
(c) Communications.....		159.5	691.0	⁷ 254.0	1,104.5	513.1	591.4
(d) Other ¹⁰	922.9	744.0	2,000.0	⁷ 784.0	¹¹ 4,450.9	1,034.4	2,816.5
Major construction projects.....	5,030.9	8,110.6	7,741.0	3,442.3	24,324.8	6,703.8	17,621.0
Total construction.....					¹² 26,033.7	¹³ 6,544.6	¹³ 19,489.1

¹ Includes expenditures and obligations for 3 months of fiscal 1966. The 1966 budget included no new appropriations for construction.

² Junior and senior high schools, vocational school, dependent school.

³ As reprogrammed.

⁴ Including nurses' quarters.

⁵ Land reclamation and harbor improvement, transit shed and cold storage facility, marine railway.

⁶ Includes land reclamation and harbor \$500,000; also marine railway \$120,000 and cold storage facility and shed \$185,000, as reprogrammed.

⁷ Approved programs for which no additional appropriation authorized.

⁸ In addition, \$60,000 was appropriated for power in fiscal 1961.

⁹ In addition, \$1,250,000 was appropriated for the jet airport in 1960-61.

¹⁰ Roads and sewers.

¹¹ In addition \$20,000 was appropriated in 1961 for roads.

¹² Total construction appropriations as budgeted were \$23,871,200. Reprogrammed items and approved programs for which no additional appropriation was authorized account for difference.

¹³ As of June 30, 1965, including unliquidated obligations.

Source: Computed from government of American Samoa data as of Sept. 30, 1965. Total construction, as compiled for table 1.

TRUST TERRITORY OF THE PACIFIC ISLANDS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

"To provide for the continuance of civil government in the Trust Territory of the Pacific Islands" (Act of June 30, 1954, 68 Stat. 330, as amended, 78 Stat. 601).

The United States accepted responsibility to promote the economic, social, political, health, and educational development of the people of Micronesia through a trusteeship agreement between the United States and the United Nations Security Council, effective July 18, 1947. This responsibility was assigned to the Secretary of the Interior by Executive order in 1951 (Executive Order 10265, superseded by Executive Order 11021).

2. Operation

The act of June 30, 1954, as amended, authorizes a maximum of \$17.5 million per year to be appropriated for administration of the Trust Territory of the Pacific Islands. Each year the Office of the High Commissioner of the Trust Territory prepares a request for appropriations, by categories, which after necessary review and approval by the executive branch, is transmitted to the Congress as part of the executive budget. Once appropriated, the funds are transmitted to the government of the trust territory periodically, to reimburse expenditures made or to permit payments to be made on obligations incurred for approved projects.

3. History

For at least 9 years, annual appropriations for the trust territory were under \$6 million, and ranged from \$4.3 to not more than \$5 million in 5 of those years. Actual appropriations thus were well under the \$7.5 million maximum authorized to be appropriated. The effect of these restrictive budgets was to permit very little to be done to improve the educational, health, and economic standards of the Micronesian population, which has been increasing rapidly from 55,000 in 1951 to more than 90,000 in 1965. The "bare bones" of administering the trust territory is a priori more complicated than administration of other U.S. offshore areas, since its 100 inhabited islands extend over 3 million square miles of the Pacific Ocean. Trust territory government, furthermore, finances, either directly or through contractors, transportation, communication and public utilities, community hospitals and medical services, as well as the more usual functions of government.

Until the economic base of the trust territory (mainly copra exports of \$1 to \$3 million per year to the outside world) can be expanded, Federal appropriations, and not the very limited local revenues, are the only means available to provide for improved public facilities, public health, and education. In 1962, the ceiling authorization on trust territory appropriations was increased from \$7.5 to \$17.5 million. The first substantial increase in funds was not appropriated, however, until very late in the 1963 fiscal year (\$7,290,000, Public Law, 88-25, May 17, 1963). The accelerated development program for the trust territory, therefore, is a program of little more than 2 years' duration (fiscal 1964-65). It is already becoming apparent, as indicated in the

1966 estimates of the tabulation attached, that vitally needed improvements cannot be made (e.g., in the health program) without a standstill or even reduction in other essential programs (e.g., education, maintenance and extension of public utilities, construction of out-island clinics) within even this \$17.5 million ceiling limitation.

4. Level of operations

In the approximately 2 years of its operation, the accelerated development program for the trust territory has placed its major emphasis on improvement of educational facilities and services. More than one-third of funds made available to the government of the trust territory in the fiscal years 1963-65 (\$16.3 of \$47.5 million) has been spent on education (\$6.8 million, table 1 attached), and schools and teacher housing (\$9.5 million, table 2, attached). In addition, almost \$500,000 in recruitment and home leave travel expenses for stateside teachers is classified, for budget purposes, as "administrative expense" and not included, therefore, in the \$16.3 million total.

These substantial expenditures have financed 8 new high schools, 333 or more new elementary school classrooms, more than 200 teacher houses and the recruitment of more than 200 stateside teachers and supervisors. Elementary school enrollment has increased from 11,216 in 1961 to about 21,000 at the beginning of the 1965-66 school year, and secondary school enrollment from 165 students in 1 high school in 1961 to about 2,220 students in the current school year. In these widely scattered islands secondary school attendance requires provision of boarding facilities as well as school buildings. Until additional dormitories are constructed, therefore, a substantial number of students eligible for high school—perhaps 500 or more—cannot be admitted. Furthermore, and notwithstanding the notable improvement in teaching staffs, only one out of every six teachers in elementary schools and only about half the teachers in secondary schools are deemed by stateside standards "qualified to teach."

With increased expenditures for medical services, a fully qualified M.D. has been assigned to each of the six districts in the trust territory, and mass immunization programs have been undertaken. Amoebic dysentery is rampant and epidemics of gastroenteritis, influenza, measles, and other diseases still are prevalent. There are only about 5 hospital beds per 1,000 population and not a single registered nurse in any district hospital. The field dispensaries on remote islands are in need of new equipment and repair. In the current fiscal year, accordingly, medical services have been programed at more than one-third above the fiscal 1965 level and more than \$2 million in construction funds will be available for hospitals and clinics. Very much remains to be done, however, in terms of construction, equipment and staff, with respect to both public health programs and the provision of medical services. Only 2,900 of the 90,000 population have a protected water supply and adequate sanitary facilities. The appropriations and unobligated funds available for water systems and sewer construction (table 2) are still inadequate.

In the last half of fiscal 1965, there was an average of 334 Federal employees in the trust territory; another group of about 120 are stateside contract teachers, who are employees of the trust territory but not of the Federal Government. About 3,200 Micronesians are employed by the trust territory government, including about 700 teachers.

Table 1 attached identifies the object categories of trust territory operating expenditures and obligations by years, and in the 1966 budget. The capital improvements program, shown in total on table 1 and by object classifications in table 2, presents a cumulative total for fiscal years 1963-65 expenditures and obligations of \$9,364,800 as compared with appropriations of \$14,947,300. Expenditures and obligations for the 3-year period cannot at present be further segregated as between expenditures and obligations, nor—because of changes in accounting methods—can the expenditures and obligations of a single fiscal year be clearly identified in the 1963-65 total. For the fiscal year ending June 30, 1965, Treasury funds disbursed to the trust territory government for operating and capital expenditures, but excluding expenditures of the High Commissioner's Office and the judiciary, totaled \$12,478,435.

An economic development operations unit, under contract with a private development firm, began full-fledged operations at the beginning of the 1966 fiscal year. Among other things, the unit is to prepare and maintain an economic plan looking toward increased use of Micronesian resources by the Micronesians themselves and to provide advisory services concerning capital investment and economic development.

5. *Estimated magnitude of program in 1970*

Not answered.

6. *Prospective changes in program orientation*

The Office of Territories intends to initiate a legislative proposal that will (1) increase the authorized ceiling on Federal appropriations for the trust territory to a level which will sustain the development momentum that has now been established and (2) exclude from any such general appropriation authority any Federal grants that now or hereafter may be allocated to the trust territory pursuant to other acts of Congress.

7. *Coordination and cooperation*

The trust territory has received expert assistance from several agencies. For example, the Department of Agriculture has conducted a program to eliminate the fruitfly in the trust territory and the Department of Health, Education, and Welfare, now is advising on establishment of a retirement system for those trust territory government employees who are not covered by the Federal retirement system. Of special importance has been the assistance of Public Health Service personnel in epidemic control, mass immunization programs, reorganization and planning of health services.

8. *Laws and regulations*

Act of June 30, 1954, 68 Stat. 330, as amended, 76 Stat. 171, 78 Stat. 601 (48 U.S.C. 1681).

Department of Interior Appropriations Acts: 1963, Public Law 87-578, 76 Stat. 335, 339; 1963 Supplemental, Public Law 88-25, 77 Stat. 20, 29; 1964, Public Law 88-79, 77 Stat. 96, 102; 1965, Public Law 88-356, 78 Stat. 273, 278; 1966, Public Law 89-52, 79 Stat. 174, 179.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The economy of the trust territory still is basically a subsistence economy; accordingly, trust territory estimates of "national income" tend to understate the per capita real income of the people of the territory. At any rate, the estimated per capita income, low as it is in terms of cash, has improved substantially over the past 5 years:

Item	Fiscal 1960	Fiscal 1965
Estimated national income	\$4, 559, 671	¹ \$10, 257, 200
Resident population	75, 836	90, 596
Estimated per capita national income	\$60	113
Percent of change, 1965 from 1960		+8

¹ Computed by the Trust Territory Government as the sum of wages and salaries paid Micronesians, \$7,104,741, and exports, \$3,152,459. As the trust territory government has noted, this monetary expression of national income represents only a portion of the real income per capita, which includes a wide variety of money, subsistence, and mixed income in the dispersed and isolated economies of the islands. Cash income figures do not include, for example, the monetary equivalent of owned housing, foodstuffs produced and consumed at home, and any facilities, goods, or services obtained by barter, gift-giving, or payments in kind or in traditional and indigenous measures of value.

In the past 3 years, operating expenditures and capital improvements (expenditures and obligations) have averaged \$15.2 million a year or about \$168 per capita, 1965 population and in 1965, operating expenditures alone were \$174 per capita.

Included in Government expenditures, but not in estimates of territorial national income, are (1) salaries paid to stateside personnel who directly or indirectly provide services available to Micronesians, and (2) the value of Government purchases of goods produced outside the trust territory. These are included in the national income of the U.S. or other supplier country.

In fiscal 1965, trust territory imports totaled \$7.1 million (wholesale value) as compared with \$3.7 million in 1960. In calendar 1965, U.S. exports to the trust territory are reported as \$5.4 million; in the first 6 months of 1966, U.S. exports to the trust territory were at an annual rate of \$4.8 million.

The program for administration of the trust territory clearly is financing the bulk of imports from the United States and foreign countries, the predominant portion of the \$7.1 million paid in wages and salaries to Micronesians and the services performed by stateside teachers, doctors, and other employees of the trust territory government (\$4.2 million). Local revenues financed, on the average, only about \$1.2 million of the government's 1963-65 program.

The economic effects of the trust territory program only begin to be observed; the dividends on investment in improved education and health for the rising generation of Micronesians and the results of the economic development program recently initiated should be appearing hereafter.

10. *Economic classification of program expenditures.* (See tables 1 and 2.)

Program: Trust Territory of the Pacific Islands.

Department or agency, and office or bureau: Department of the Interior; Office of Territories.

HUMAN RESOURCES PROGRAMS

TABLE 1.—Trust Territory of the Pacific Islands—Operating expenditures and obligations and capital improvements program: fiscal years 1963-65 and 1966 estimate

[In thousands of dollars]

	1963-65 total	1963	1964	1965	1966 estimate
Total appropriations.....	\$47,500.0	\$15,000.0	\$15,000.0	\$17,500.0	\$17,344.0
Operating expenditures, total.....	36,127.9	9,497.1	10,846.0	15,784.8	15,061.4
A. Program activities.....	35,517.1	9,318.3	10,651.0	15,547.8	14,547.8
1. Medical services.....	4,094.4	933.5	1,400.2	1,760.7	2,367.5
2. Education.....	6,843.8	963.3	1,928.6	3,951.9	3,765.5
3. Community development.....	207.1	-----	100.2	106.9	100.0
4. Public affairs.....	273.6	-----	130.9	142.7	248.0
5. Resources development.....	2,678.0	839.7	873.7	964.6	1,450.0
6. Protection, persons and prop- erty.....	1,304.8	499.6	403.0	402.2	434.0
7. Administration.....	4,855.2	1,511.7	1,479.0	1,864.5	1,787.0
8. Operation, maintenance, pub- lic works, transportation, and utilities.....	13,878.2	4,570.5	3,862.3	5,445.4	4,240.0
9. Other.....	1,382.0	-----	473.1	908.9	155.8
B. Territorial government.....	610.8	178.8	195.0	237.0	513.6
10. High Commissioner's Office....	281.8	91.9	88.0	101.9	262.0
11. Judiciary.....	329.0	86.9	107.0	135.1	155.0
12. Congress of Micronesia ex- penses.....	-----	-----	-----	-----	96.6
Less estimated local revenues.....	3,661.0	(1)	(1)	(1)	1,367.4
Net appropriations required for oper- ating expenditures.....	32,466.9	-----	-----	-----	13,694.0
Capital improvements: Appropriations, balance of projects not capitalized.....	14,947.3	(1)	(1)	(1)	3,650.0
Of which—					
Expenditures and obligations.....	9,364.8	-----	-----	-----	-----
Unobligated balance.....	5,582.5	-----	-----	-----	-----

¹ Data available by individual years appear to reflect changes in accounting procedures and revision of prior year estimates during the period.

Source: Department of the Interior, justifications and estimates of appropriations, fiscal years 1965-67.

TABLE 2.—Trust Territory of the Pacific Islands—Capital improvements, fiscal years 1963-65 and 1966 estimate (balance of work in progress—Noncapitalized projects as of June 30, 1965)

[In thousands of dollars]

Capital investment	Fiscal years 1963-65			Fiscal year 1966 appropriated
	Appropriations	Expenditures and obligations	Unobligated balance	
A. Program activities:				
1. Medical services.....	1,394.8	197.3	1,197.5	1,050.0
2. Education.....	9,495.8	6,143.3	3,352.5	1,205.0
Schools.....	(5,294.1)	(3,235.4)	(2,058.7)	(865.0)
Teacher housing (estimated) ¹	(4,201.7)	(2,907.9)	(1,293.8)	(340.0)
3. Community development.....			18.3	
4. Public affairs ²	86.5	68.2	19.0	150.0
5. Resources development ³	350.7	331.7	25.0	
6. Protection, persons and property.....	25.0		53.6	65.0
7. Administration.....	450.1	396.5		
8. Operation, maintenance, public works, and utilities.....	3,084.5	2,221.3	863.2	1,100.0
(a) Water and power, sewers.....	(1,215.0)	(695.1)	(519.9)	(450.0)
(b) Transportation ⁴	(1,308.5)	(1,278.8)	(29.7)	(300.0)
(c) Communications.....	(181.3)	(95.1)	(86.2)	
(d) Other public works ⁵	(379.7)	(152.3)	(227.4)	(350.0)
9. Other.....				
B. Territorial government:				
10. High Commissioner's Office.....				
11. Judiciary.....	59.9	6.5	53.4	80.0
Total.....	14,947.3	9,364.8	5,682.5	3,650.0

¹ Construction of employee housing allocated to education, since recruitment of stateside teachers necessitated such new construction.

² Broadcasting.

³ Agricultural facilities, fisheries and boatbuilding, hotels for tourists and other travelers.

⁴ Administrative buildings, warehouses, refrigeration unit, and fuel storage.

⁵ Airfields, ships and vessels, docks, piers, and port facilities.

⁶ Roads.

Source: Department of the Interior estimates of appropriations, 1967.

Federal Water Pollution Control Administration¹

WATER POLLUTION CONTROL

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The objectives of the Federal water pollution control program are to assure an adequate supply of water suitable in quality for public water supplies, propagation of fish and aquatic life and wildlife, recreational purposes, and agricultural, industrial, and other legitimate uses. To do this, program objectives involve putting into effect existing knowledge on a scale necessary to cope with existing pollution, seeking new knowledge to deal with unsolved problems through research, and planning to anticipate and make orderly provision for meeting future pollution problems.

2. Operation

A. The program is conducted at several levels of operating responsibility. The following indicates the activities conducted at the respective levels:

¹ The Federal Water Pollution Control Administration was transferred to the Department of Interior in May 1966. The reply was prepared in January 1966 while the Administration was in the Department of Health, Education, and Welfare.

(1) *Direct Federal operation.*—Comprehensive river basin studies, research, training programs, basic data collection, and enforcement studies are conducted primarily as a Federal operation by regional and field offices under headquarters supervision.

Technical assistance is provided appropriate public and private groups and individuals relating to the cause, control, and prevention of water pollution, by requests channeled through State water pollution control agencies.

(2) *Federal grants-in-aid and contracts.*—The program provides the following types of grants and contracts:

(a) *Research, training, demonstration, and research fellowships.*—

These grants are awarded to appropriate authorities, agencies, institutions, and individuals in the conduct of studies and training related to the causes, control, and prevention of water pollution.

(b) *State control program.*—Grants are provided State and interstate water pollution control agencies to assist them in conducting their programs.

(c) *Waste treatment works construction grants.*—Grants to assist municipalities construct waste treatment facilities are provided in this program.

(d) *Combined sewer grants.*—Grants for research and development into new and improved methods for separation of combined sewer wastes.

(e) *Contracts.*—Contracts are made with private individuals and/or agencies, institutions, and organizations for conducting special studies related to water pollution control.

(f) *Training program.*—Grants-in-aid are provided under the research and training grant program mentioned above. In-house training is also conducted by program staff at the Sanitary Engineering Center in Cincinnati.

3. History

Before 1948, Federal concern for water pollution was mostly confined to control of pollution of coastal waters from oil by ships, to research and surveys, and to technical assistance to State and local governments chiefly in regard to water-borne diseases. The first general Federal pollution control regulation was passed in 1948. Permanent water pollution control legislation, the Federal Water Pollution Control Act, Public Law 84-660, was enacted in 1956. This act provided legislation of a comprehensive nature and permitted Federal participation in a wide variety of activities. The act's provisions were strengthened and extended in 1961. Among other things, the act provided for comprehensive river basin programs, enforcement, technical assistance, an expanded research program; and, grants for construction of waste treatment facilities, State programs, research, training, demonstrations, and fellowships. The Water Quality Act of 1965, Public Law 89-234, amended the Federal Water Pollution Control Act. It established a Water Pollution Control Administration within the Department of Health, Education, and Welfare, provided for grants for research and development for separating wastes in combined sewers, authorized an increase in grant amounts for constructing sewage treatment works, and required water quality criteria to be established on interstate streams.

Since 1956, the program has helped to construct over 6,000 waste treatment projects, initiated 38 pollution control enforcement actions

affecting 1,200 municipalities, a like number of industries, and 7,500 miles of streams and bays. Nine comprehensive water pollution control projects on river basins in the United States are underway; 1 basin study has been completed; 10 others are planned; all are expected to be completed by 1972. Over 1,200 research, training, demonstration, and research fellowship grants have been awarded since 1962 when that program started, resulting in stimulating interests in scientific research, advancing knowledge of water pollution control, and in training scientists and engineers.

4. *Level of operations.* (See table 1.)

Program: Water pollution control.

Department or agency, and office or bureau: Department of the Interior; Federal Water Pollution Control Administration.

TABLE 1.—*Level of operations and performance, fiscal year 1965-67*¹

Measure and unit	Dollars and number of units (dollars in thousands)			
	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(a) Magnitude of the program: ²				
Research, fellowships, demonstration and training grants:				
Obligations.....	\$7,328	\$8,888	\$11,420	\$13,062
Grant awards.....	351	428	497	493
State control programs: ³				
Obligations.....	\$4,706	\$4,866	\$5,000	\$5,000
Program grants.....	58	58	58	58
Comprehensive program:				
Obligations.....	\$4,424	\$6,025	\$7,050	\$10,911
Basin study projects.....	6	7	9	13
Enforcement:				
Obligations.....	\$2,938	\$3,259	\$3,675	\$4,534
Conferences ⁴	10	4	3	
Major on-site projects.....	6	8	8	6
Research and development:				
Obligations.....	\$2,193	\$3,067	\$5,657	\$8,691
Research categories ⁴			28	28
Basic data:				
Pollution surveillance system—obligations.....	\$1,052	\$1,119	\$1,278	\$1,510
Samples taken (water-year).....	23,200	27,238	27,200	27,200
Determinations made (water-year).....	193,907	167,729	167,000	167,000
Technical assistance: ⁴				
Obligations.....	\$1,295	\$1,990	\$5,733	\$9,001
Requests handled.....	3,000	3,000	3,000	3,000
Training:				
Obligations.....	\$379	\$494	\$477	\$708
Persons enrolled in courses.....	140	133	269	300
Waste treatment grants and sewer overflow control grants, combined sewer program:				
Obligations.....	\$85,427	\$84,523	\$141,200	\$160,000
Grant awards.....	729	611	956	1,090
Grants and contracts.....			75	75
Laboratories (buildings):				
Amount.....	\$3,140	\$9,800	\$7,971	\$3,914
Number.....	8	8	12	12
(b) Applicants or participants:				
State and interstate government:				
Water pollution agency—Program grants:				
Obligations.....	\$4,706	\$4,866	\$5,000	\$5,000
Participants.....	58	58	58	58
Demonstration grants:				
Obligations.....	\$117	\$179	\$333	\$469
Participants.....	6	6	(⁵)	(⁵)
Local communities:				
Grants for waste treatment works:				
Obligations.....	\$84,601	\$84,325	\$121,000	\$140,000
Participants.....	729	611	926	1,090
Research and demonstration grants:				
Obligations.....	\$104	\$379	\$681	\$945
Participants.....	5	12	(⁵)	(⁵)
Individuals:				
Research, fellowship, and demonstration grants:				
Obligations.....	\$529	\$639	\$739	\$668
Participants.....	78	103	(⁵)	(⁵)

See footnotes at end of table, p. 290.

TABLE 1.—Level of operations and performance, fiscal year 1965-67¹—Continued

Measure and unit	Dollars and number of units (dollars in thousands)			
	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966	Fiscal year 1967
(b) Applicants or participants—Continued				
Other (participants):				
Nonprofit institutions—Research, demonstration, training:				
Obligations.....	\$6, 533	\$7, 775	\$10, 728	\$10, 869
Participants.....	256	304	(⁶)	(⁶)
(c) Federal finances:				
Unobligated appropriations available.....	\$156, 094	\$168, 756	\$229, 502	\$267, 916
Obligations incurred.....	\$117, 266	\$125, 212	\$194, 641	\$223, 053
(d) Matching or additional expenditures for the program:				
State control program, State share.....	\$16, 359	\$15, 258	\$18, 900	\$20, 450
Waste treatment works construction, local share.....	\$271, 732	\$327, 483	\$364, 000	(⁶)
Demonstration grants.....	\$415	\$775	\$8, 940	\$9, 530
(e) Number of Federal Government employees:				
Research, fellowship, demonstration, and training grants (administer).....	22	24	28	30
State control programs, (included in technical assistance).....	(⁶)	(⁶)	(⁶)	(⁶)
Comprehensive programs (administer, supervise, operate).....	337	410	471	738
Enforcement (administer, supervise).....	235	255	297	375
Research and development (administer, supervise).....	180	239	320	482
Basic data (administer, supervise, operate).....	102	110	114	125
Technical assistance (administer, supervise, operate).....	96	145	180	340
Training (administer, supervise, operate).....	13	40	30	45
Construction grants and facilities demonstration services (administer, supervise).....	118	120	150	192
Executive direction and management support (administer, supervise, support).....	203	209	220	237
Total, Federal Government employees.....	1, 306	1, 552	1, 810	2, 564
(f) Non-Federal personnel.....	(⁷)	(⁷)	(⁷)	(⁷)

¹ Does not include costs of new legislative and expanded program proposals indicated in President's budget.

² Program direction, supporting services and similar functions not included.

³ Based on allotment of \$5,000,000.

⁴ 1966 amount represents conferences through Jan. 31, 1966; nature of activity prevents estimating number for 1967.

⁵ Classification initiated in fiscal year 1966.

⁶ Requests vary from letter responses to large-scale field investigations; units are estimated.

⁷ The number of non-Federal personnel in water pollution control work is difficult to determine accurately. This is due to the broad nature of the activity, the difficulty of defining precisely when a person is or is not engaged in water pollution work, and the spread of responsibilities of individuals working in fields related to pollution, such as in a State health department. However, a study completed in December 1963 indicated the number of persons required in the field to be in the following orders of magnitude: 1964, 11,000; 1965, 14,000; 1966, 17,000.

5. Estimated magnitude of program in 1970

Not answered.

6. Prospective changes in program orientation

Not answered.

7. Coordination and cooperation¹

The following discussion specifies and describes (i) aspects of the program in which opportunities for coordination and cooperation arise or might be created, and (ii) organizational or institutional arrangements, developed to promote coordination and cooperation under the lettered categories as of January 1, 1966.

¹ Information provided under this heading is subject to change pending congressional acceptance of Reorganization Plan No. 2 of 1966 and the subsequent transfer of the Federal Water Pollution Control Administration from the Department of Health, Education, and Welfare to the Department of the Interior.

NOTE.—The transfer to the Department of Interior became effective in May 1966.

(a) *Within Administration.*—Establishment of the Federal Water Pollution Control Administration and reorganization of the structure carried over from the Division of Water Supply and Pollution Control will greatly strengthen mechanisms for internal coordination and cooperation.

(b) *With other units of the Department.*—Opportunities for cooperation and coordination frequently arise since water quality cuts across many program responsibilities such as shellfish habitat or pesticides in water. Coordination and cooperation with other units in the Department has generally been very good and carried out through formal and informal contacts. Administration representatives serve on various departmental committees, thus increasing opportunities for program coordination. Establishment of the Federal Water Pollution Control Administration brings the program closer to the Office of the Secretary, taking it from a division position in a bureau of the Public Health Service and shortening the chain of command essential for control.

(c) *Other Federal departments.*—Comprehensive river basin planning presents several significant opportunities for coordination and cooperation with other Federal departments, particularly in exchange of information. Public Law 87-88 authorized cooperation with other Federal agencies in the preparation of comprehensive plans, and water storage studies for Federal agencies constructing reservoirs. The Water Pollution Control Administration is now able to deal more effectively and at a level more nearly equal to other Federal agencies than could the Division of Water Supply and Pollution Control. Decisionmaking time is also shortened. Numerous interagency or interdepartmental committees, both at the national level, such as the Interagency Committee on Oceanography, and at the field level, such as the Columbia Basin Interagency Committee, provide opportunities for coordination and cooperation. These groups range in their standings from those established legislatively such as the Water Resources Council, to those established by more informal procedures such as the Potomac Task Force.

(d) *State governments or instrumentalities.*—Aspects of the program in which coordination and cooperation arise include State requests for technical assistance, allotment of State program grants, comprehensive studies and enforcement actions. Under the Water Quality Act of 1965, establishment of water quality criteria on interstate streams will necessitate even closer coordination and cooperation than before. Arrangements existing to promote coordination and cooperation are formalized groups such as interstate compacts, and basin commissions. The enforcement action procedure, eventually leading to court action, if necessary, can be considered as a forceful institutional means for implementing coordination.

(e) *Local governments or communities.*—Coordination and cooperation between the water pollution control program and health or water pollution control departments of local governments occurs through provision of assistance, chiefly information on local conditions, when technical assistance or enforcement actions are conducted.

This assistance is provided on request from the State agency concerned with water pollution control. Local governments also may cooperate by providing information gained from a water pollution

control sponsored demonstration project. The Water Quality Act of 1965 increases grants for sewage treatment facilities to municipalities and provides a 10-percent incentive for facilities constructed in conformance with a metropolitan or regional plan.

(f) *Foreign governments or international organizations.*—Sanitary engineers and scientists have assisted foreign governments through cooperative arrangements made by the State Department. In addition, control of pollution in international waters is coordinated through the International Joint Commission (United States and Canada) and the Mexican Border Commission. Many international meetings and conferences are conducted in which the information is exchanged. Arrangements for instituting coordination and cooperation in the new Federal Water Pollution Control Administration will be carried out on a basis comparable to that of the Division of Water Supply and Pollution Control when it was concerned with direct Public Health Service missions, State Department requests, international research programs, and the Federal Employee International Assistance Act.

(g) *Nonprofit organizations or institutions.*—Support for water pollution control training programs at educational institutions is coordinated with the program objective of stimulating research and training in water pollution control. Nonprofit organizations, such as women's groups, and the National Association of County Officials, have been supported by water pollution control demonstration grants to develop educational programs. Programs to inform local pollution control officials of water pollution control problems and effective means of control are conducted to assist cooperation and coordination of activities. Requests for grants are reviewed by a committee knowledgeable in the field. The committee can assure that duplication of projects does not occur.

(h) *Business enterprise.*—Development of new knowledge for the control of water pollution is carried out both through intramural and extramural research. Research by business enterprise (such as profit-making research organizations) may be conducted under contract with the water pollution control program. As the research program expands, particularly in water purification and reuse, research contracts can be expected to increase. Coordination has been conducted largely through headquarters control of contract issuance.

8. *Laws and regulations*

The Federal Water Pollution Control Act, as amended (33 U.S.C. 466 et seq.). Appropriations are contained in the Health, Education, and Welfare, and Labor Act. For fiscal year 1964-66 these citations are: Fiscal year 1964, Public Law 88-136; fiscal year 1965, Public Law 88-605; fiscal year 1966, Public Law 89-156.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The economic aspects and impacts of the water pollution control program concern the preservation and enhancement of the public waters as an essential natural resource. The objective is to assure the water quality necessary for the many purposes of this highly urbanized and industrialized society, present and future. The purposes include drinking water supplies for municipalities and other

communities, industrial and commercial water supplies, agricultural uses for both crops and animals, habitats for both sport and commercial fish and wildlife, recreational waters, health, and esthetics. The recreational uses include swimming, boating, fishing, and the along-shore diversions. The esthetic feature includes all the scenic aspects. Behind all of the uses is the vital interest of health and the assurance that offensive sights and smells and waterborne disease will be reduced to a minimum.

The program to offset or correct pollution involves comprehensive river basin studies; technical assistance; research; enforcement and financial grants for sewage treatment plant construction, for State programs, and for training and demonstrations.

The comprehensive studies are conducted in major river basins or large drainage areas including the tributaries. For instance, at the present time, the Great Lakes, the Columbia River, the Ohio River, the Chesapeake-Susquehanna, the Hudson, the Southeast, the Delaware River estuary, the Arkansas-Red, the Missouri, and the California drainage basins are under study. The studies are designed to establish programs for the control of present pollution and to anticipate the problems of the future so that they can be prevented or offset. The entire Nation will be covered eventually by such comprehensive river basin programs of pollution control as the result of these studies. The task is about one-third completed now. The total cost will be about \$70 million. The fiscal year 1966 obligation is \$6.025 million. The control programs will require extensive construction of waste treatment plants by municipalities and industry, the management of the streamflow through reservoir storage and releases, the control of land drainage covering mining areas, construction sites, farmland, urban areas, and natural sources. Land-use controls must play a large part.

Some idea of the economic benefits to be gained from effective pollution control can be attained from the Arkansas-Red River Basin study. This study concerned primarily the control of salt pollution of the rivers and their tributaries. The salt comes from natural sources such as springs, seeps, and salt flats and from oilfield brines. The salty condition seriously impairs the usefulness of the waters in many long stretches for municipal water supplies and for most industrial and agricultural uses. The study shows that a significant reduction of the salt content of the waters could produce substantial benefits over the next 50 years.

Undoubtedly effective pollution control will have strong influence on industrial location, regional development, and population distribution. Since the Nation's will to control pollution has only recently been manifested positively, it is not possible to show the effects as yet. However, it is more than coincidental that most of the economically depressed areas of the Nation suffer from polluted waters. For instance, the Appalachian area suffers both extensively and intensively from acid mine drainage. This condition leaves many miles of stream with waters too hard for municipal and industrial use, handicapping the area in attracting new manufacturing plants. Furthermore, the scenic grandeur of much of the area is limited as a tourist attraction, because the same mine drainage interferes with both swimming and sport fishing.

The conventional economic analysis of benefit-cost evaluation that is applied to all Federal water resource development projects is also applied to pollution control. However, because of the significance of the health and esthetic aspects, benefit-cost analysis has produced less conclusive results here than for other water projects. Still, pollution control projects are included as essential features of other water resource developments, and benefit-cost calculations are prepared. The evaluation practice is to show the extent and kind of losses associated with the polluted condition of the waters and the costs and gains to be derived from varying degrees of improvement. Since polluted waters and their economic effects are so closely entwined with many other social and economic conditions and processes that have long histories, pollution control must be related to many institutional changes and forces.

The Colorado River Basin pollution enforcement study is a good example of this situation. This study arises from the fact that land drainage both from natural sources and from irrigated agriculture increases the dissolved solids, chiefly salts, in the basin to the extent that heavy costs and other economic impairments are incurred. The study seeks to determine the extent of this situation and its effects so that a system of control can be established. Since the enforcement process of the Water Pollution Control Act has been used as the authority to proceed, it is necessary to not only identify and measure the sources but to show where, how, and the extent of the adverse effects. Input-output, interregional analysis is being applied to make the estimates. The object is to estimate the effect of the high salt content of the waters on the regional economy, by major stretch of the main stem and by tributary and over time. The calculations seek to show the effect on the nature of the economy, the level of the economy, and the rate of growth. The presumption is that a lower salt level would permit water-related economic activities to take place that are now too costly to conduct. Therefore, the examination involves a condition of regional growth limitation. Similarly, the Appalachian regional study will examine the effect of pollution conditions on that economy and will prepare an optimal program for pollution control seeking deliberate economic changes.

Both the comprehensive river basin studies and the enforcement activities require major public works construction with consequent economic effects on public expenditures, employment, and income distribution. No systematic study of these effects has yet been made. Such studies are to be instituted in conjunction with the river basin studies.

The Federal financial assistance to municipalities for the construction of sewage treatment plants is authorized up to \$150 million annually and has a nationwide effect. Its chief impact has been on communities of less than 50,000 population. Almost 70 percent of the Federal funds provided since the program began in 1956 has gone to communities in this population size group. About 25 percent of these expenditures are in labor costs. Material costs are about 55 percent of the total with the rest being reflected in overhead, profit, and contractors' plant. Land costs, engineering, legal and fiscal services are not covered, but they are estimated to be an additional 20 percent. The non-Federal share is almost entirely local government funds raised through public bond issues, though there is also some State financial assistance.

Other portions of the water pollution control program have less conspicuous and direct economic effects. These portions include financial grants to State and interstate agencies for control programs and grants to scholars and institutions for research and training and technical assistance and research by the agency staff.

10. *Economic classification of program expenditures.* (See table 2.)

The economic classification of the program expenditures as suggested in the table for question 10 is not feasible because of the deficiency in the data on non-Federal expenditures. However, to the extent that answers can be provided for the classification, the following data for fiscal year 1965 are presented:

Program: Water Pollution Control.

Department or agency, and office or bureau: Department of the Interior; Water Pollution Control Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	\$12, 070
Other.....	10, 598
Transfer payments to individuals and nonprofit organizations.....	3, 612
Grants to State and local governments:	
Waste treatment plants.....	69, 755
Control programs.....	4, 789
	<hr/>
Total Federal expenditures.....	100, 824
Non-Federal expenditures financed by:	
State and local governments.....	641, 600
	<hr/>
Total expenditures for program.....	742, 424

In conclusion, it is evident that the water pollution control program affects people—the human resource in the economy—both directly and indirectly. The direct effect concerns the protection of health from waterborne disease in water supplies, recreational waters, and shellfish breeding waters. Esthetic considerations are also involved in the direct effects, for the elimination of bad odors and sights from the public water and the attainment of an attractive environment are minimal features of human well-being. Pollution control, in this sense, is one of the amenities.

The indirect effects on the human resource arise from the preservation of the public waters for industrial and commercial purposes. This aspect enhances the prospects for economic growth, employment, and the sense of security associated with stability and order.

DEPARTMENT OF AGRICULTURE

CONTENTS

Agricultural Research Service, Economic Research Service, Cooperative State Research Service, and State Agricultural Experiment Stations: Research programs.....	Page 296
Cooperative Extension Service.....	299
Soil Conservation Service: Resource conservation and development.....	302
Consumer and Marketing Service:	
Commodity distribution program.....	306
Special milk program.....	311
National school lunch program.....	314
Food stamp program.....	318
Rural Electrification Administration:	
Electrification program.....	323
Telephone program.....	329
Farmers Home Administration:	
Rural water and waste disposal program.....	331
Rural renewal.....	336
Housing programs.....	340
Rural Community Development Service: Rural areas development program..	344

Agricultural Research Service; Economic Research Service; Cooperative State Research Service; and State Agricultural Experiment Stations

RESEARCH PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

Provide knowledge and data that will be used by Federal, State, and local agencies, and by the people of the United States in enhancement of human welfare, with particular emphasis on farm and rural people.

2. Operation

The program is carried out by USDA research agencies (32 percent) and State agricultural experiment stations (68 percent). The USDA program is 70 percent intramural; 3 percent contracts, grants, and cooperative agreements with State agricultural experiment stations; 22 percent contracts with other universities and private research organizations in this country, and 5 percent by contracts and grants with foreign research organizations which are paid with foreign currencies obtained under the provisions of Public Law 480.

The State station programs which are under the administrative direction of the land-grant colleges and universities are supported 27 percent by Federal funds appropriated for them to the U.S. Department of Agriculture, 43 percent by State appropriations, 9

percent by funds from industry and other non-Federal, non-State sources, and 21 percent by contracts and grants with Federal agencies. Fiscal data for the final 21 percent is not included in the totals reported, as it is assumed that these are reported by the contracting agency and to also report them for the performing agency would result in duplicate reporting.

3. History

Research dealing with the welfare of people was authorized in the Organic Act establishing the Department of Agriculture (1862) and in the Hatch Act providing Federal grants to State agricultural experiment stations (1887). As needs for particular types of knowledge develop, scientists have been assigned to undertake the research designed to provide the needed information.

The major areas of research with which the program is concerned are:

- (1) Nutritional needs of people and the foods and food combinations that will meet human nutritional requirements.
- (2) Nutritional composition of foods.
- (3) Improvement of the eating quality of food.
- (4) Food consumption including portions of population which have adequate and deficient diets.
- (5) Selection, care, and use of food, clothing, and household equipment.
- (6) Household management and family economics.
- (7) House design for farm and rural situations.
- (8) Control of insect pests of man.
- (9) Protection of farmers and their families from other hazards such as farm and home accidents.
- (10) Data and trends in farm and rural population, income and level of living, and availability of public and private services.
- (11) Problems of adjustment and opportunities for economic development of farm and rural people and the communities of which they are a part.
- (12) Problems relating to the social well-being of farm and rural people, including educational and social services available to them and their problems of adjustment to social and economic change.

An important area of research related to human resources, but not included in this report as part of the human resources research program, is the extensive research effort to eliminate or prevent contamination of food and the environment by toxic substances or pathogenic organisms that may originate during the production, processing, and marketing of agricultural products.

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Research programs.

Department or agency, and office or bureau: Department of Agriculture; Agricultural Research Service, Economic Research Service, Cooperative State Research Service, and Agricultural Experiment Stations.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970*

[Millions of dollars]

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate) ¹	Fiscal year 1970 estimate ²
(a) Magnitude of the program.....	Scientist, man-years.	(1)	451.0	(1)	(1)	-----
(b) Applicants or participants: State government agencies.	State experiment stations.	53.0	53.0	53.0	53.0	-----
(c) Federal finances: Appropriations available.....	Millions of dollars.	7.7	9.3	9.4	9.4	-----
	do.....	7.7	9.3	9.4	9.4	-----
(d) Matching or additional expenditures for the program of State agricultural experiment stations.	do.....	4.5	4.8	5.1	5.1	-----
(e) Number of Federal Government employees administering, operating, or supervising the activity:						
(1) Administrative or supervisory.	Man-years.....	(1)	17.0	(1)	(1)	-----
(2) Scientists.....	do.....	(1)	117.0	(1)	(1)	-----
(f) Non-Federal personnel employed in program.	Scientists, man-years.	(1)	334.0	(1)	(1)	-----

¹ Data not available.² Estimates for 1970 are developed as part of long-range study of agricultural research and for program budgeting, but are not available.

6. *Prospective changes in program orientation*

No legislative or organizational changes are in prospect.

Increased emphasis on national objectives relating to human health and well-being and to improvement of economic and social opportunities for disadvantaged people, a large portion of whom are part of our farm and rural population, can be expected to lead to increased need for new knowledge required to accomplish these objectives. If such needs are to be adequately met and programs to carry them out are to be adequately serviced by supporting research, increases will need to be made in Federal appropriations to the Department of Agriculture for research dealing with human resources.

7. *Coordination and cooperation*

Cooperation and coordination within the agency, with the State experiment stations, and with private groups, is accomplished through a project system, regional research planning committees, cooperation in long-range planning and advisory committees composed of persons representative of groups that will use the research.

Cooperation and coordination with other Government agencies is accomplished through participation in the activities of various groups established by the Office of Science and Technology and the National Academy of Sciences and by filing all projects with and using the project information supplied by other agencies to the Science Information Exchange.

8. *Laws and regulations.* (See answer to question 3.)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Studies have shown that the benefit-cost ratio of agricultural research usually exceeds 10 to 1. However, there is no specific data on that portion of the research dealing with human resource development.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Research programs.

Department or agency, and office or bureau: Department of Agriculture; Agricultural Research Service, Economic Research Service, Cooperative State Research Service, and Agricultural Experiment Stations.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[Millions of dollars]

Federal Government:	
Purchases of goods and services: Wages, and salaries.....	4.7
Transfer payments to individuals and nonprofit organizations.....	1.8
Grants to State and local governments: State agricultural experiment stations.....	2.8
Total, Federal.....	9.3
Non-Federal expenditures financed by:	
State and local governments.....	4.0
Business enterprises.....	.4
Others ¹.....	.4
Total expenditures for program ²	13.1

¹ Product sales and funds from miscellaneous sources.

² Does not include \$1,900,000 in contracts from Federal agencies.

Cooperative Extension Service

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The basic job of the Cooperative Extension Service is to help people, either individually or in groups or communities, to identify and solve their farm, home, and community problems, primarily through the application of the results of research findings of the Department of Agriculture, the State land-grant universities, and other sources. The Extension Service in the designated land-grant university in each State provides instruction and practical demonstration in agriculture, home economics, and related subjects to persons not attending or resident in the university, in cooperation with the Department of Agriculture. Through this service, the various universities provide statewide educational opportunities for the people in each State in the areas directly related to their interests and needs.

2. *Operation*

The Cooperative Extension Service is a partnership. Federal, State, and local governments share in financing, planning, and carrying out extension education programs.

The Federal Extension Service in Washington employs a relatively small staff of technical specialists who assist State workers in an advisory and training capacity. They work with many agencies, both in and out of the Department of Agriculture.

The land-grant college or university in each State has a staff of professionally trained specialists in agriculture, home economics, and related subjects.

The State extension services, cooperating with county governments, employ the county agricultural, home economics, and 4-H Club agents.

3. History

The Cooperative Extension Service was created by an act of Congress on May 8, 1914. The act states that the purpose of the extension work is "* * * to aid in diffusing among the people of the United States useful and practical information on subjects relating to agricultural and home economics, and to encourage the application of the same."

From the beginning, when the Secretary of Agriculture assigned one person to help the Texas farmers battle the Mexican boll weevil, this program has expanded to the present, when extension offices are located in approximately 3,100 counties throughout the Nation.

4. Level of operations. (See table 1.)

Program: Cooperative extension service.

Department or agency, and office or bureau; Department of Agriculture.

TABLE 1.—Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67¹

Measure	Unit	Fiscal year			
		1964	1965	1966	1967 budget estimate
(a) Magnitude of program.....	Millions of families.....	12.5	12.7	13.0	14.0
(b) Applicants or participants:					
State government agencies.....	.....	51	51	51	51
Local communities or governments.....	.....	3,100	3,100	3,100	3,100
Individuals or families.....	Millions of families.....	12.5	12.7	13.0	14.0
Other (specify).....	.....			
(c) Federal finances:					
Appropriations available.....	Millions of dollars.....	80.2	85.9	89.1	90.2
Obligations incurred.....	do.....	79.5	85.4	89.2	90.2
Allotments or commitments made.....	.....			
(d) Matching or additional expenditures for the program (State and local funds).	Millions of dollars.....	110.8			
(e) Number of Federal Government employees; administrative, supervisory, and program specialists.	.....	243	247	252	252
(f) Non-Federal personnel employed in the program.	.....	14,830	15,020	15,100	15,120
(g) Other measures of level or magnitude of performance; local voluntary leaders.	Millions of persons.....	1.3	1.3	1.4	1.4

¹ Based on need. Not readily determined at this time.

5. Estimated magnitude of program in 1970.

Not answered.

6. Prospective changes in program orientation

The Cooperative Extension Service has made substantial changes in years past in its program effort and program design. It has made adjustments in these program efforts during periods of national emergency, such as war and depression. It has made substantial adjustments in its programs in recent years, recognizing the changes in the characteristics of rural areas.

Continued changes will be required in order to devote a higher portion of extension resources to resource development and con-

servation and into areas of community development designed primarily to upgrade the economic opportunity for people living in predominantly rural areas.

There will be further changes in the program orientation with respect to expanding extension work to assist in the development of agricultural industries in foreign lands.

(a) Currently, there are no pending legislative proposals related to cooperative extension work.

(b) There are no proposed administrative or organizational changes.

(c) Technological, economic, and social changes in rural areas may be more rapid between now and 1970 than during the recent past. It is anticipated that continued steps taken between now and 1970 will create a greater sense of urgency with regard to equal employment opportunity. Education, both formal and informal, will play an important role in achieving this goal. Commercial agriculture will become more technical by 1970, and will require a more competent staff to serve its needs.

The economic climate will provide an opportunity for direct educational programs conducted by the Extension Service designed to improve the abilities of those who are in the economic stream of low income to improve their position.

7. Coordination and cooperation

(b) The coordination and cooperation with other agencies of the Department and other departments of Government is most extensive and comprehensive. The Federal Extension Service is responsible for coordination of the total educational program within the Department of Agriculture. This coordination includes examination and analysis of all educational activities; review and approval of all educational activities or proposals prior to initiation; advice and consultation on planning with heads of agencies; and reports and recommendations to the Secretary.

(c) The cooperation with other agencies is generally formally provided by a memorandum of understanding, cooperative agreement, or a work order arrangement. Representation on working committees is also provided.

(d) The Department of Agriculture and the State land-grant university operate on the basis of a memorandum of agreement, signed by the land-grant university president and the Secretary of Agriculture. This arrangement is further supported by mutually agreed upon project agreements, plans of work, budgets, and reports. The Federal Extension Service has representation on committees established by the National Association of State Universities and Land-Grant Colleges, which provides an excellent means of mutually agreeing on matters of organization and policy.

(e) The State extension service is responsible for conducting the cooperative extension work in each of the counties in a State. The arrangements between the counties and the State vary, but there is generally a formal memorandum of understanding, agreement, or contract between the State extension service and the county governing body, setting forth the conditions under which extension work will be conducted in the county. The Department of Agriculture is not a party to these agreements.

(f), (g), (h) Not applicable to the work of this agency.

8. *Laws and regulations*

Smith-Lever Act (7 U.S.C. 341-349).

Agricultural Marketing Act (7 U.S.C. 1621-1627).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) The Cooperative Extension Service is the largest informal educational agency in the world and is organized to conduct educational programs to make it possible for out-of-school adults to keep up to date in the science and technology related to their profession with special reference to agriculture, home economics, and subjects related thereto. It is impossible to measure specific effects on personal income as a result of this educational effort. Formal studies which have measured the personal incomes of individuals, based on their educational achievement, point clearly to the importance of continuous education. The impact of education, while not subject to precise measurement, contributes substantially to the personal income of individuals.

(b) Does not apply.

(c) The Cooperative Extension Service conducts educational work with management of agricultural products marketing firms designed to improve managerial skills and operating efficiency, thereby stimulating competition.

(d), (e), (f), (g), (h) Do not apply.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Cooperative extension service.

Department or agency, and office or bureau: Department of Agriculture.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

	[Millions of dollars]
Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	\$2
Other.....	11
Grants to State and local governments.....	71
Total, Federal.....	85
Non-Federal expenditures financed by:	
State and local governments.....	114
Other (contributions).....	3
Total expenditures for program.....	202

Soil Conservation Service

RESOURCE CONSERVATION AND DEVELOPMENT

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

Resource conservation and development projects are locally sponsored and initiated. Their purpose is to stabilize and improve the

economy of rural communities and to increase employment opportunities for the people of the area through the conservation, development, and full use of available natural resources.

2. Operation

The program operates on a Federal, State, and local cooperative basis. Project sponsors must be legal public bodies; they must make application for assistance through the Governor of the State or his designated State agency; they must prepare and submit a long-range project plan to the Department and accept responsibility for local direction and coordination of project activities. When these conditions are met, Department agencies are authorized to provide additional technical and financial help to project sponsors in carrying out their project plan.

Funds appropriated for the program are directly administered by the Department but used in conjunction with State and local funds for resource development.

3. History

Ten projects were authorized for assistance on a pilot basis in February 1964. These 10 projects have now completed their first full year of operation. No additional projects were authorized in fiscal year 1965. Ten additional projects were authorized for fiscal year 1966 and were activated in November 1965. Sponsors of the second 10 projects are in the process of preparing long-range project plans with Department help.

LOCATION OF PROJECTS AUTHORIZED FEBRUARY 1964	LOCATION OF PROJECTS AUTHORIZED NOVEMBER 1965
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Georgia	Kentucky
Idaho-Washington	Tennessee
Indiana	West Virginia
Minnesota	Oklahoma
New Mexico	Maine
Oregon	Missouri
Pennsylvania	Arkansas
South Dakota	Montana
Vermont	Alabama
Wisconsin	Mississippi

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Resource conservation and development.

Department or agency, and office or bureau: Department of Agriculture; Soil Conservation Service.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970*

Measure	Unit (see notes)	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 budget estimate	Fiscal year 1970 estimate ¹
(a) Magnitude of the program.....	Project.....	10	10	20	-----	-----
(b) Applicants or participants:						
State government agencies.....	Applications.....	10	37	42	50	-----
Local communities or governments.....						
Individuals or families.....						
(c) Federal finances:						
Appropriations available.....	1,000.....	1,500	2,961	6,220	6,748	-----
Obligations incurred.....	1,000.....	352	1,088	4,046	6,748	-----
Allotments or commitments made.....	-----	-----	-----	-----	-----	-----
(d) Matching or additional expenditures for the program.....	(²)	(²)	(²)	(²)	(²)	(²)
(e) Number of Federal Government employees administering, operating, or supervising the activity:						
(1) Administrative or supervisory.....	Man-years ³	25	27	39	29	-----
(2) Operations.....	do ³	-----	48	143	222	-----
(3) Loans.....	do ³	-----	16	12	12	-----
(f) Non-Federal personnel employed in the program.....	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)	(⁴)
(g) Other measures of level or magnitude of performance.	{ Project plans.....	-----	10	5	-----	-----
	{ Project measures.....	-----	50	400	600	-----

¹ Plans for the resource conservation and development program in fiscal year 1970 have not been developed.

² Not available—projects just getting into operation; estimates for cooperating Federal, State, and local agencies not yet known.

³ Includes assistance with project planning.

⁴ Not available.

6. Prospective changes in program orientation

No major changes are anticipated in program orientation or emphasis

7. Coordination and cooperation

(a) *Soil Conservation Service*.—Resource conservation and development project sponsors make full use of all phases of the Service program in carrying out their project plans. Administrative and technical directives for the program take into account the need for and use of the fields of Service competence. Each administrative and technical organization level is informed about the program, training is given as needed, and help for project areas is provided as necessary. Full use is being made of authorities available to the Service which can contribute to resource development.

(b) *Department of Agriculture*.—Success in resource conservation and development work depends to a large degree on the ability of agencies to coordinate their resource efforts and cooperate with one another in carrying out project measures. The Secretary has assigned administrative responsibility for the program to the Soil Conservation Service.

An interagency committee on R.C. & D. chaired by the Soil Conservation Service serves at the Washington office level as a means of coordination and communication among the Department agencies concerned. Further, all instructions, handbooks, project plans, and related program information are distributed to agency committees. R.C. & D. funds are transferred by the Soil Conservation Service to Forest Service, Economic Research Service, and Farmers Home Administration to finance their responsibilities in the program.

At project locations, each agency designates a "contact" man who serves as agency representative in R.C. & D. work. Department agencies thus work as a team in helping R.C. & D. project sponsors carry out their project plans.

(c) *Other Federal departments and agencies.*—Resource conservation and development involves many Federal agencies outside the Department of Agriculture. Whenever such agencies have operating programs or interests within project areas, local sponsors are urged to invite them to take part in project work. This approach has proved to be an effective device for establishing good working relationships and coordination of public resource activities. At present, agencies of the Departments of Interior; Health, Education, and Welfare; Defense; Commerce; and Housing and Urban Development are working with Department agencies in helping project sponsors carry out project work or are providing pertinent information useful to project sponsors. Such help to project sponsors is financed from regular program funds of each agency.

The Soil Conservation Service, as the Department agency responsible for administration of the program, has established working liaison with other Federal agencies outside the Department either at the Washington office level or at project area locations in line with agency organizational structure and project sponsors' needs. Financing is through regular agency appropriations.

(d) *State governments or their instrumentalities.*—Work in R.C. & D. projects is carried on in cooperation with the State agencies having program or regulatory responsibilities in the natural resource field. Usually informal working arrangements are adequate; but in some instances where funds or materials are involved, a memorandum of understanding or an agreement is executed so that responsibilities and obligations of each party are clearly set forth.

(e) *Local governments or communities.*—Resource conservation and development projects must be initiated and sponsored by local public bodies. To date this has included conservation districts, county governments, towns, cities, conservancy and other special purpose districts. Each local public body that acts as a sponsor for a project becomes a working partner with Department of Agriculture agencies. The Department, under various authorities, provides technical and financial assistance for project work.

(g) *Nonprofit organizations.*¹—Many single project measures are undertaken and carried out through cooperation with local communities, associations, and nonprofit organizations.

For example, facilities for processing agricultural products, water management structures, and rural water systems are activities handled by such groups in cooperation with Department or other Federal agencies.

8. *Laws and regulations*

Public Law 87-703.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The resource conservation and development program has not been in operation for a sufficient length of time to obtain reliable data on

¹ Items (f), (h), and (i) not applicable.

economic impacts that will result from resource development and stimulation of local investment.

The first 10 pilot projects have had only 1 year of operations. However, from the project measures now underway in each area, indications are that the effects will be significant.

The Economic Research Service is evaluating the results of selected R.C. & D. projects as a basis for helping to evaluate the economic impact of the program.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Resource Conservation and Development.

Department or agency, and office or bureau: Department of Agriculture; Soil Conservation Service.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*¹

[In millions of dollars]		<i>Federal Government expenditures R.C. & D.</i>
<i>Category</i>		
Purchases of goods and services:		
Wages and salaries.....		\$0. 7
Other.....		. 2
Aid to State and local governments.....		2. 1
		1. 0
Total Federal expenditures.....		1. 0

¹ Estimates for cooperating agencies not yet known—10 projects just beginning operations. 10 projects just now beginning plan development.

² \$79,000 Forest Service.

Consumer and Marketing Service

COMMODITY DISTRIBUTION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

This program helps to improve the nutrition and health of school-children and of families in need of food assistance, and to increase the market for domestically produced foods acquired under surplus removal and price support operations.

2. *Operation*

The U.S. Department of Agriculture administers the program cooperatively through State agencies designated by the State.

Available foods may be donated to the State for use by nonprofit school lunch programs, summer camps for children, needy Indians on reservations, charitable institutions serving needy persons, and State and local welfare agencies for distribution to low-income households.

All States have a donation program for one or more of these outlets. The U.S. Department of Agriculture pays for processing and packaging the foods and for transporting them in carload lots to receiving points chosen by the State. State and local governments pay all costs of intrastate transportation, storage, distribution, and, in the case of low-income households, certification.

Any local government may participate in the needy family program; any public or nonprofit private school, nonprofit summer camp for children, or any charitable institution is eligible for commodities.

If a county or city can demonstrate that it cannot finance a donation program for its low-income families, the Office of Economic Opportunity will consider an application for assistance under the community action program.

3. History

In the early 1930's some foods acquired under agricultural programs were distributed to needy families, first by the Red Cross and later through the Federal Emergency Relief Administration, through State and county welfare departments. Beginning in 1936 these foods were made available for school feeding programs and for use in charitable institutions in addition to assisting welfare families. The national school lunch program is a natural outgrowth and in section 9 provides that food donations will still be used to the maximum extent possible in lunches provided. Through the years the value and volume of available foods have fluctuated widely. Since 1961, special efforts have been made to improve and expand the volume and variety of foods made available with particular emphasis on providing protein items. School lunch programs, nonprofit summer camps for children, as well as needy persons in family units and in charitable institutions, have benefited from this effort.

4. Level of operations. (See table 1.)

5. Estimated magnitude of program in 1970. (See table 1.)

Program: Commodity distribution program.
 Department or agency, and office or bureau: U.S. Department of Agriculture; Consumer and Marketing Service.

TABLE 1.—Level of operations or performance, fiscal years 1964–65, and estimated level of operations, fiscal years 1966–67 and 1970

Measure	Unit (see notes)	Fiscal year, 1964	Fiscal year, 1965	Fiscal year, 1966 estimate	Fiscal year, 1967 (budget estimate)	Fiscal year, 1970 estimate
(a) Magnitude of the program: ¹						
(1) Beneficiaries:						
(i) Children in school	Individuals	17,800,000	18,900,000	20,400,000	21,500,000	25,000,000
(ii) Needy persons in institutions	do	1,300,000	1,300,000	1,800,000	2,000,000	2,000,000
(iii) Summer campers	do	1,200,000	1,200,000	1,200,000	1,500,000	2,000,000
(iv) Needy persons in family units	do	5,500,000	5,300,000	5,000,000	4,500,000	2,000,000
(v) Disaster victims	do	22,000	311,000	(²)	(²)	(²)
(2) Foods distributed	{ Thousand pounds	2,107,000	2,285,000	2,009,000	(²)	(²)
	{ Cost	\$430,000,000	\$529,000,000	\$410,000,000		
(b) Applicants or participants: ¹						
(1) State government agencies	Number	83	82	82	83	85
(i) School lunch programs	Schools	70,300	71,400	72,700	73,000	74,000
(ii) Charitable institutions	Institutions	7,940	8,100	9,200	9,500	9,500
(iii) Summer camps	Camps	6,600	6,700	7,300	7,800	9,000
(iv) Needy families	{ Counties	1,607	1,667	(²)	(²)	(²)
	{ Cities	240	258	(²)	(²)	(²)
(v) Disasters	States	16	20	(²)	(²)	(²)
(c) Federal finances: (1) Appropriations available		(²)				
(d) Matching or additional expenditures for the program	Not available					
(e) Number of Federal Government employees administering, operating, or supervising the activity (estimated)	Man-years	171	151	170	170	(²)
(f) Non-Federal personnel employed in the program	Individuals	370,000	375,000	380,000	(²)	(²)
(g) Other measures of level or magnitude of performance	Not available					

¹ Includes participants in the national school lunch program.

² Not available.

³ Financed from permanent appropriations under sec. 32 of Agricultural Act of 1935, as amended, and from capital funds of Commodity Credit Corporation.

6. *Prospective changes in program orientation*

(a) Pending legislative proposals: None.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in conditions in 1970: Improving economic conditions, more extensive education and training and the contemplated expansion of the food stamp program will tend to reduce the size of the needy family program to about 2 million persons. School feeding, additional attention to nutritional problems of the aging and emphasis on recreation will enlarge each of these programs.

7. *Coordination and cooperation*

(a) Within the office: Close working liaison is maintained with the national school lunch program and the food stamp program. The latter is important to assure that eligibility standards and certification procedures are compatible since most States have both programs.

(b) With other units of USDA: Through C. & M.S. representation on the Rural Area Development Board, the poverty program liaison task force and the task force on Appalachia and through the regional and State offices of a variety of USDA agencies, information on the program, its benefits and obligations, is dispersed as widely as possible, particularly to low-income rural areas.

(c) With other Federal agencies: A close working relationship has been developed with HEW and the Office of Economic Opportunity. In recognition of the program's benefits to the nutrition of children and low-income families and the fact that USDA provides no operating or administrative funds to State or local agencies, OEO has agreed to consider assistance to meet local expenses in situations of demonstrated need for financial assistance and where the program will enhance and supplement other programs designed to break the poverty cycle. Commodity distribution programs are now being so financed in Carter and Oregon Counties, Mo.; in Conecuh County, Ala.; Telfair County, Ga., and the State of Mississippi Welfare Department has been given \$1.6 million of OEO funds for a demonstration project on the benefits that can accrue from making the program more widely available. Several States and communities have received grants to aid in child-feeding programs. Applications from several other areas are now pending in OEO. This OEO assistance also includes extensive efforts to provide nutrition education to low-income families.

As is true of the other consumer food programs, the commodity distribution program is an approved work station for enrollees in the Department of Labor's Neighborhood Youth Corps and HEW's work experience program. This is in recognition of the fact that not only are these programs understaffed at the local level, but that they represent good training opportunities in a variety of capacities that can lead to jobs in the commercial market. Several distribution programs for needy families in Massachusetts and elsewhere have been made possible by use of NYC trainees.

(d) With State governments: Since the program is administered through State agencies, continuing liaison is maintained with all 50 States and the territories or offshore possessions by Washington personnel and the five district offices of consumer food programs.

These district offices hold a conference each year to which State officials are invited for an exchange of views on the program.

(e) With local governments: Working through State agencies, local governments are encouraged to participate in the program. In addition, the use of the workshop technique is employed extensively to teach both school lunch personnel and needy family participants more effective use of donated foods.

(f) With foreign governments: None.

(g) With nonprofit organizations and institutions: The program is available to charitable institutions to the extent that they provide care for needy persons—child or adult.

(h) With business enterprises: Limited.

(i) With others: None.

8. Laws and regulations

1. Sec. 32 of Agricultural Act of August²⁴, 1935, as amended.
2. Sec. 416 of Agricultural Act of 1949, as amended.
3. National School Lunch Act.
4. Sec. 709 of Agricultural Act of 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal income of persons served: The donations to schools and summer camps for children enable participating children to receive nutritious meals at reasonable cost. The level of charges usually bears an inverse relationship to child participation. Participating families receive a valuable supplement to their limited food purchasing power. The money they have for food can be concentrated on those items that will improve the family's diet.

(b) Effects on productivity of workers: There is no question as to the value of good nutrition to health and productivity.

(c) Effects on business: The promotion of child-feeding activities has resulted in the Nation's single largest market for food. In some instances the development and distribution of a new product, such as nonfat dry milk, rolled wheat, and bulghour, a new domestic market has been developed that has subsequently become a commercial market.

(d) Effects on stability: The commodity distribution program is a flexible and useful stabilizer on levels of living in an area—if economic conditions deteriorate, the program is there to assist families who need help; as conditions improve, families move off the program.

(e) Other benefits: The availability of Department-donated foods in areas affected by natural disaster is particularly significant in contributing to the well-being of victims of disaster. In the past year people from Alaska through the trust territories, the upper Midwest and the Southern States affected by tidal waves, earthquakes, tornadoes, typhoons, and hurricanes have benefited.

(f) Pertinent geographic differentials: To a large degree the program is concentrated in low-income areas. However, many low-income rural areas need distribution programs for needy families and lunch programs for school feeding and are in no position to finance the local cost.

(g) Contribution to GNP: None.

(h) Other data: None.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Commodity distribution program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Aid to State and local governments.....	1 529. 0
Total, Federal.....	529. 0
Non-Federal expenditures.....	(2)

¹ Value of surplus commodities distributed to domestic outlets. (Includes purchases for school lunch program.)

² Figures not available.

NOTE.—In the national income accounts this expenditure would be classified as a purchase of goods and services.

SPECIAL MILK PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To improve nutrition and 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.

2. Operation

Under agreement with the State educational agency, the U.S. Department of Agriculture reimburses part of the cost of fresh, fluid whole milk served to children in eligible outlets. There are no matching provisions, but the cost of milk in excess of the Federal reimbursement must be borne by the child or less frequently by State or local sources. In some States the State educational agency administers the program in nonprofit private schools and child-care institutions as well as in public schools. In other States, another State agency may administer the program or an agreement may be taken directly with the U.S. Department of Agriculture.

3. History

The Agricultural Act of 1954 provided that Commodity Credit Corporation funds could be spent, in the amount of \$50 million, to finance a program of increasing fluid milk consumption by children in schools of high school grade or under. The CCC was not, however, authorized to purchase fluid milk and sell it to schools or to donate milk for such use. In 1956, the definition of eligible outlets was expanded to include nonprofit nursery schools, child-care centers, settlement houses, summer camps and similar nonprofit institutions. In 1961, the program was authorized to continue until July 1, 1967.

4. Level of operations. (See table 1.)

5. Estimated magnitude of program in 1970. (See table 1.)

Program: Special milk program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Magnitude of the program (millions of ½ pints).....	2, 929	2, 966. 8	3, 115. 1	339. 8	(1)
(b) Applicants or participants:					
State government agencies (incl. D.C.).....	51	51	51	51	(1)
Local communities or governments (county).....	3, 097	3, 097	3, 097	3, 097	(1)
Individuals or families.....					(1)
Other (schools).....	91, 880	92, 005	93, 000		(1)
(c) Federal finances:					
Appropriations available (thousands of dollars).....	\$99, 837	\$103, 000	\$103, 000	\$21, 000	(1)
Obligations incurred (thousands of dollars).....	\$99, 822	\$98, 675	\$100, 000	\$21, 000	(1)
Allotments or commitments made.....					(1)
(d) Matching or additional expenditures for the program.....					(1)
(e) Number of Federal Government employees administering, operating, or supervising the activity: (1) Administrative or supervisory (man-years).....	66	63	68	68	(1)
(f) Non-Federal personnel employed in the program.....					(1)
(g) Other measures of level or magnitude of performance (nature).....					(1)

¹ Not available.

² Includes \$51,500,000 transferred from sec. 32.

6. Prospective changes in program orientation

(a) Pending legislative proposals: A legislative proposal submitted to Congress March 1, 1966, as part of the proposed Child Nutrition Act of 1966 provides for a special milk program that will place first priority on the use of available Federal funds where they are most needed—in reaching children who have no other food service available in school; in reaching children in schools where a lunch program is available but whose nutritional need is so great that additional servings of milk should be offered. If additional funds are available, the proposed legislation authorizes expansion of the program to all schools and child-care institutions. (See school lunch program for other provisions of the bill.)

(b) Proposed administrative and organizational changes: None.

(c) Probable changes in conditions in 1970: Increased emphasis on providing milk free of charge to those children who cannot afford to pay.

7. Coordination and cooperation

(a) Within the division: The special milk program has been administered in close coordination with the national school lunch program in an effort to assure that those schools without a lunch program at least offer milk to attending children and that in NSLP schools in low-income areas, both the lunch and milk programs be made available at minimal or no cost to children who cannot afford to pay.

(b) With other units of USDA: Through membership on such groups as the Interagency Committee on Nutrition, Rural Area Development Board, the Poverty Program Liaison Task Force and the Task Force on Appalachia, food assistance programs personnel keep other agencies of the U.S. Department of Agriculture informed as to changes and developments in food assistance programs. These

groups, together with the Extension Service, provide ready lines of communication to reach those in USDA's field offices with information on the program.

(c) With other Federal Government agencies: In cooperation with OEO, all Headstart sponsors were notified that these projects would be eligible for special milk program assistance as child-care institutions. Several hundred thousand Headstart enrollees participated in the milk program during the 1965 8-week summer course and OEO underwrote the cost of the milk served over and above the USDA reimbursement.

(d) With State governments: Since the program is administered through State educational and other agencies, close liaison is maintained to assure widest possible availability of the program.

(e) With local governments: Working through State governments, local schools and school districts are encouraged to participate in the program.

(f) With foreign governments: Many foreign governments have shown great interest in how the milk program is administered and the procedures and forms used.

(g) With nonprofit organizations and institutions: Special promotional material has been developed to encourage participation by those nonprofit organizations and institutions concerned with the care of children.

(h) With business enterprises: None.

(i) With others: None.

8. Laws and regulations

Public Law 85-478, as amended, section 2.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal income: Only insofar as children receive fluid whole milk in schools and other child-care activities at a price most children can afford.

(b) Effects on placement or productivity of workers: The program provides some employment for unskilled workers.

(c) Effects on business expansion, etc.: Milk consumed under this program is purchased from local suppliers. This amounted to almost 3 billion half-pints during fiscal year 1965. Combined with the 3 billion half-pints of milk consumed under the National School Lunch Program, this represented over 5 percent of total U.S. non-farm fluid milk consumption.

(d) Effects on stability, etc.: None.

(e) Any other benefits: Improved nutrition in children.

(f) Pertinent geographic differentials: None.

(g) Effect on GNP: Estimate not available.

(h) Other comments: None.

10. Economic classification of program expenditures. (See table 2.)

Program: Special milk program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]	
Federal Government:	
Purchases of goods, services:	
Wages and salaries.....	0.5
Other.....	1.1
Grants to State and local governments.....	85.0
Total, Federal.....	86.6
Non-Federal expenditures: Other ¹	80.4
Total expenditures for program.....	167.0

¹ Includes children's payments and other contributions not identifiable by categories.

NATIONAL SCHOOL LUNCH PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To improve the health and well-being of children through improved nutrition and to expand the market for domestically produced agricultural products.

2. Operation

The national school lunch program is a grant-in-aid program administered through the State educational agency in each State. Funds appropriated by Congress are apportioned among the States under a formula contained in the National School Lunch Act. The State agency, in turn, disburses funds to participating public and nonprofit private schools. In those States where the State agency is prohibited from disbursing funds to other than public schools, eligible private schools sign agreements with and receive their funds directly from the U.S. Department of Agriculture. Additional assistance is provided through the donation to school lunch programs of foods purchased for the program by the USDA as well as foods acquired under price support and surplus removal programs.

3. History

School food service for children evolved over a period of many years in this country. The first tangible effort on the part of the Federal Government to support this activity developed during the decade 1930-40 when foods acquired as part of agricultural programs were distributed to schools to help support a lunch program with much of the labor supplied by those employed by the Works Progress Administration. From 1944 to 1946 fiscal years, a transfer of funds from section 32 was authorized by the Congress for school lunch programs. The basic authority for the program, the National School Lunch Act, became law on June 4, 1946. This act was revised, effective October 15, 1962, with a major change in the formula for apportioning cash assistance among the States and the inclusion of section 11 which provided for special assistance (increased rates per lunch) to schools drawing attendance from particularly needy areas.

4. Level of operations. (See table 1.)

5. Estimated magnitude of program in 1970. (See table 1.)

Program: National school lunch program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65 estimated level of operations, fiscal years 1966-67 and 1970*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Magnitude of the program (thousands of children).....	16, 004	17, 024	18, 000	19, 000	(1)
(b) Applicants or participants:					
State government agencies ⁴	50	50	50	50	(1)
Local communities or governments (county).....	3, 097	3, 097	3, 097	3, 097	(1)
(c) Federal finances:					
Appropriations available ² (thousands of dollars).....	\$182, 000	\$191, 400	\$202, 000	\$183, 000	(1)
Obligations incurred (thousands of dollars).....	\$181, 133	\$191, 141	\$202, 000	-----	-----
(d) Matching or additional expenditures for the program (specify nature of entries) ³ (thousands of dollars).....	\$1, 011, 439	\$1, 089, 954	\$1, 159, 000	\$1, 230, 000	(1)
(e) Number of Federal Government employees administering, operating, or supervising the activity (indicate their roles):					
(1) Administrative or supervisory (man-years).....	133	146	170	170	(1)
(f) Non-Federal personnel employed in the program (individuals).....	300, 000	300, 000	300, 000	300, 000	(1)

¹ Not available.

² Includes transfer of \$45,000,000 from sec. 32 for commodity procurement.

³ From State and local sources.

⁴ D.C., Puerto Rico, Guam, and American Samoa also participate.

6. *Prospective changes in program orientation*

There is increasing emphasis on reaching those children who do not now have access to the program—the 6 million in public schools and 3 million in private schools who do not have food service at school. In addition, there is increasing emphasis on reaching those children who cannot now afford the lunch and where local resources even with Federal assistance at current levels are not adequate to finance the volume of free or reduced-price lunches that should be served. Beyond this, there is growing concern and interest in meeting a larger share of needy children's nutritional requirements through school food service—breakfast programs, expanded lunch programs, and even supper programs in those areas where special arrangements are being made to encourage dropouts to return to school for late afternoon or evening sessions.

(a) Pending legislative proposals: A legislative proposal entitled the "Child Nutrition Act of 1966," submitted to Congress March 1, 1966, extends the national school lunch program in essentially the same form in which it has operated, but with extra emphasis on reaching more schools in areas of economic need and making the lunch program more available to needy children in existing programs. The proposal also authorizes a school breakfast program and food assistance to nonschool feeding programs for needy children sponsored by public or private agencies. Contingent upon passage of the bill, the sum of \$50 million in supplemental funds is to be requested to improve the nutrition of needy children as provided for in the proposed legislation.

(b) Proposed administrative and organizational changes: None.

(c) Probable changes by 1970: General trend in meeting the situations outlined above expected to continue.

7. *Coordination and cooperation*

(a) Within the bureau: All of USDA's food assistance programs are administered by the Consumer and Marketing Service. Each of the administering divisions is kept fully informed of the activities, scope, and developments in the other food programs so they may move forward together.

(b) With other units of USDA: Through membership on such groups as the Interagency Committee on Nutrition, Rural Area Development Board, the Poverty Program Liaison Task Force, and the Task Force on Appalachia, food assistance programs personnel keep other agencies of the U.S. Department of Agriculture informed as to changes and developments in food assistance programs. These groups, together with the Extension Service, provide ready lines of communication to reach those in USDA's field offices with information on the program.

(c) With other Federal agencies: Office of Economic Opportunity. There has been the closest cooperation with every phase of the Office of Economic Opportunity. Children enrolled in Headstart, although for the most part not eligible for the full range of school lunch assistance as child-care centers, do benefit from donated foods used to serve lunch or snacks. Through USDA-OEO cooperative efforts, every sponsor of a Headstart project receives a buying guide and special menus to help them in providing nutritious meals for preschool children.

In a number of areas, OEO is providing cash assistance to supplement regular school lunch funds where a community cannot support a heavy load of free or reduced price meals.

The national school lunch program has been made an approved work station for those enrolled in the Neighborhood Youth Corps, administered by the U.S. Department of Labor and the work experience program, administered by HEW.

Information materials have been developed jointly to inform the regional offices of all these agencies as to the availability and benefits of the national school lunch program.

Office of Education.—Cooperative efforts are under way to encourage use of title I funds of the Elementary and Secondary Education Act of 1965 in acquiring facilities and labor for school food service and in supplementing school lunch funds where the need is great and there is no community action program.

ICCY.—Through membership on the Interdepartmental Committee on Children and Youth, information on the national school lunch program is widely disseminated throughout the Federal Government.

(d) With State governments: Since the program is administered through State educational agencies, each with a school lunch program official, liaison is close and constant. The school lunch division holds a series of conferences each year in each of the five areas of the consumer food programs for a full discussion and exchange of ideas with State personnel.

A national conference is held every 5 years to which State school lunch personnel are invited, not only to attend, but to participate actively.

Each month, the district offices of consumer food programs send to the school lunch officials in their area an informational letter as to new activities and developments.

(e) With local governments: Working through State school lunch personnel, information is relayed to school districts and schools.

Technical assistance is provided in the form of suggested menus and quantity recipe card files, food buying, and storage guides, kitchen equipment manuals, etc. A sample of schools in each area of the country is visited each year to assure that the schools are meeting the nutritional and other requirements of the program and written reports are submitted on the findings.

State school lunch personnel regularly hold workshops for local school lunch managers, cooks, and other employees. Federal employees actively participate in these workshops as requested.

(f) With foreign governments: A number of foreign governments have shown great interest in the national school lunch program and how it operates. Representatives frequently come to discuss the program with Federal employees and tour both large and small operations.

(g) With nonprofit organizations: Close liaison is maintained with the American School Food Service Association, an organization composed of those involved in school feeding. They publish a monthly magazine that covers all aspects of school feeding. Similar liaison is maintained with church-related groups operating schools such as Catholic, Jewish, Lutheran, etc.

(h) With business enterprises: Individual corporations in the field of institutional feeding frequently request advice as to how their products may be tailored to better meet nutritional requirements of the school lunch program.

(i) With others: There is a substantial amount of liaison with private associations such as American Dietetics Association, American Home Economics Association, etc.

8. *Laws and regulations*

National School Lunch Act, as amended (42 U.S.C. 1751-1760) and 7 CFR, Part 210.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served: All children participating in the program, whatever the level of family income, benefit from receiving at lower prices because of Federal assistance or free of charge, a lunch that meets one-third or more of their daily nutritional requirements.

(b) Effects on placement or productivity of workers: Not applicable.

(c) Effects on business, new enterprises, etc.: The national school lunch program represents an \$800 million market for food to local suppliers. This market has been growing at the rate of some \$50 million a year. Many new products have been introduced and markets for old ones have been expanded.

(d) Effects on stability, level, volume of employment, wages, costs, production, etc.: The program provides employment for approximately 300,000 workers. In addition, it provides a local market for food, labor, and equipment in excess of \$1.3 billion.

(e) Other benefits: The major one stems from the simple fact that you can't teach a hungry child. In addition, the child learns the

essentials of good nutrition that he carries with him when he leaves school.

(f) Pertinent geographic differentials: The formula for cash apportionment among the States is designed to reflect the greater need for assistance in those States with levels of income below the national average.

(g) Impact on GNP: Estimate not available.

(h) Other data: None.

Publications of the U.S. Department of Agriculture which may be of interest are: "The Market for Food in Schools"; "Food Service in Public Schools"; "Food Service in Private Schools."

10. *Economic classification of program expenditures.* (See table 2.)

Program: National school lunch program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]	
Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	1. 2
Other.....	1. 8
Grants to State and local governments ¹	175. 5
Total, Federal.....	178. 5
Non-Federal expenditures financed by—	
State and local governments.....	113. 5
Individuals or nonprofit organizations ²	178. 7
Other (children's payments).....	797. 6
Total expenditures for program.....	1, 268. 5

¹ Includes cash grants and value of foods purchased under sec. 6 of the act. Does not include foods acquired and distributed under price-support and supplies removal activities of the Department.

² Includes contributions from business enterprises. A breakdown of contributions by categories is not available.

(NOTE.—In national income terminology only the cash grant to States is classified as a grant.)

FOOD STAMP PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

To improve the diets of low-income households and expand the market for domestically produced food by supplementing the food purchasing power of low-income families.

2. *Operation*

The program is administered through the State agency that has responsibility for administration of federally aided public assistance programs and that agency is responsible for the certification of applicant households and the sale and issuance of food coupons. A plan of operation between the State agency and the U.S. Department of Agriculture sets forth the mutual responsibilities of both.

The Department of Agriculture has direct responsibility for the supervision of participating retail food stores and wholesale food concerns.

Participation in the program is at the election of the State and its political subdivisions. The Food Stamp Act contemplates a progressive expansion of the program, over the period of the next several years, to all political subdivisions that desire to participate. The welfare agency of each State is responsible, under the act, to submit requests for the program on behalf of political subdivisions (project areas) within the State and to indicate the time schedule under which they desire to inaugurate the program in the various subdivisions. The act further provides that the Secretary of Agriculture shall undertake an orderly expansion of the program by designating project areas in a manner that will provide equitable treatment among the States, taking into account relative need and the readiness of the States to assume their administrative responsibilities for the program.

Families may participate if they live in a project area that has been designated for the program and are found by local welfare officials to be in need of food assistance. Eligible families are those receiving some form of welfare assistance, or those who are unemployed, the part-time employed, those 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 the level of liquid assets. These income levels vary by States because the Food Stamp Act requires these standards to be consistent with the standards used under each State's welfare program.

Families exchange the money they would normally be expected to spend for food for coupons worth more. The U.S. Government pays for the difference between the amount each family pays and the total value of food coupons it receives.

The coupons are used to buy food in retail stores. Except for a few imported items, the coupons may be used to buy any food for human consumption. The retailers redeem the coupons at face value at their local banks.

3. *History*

In January 1961 the President announced that a food stamp program would be initiated on a pilot or experimental basis in a few areas, using funds available to the Secretary of Agriculture under section 32, Public Law 320, 74th Congress. The first of the eight original pilot projects opened on May 29, 1961. Extensive research accompanied these initial projects to measure the impact, effectiveness, and acceptability of the program. The excellent results of the first eight pilot areas led to a continuation and expansion of the pilot program—eventually to 40 counties and 3 cities in 22 States.

In April 1963 the Department submitted draft food stamp legislation to the Congress, recommending enactment so that the program could be progressively expanded to all areas of the country which desired to participate. The Food Stamp Act was approved by the President on August 31, 1964. It authorized expenditures not to exceed \$75 million in fiscal year 1965, \$100 million in 1966, and \$200 million in fiscal year 1967.

4. *Level of operations.* (See table 1.)

Program: Food stamp program.
Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 1.—Level of operations or performance, fiscal years 1964-65; and estimated level of operations, fiscal years 1966-67

Measure	Unit (see notes)	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)
(a) Magnitude of the program.....	Individual....	392,442	632,687	1,200,000	1,200,000
(b) Applicants or participants:					
State government agencies.....	State.....	22	29	41	46
Local communities or govern- ments.....	Area.....	43	110	348	600
(c) Federal finances:					
Appropriations available.....	Thousand dollars.....	\$ 44,625	\$ 55,650	99,992	\$ 150,000
Obligations incurred.....	do.....	30,507	35,560	99,992	150,000
(d) Matching or additional expendi- tures for the program. ⁷					
(e) Number of Federal Government employees administering, oper- ating, or supervising the activity: (1) Administrative or super- visory.....	Man-year....	117	138	354	600
(f) Non-Federal personnel employed in the program.....	(⁸)	(⁸)	(⁸)	(⁸)	(⁸)
(g) Other measures of level or magni- tude of performance.....					

¹ Estimated. Actual year-end participation will depend upon the pace of expansion during the fiscal year.

² Number of areas based on Secretary's announcement of Jan. 24, 1966.

³ Number depends upon the size of areas requested by the States. This figure is based upon an average of about 3,000 participants per area reflecting the trend toward smaller areas in recent requests.

⁴ Financed from sec. 32 funds.

⁵ Includes \$25,000,000 direct appropriation and \$30,650,000 transfer from sec. 32 funds.

⁶ To be financed by transfer from sec. 32 funds.

⁷ Program funds are 100 percent Federal. Amount of expenditures by State and local governments to administer program is not available.

⁸ Not available.

5. Estimated magnitude of program in 1970

Data not available.

6. Prospective changes in program orientation

(a) *Pending legislative proposals:* An amendment to the act to provide appropriation authority for fiscal years beyond 1967.

(b) *Proposed administrative and organizational changes:* None.

(c) *Probable changes in operating conditions in 1970:* Unknown.

7. Coordination and cooperation

(a) *Within the office.*—Close liaison is maintained with the other consumer food programs, particularly commodity distribution, under which Government-owned foods are donated to States for distribution to needy families. Because the food stamp program is not immediately available to all areas of the country that want it, it is important that food assistance be available in the form of donated foods until such time as all requests for food stamp assistance can be met.

(b) *With other units of USDA.*—Through C. & M.S. membership on groups such as the Rural Area Development Board and the Task Force on Appalachia, information on the program's availability and benefits are widely disseminated through the Washington and field offices of USDA.

Because a major function of the program is to improve nutrition among participating low-income households, all the resources of USDA's extensive research and knowledge on the fundamentals of good nutrition are called upon and are communicated through such organizations as the Extension Service.

The Office of the Inspector General provides audit and investigatory services for the program.

(c) *With other Federal Government agencies.*—A close working relationship has developed with HEW, the Office of Economic Opportunity and the Treasury Department, and the Department of Justice, particularly. Since the program is administered through the State agency that administers HEW's public assistance programs, there must be complete mutual understanding of program objectives, policies and prospective changes in the whole field of assistance to low-income families.

Similarly, in the case of the Office of Economic Opportunity, close liaison is maintained to insure that in designated food stamp areas, associated antipoverty programs move forward in harmony with the food stamp effort.

The food stamp program, as other consumer food programs, is an approved work station for those employed in the Department of Labor's Neighborhood Youth Corps and HEW's work experience program.

In addition, OEO has offered to finance the local costs of administering a food stamp program in several counties that have been designated by the State welfare agency as eligible for participation but which have indicated difficulty in financing the issuance offices and local certification costs.

Close relations are maintained with the Treasury Department because commercial banks are used to redeem the coupons and they act as Federal depositories for the sums collected from recipients. The Department of Justice is responsible for court actions with respect to the civil and criminal sanctions set forth in the act.

(d) *With State governments.*—Because the program is administered through State welfare agencies, close liaison and program direction and supervision is essential, to assure program effectiveness.

(e) *With local governments or communities.*—The nature of the food stamp program is such that it requires full community understanding and support for maximum effectiveness. This can only be assured if local government support is enlisted.

(f) *With foreign governments.*—A number of foreign government representatives have inquired in depth as to how the program operates and its effectiveness as a means of providing food assistance to low-income families.

(g) *With nonprofit organizations.*—An important feature of the food stamp program is a nutritional education effort for participating families to help them use their increased food purchasing power to good advantage. A nutrition education committee is organized locally wherever the program operates. Much of the impetus for this effort comes from members of community organizations.

The cooperation of private welfare agencies is sought in an effort to maximize program benefits.

(h) *With business enterprises.*—Food coupons issued under the program are spent in retail food stores and redeemed by banks. This requires full understanding and support for the program from major sectors of the business community. Similar understanding and support is important on the part of local news media to encourage participation in the program and to relay information on the program's benefits to the entire community.

(i) *With others.*—None.

8. Laws and regulations

Public Law 88-525, approved August 13, 1964, and 7 CFR parts 1600 and 1601.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) *Effects on personal incomes of persons served.*—The free coupons provided by the Federal Government upon purchase of the family food expenditure maintenance amount represent net additional food purchasing power to participating families. On the average, food purchasing power is increased by about \$6 per person per month. However, the lower the income of the family, the greater is the amount of assistance provided.

(b) *Effects on business.*—The food coupons, spent in retail stores, represent increased sales to retailers and, thus, new money to the economy of the community. A research study cited below shows that all sizes of retail stores share in the increased food sales.

(c) *Effects on stability.*—The food stamp program serves as a built-in economic stabilizer. Trends in participation and program costs are inversely associated with employment and general economic trends. Temporary or other downtrends in employment automatically make more people eligible for the program, increase participation, and the amount of Federal funds, in the form of free food coupons, moving into the food stamp areas. Since 1961, as employment has improved in food stamp areas such as Detroit, participation and program costs have declined.

(d) *Other benefits.*—Many low-income families that cannot qualify for welfare assistance can participate in the food stamp program. These families, particularly the elderly living on limited pensions, find a dignity in the food stamp approach because they have some of their own money invested in the coupons.

(e) *Pertinent geographic differentials.*—Eligibility standards are designed to reflect the State's own standards in the administration of its welfare programs. The purchase requirement and the value of free coupons issued to families also reflect the general level of living in the various sections of the country.

(f) *Measurable contribution to GNP.*—This is difficult to determine precisely. The contribution would be made through the multiplier effect of new money into the local economy in the form of increased retail food sales.

(g) *Other data or comments.*—See Agricultural Economic Reports Nos. 9, 29, and 55 for further information on the impact on family nutrition levels and on retail sales.

10. Economic classification of program expenditures. (See table 2.)

Program: Food stamp program.

Department or agency, and office or bureau: Department of Agriculture; Consumer and Marketing Service.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	1.2
Other.....	.7
Transfer payments to individuals.....	32.5
<hr/>	
Total, Federal expenditures.....	34.4
Non-Federal expenditures.....	(2)

¹ Value of bonus coupons issued to food stamp participants.² Not available.

Rural Electrification Administration

ELECTRIFICATION PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The Rural Electrification Administration was established to execute a self-liquidating loan program for electric and telephone service in rural areas on an area coverage basis. To this end, the Administration conducts two capital investment programs: (a) the rural electrification program to provide electric service to farms and other rural establishments; and (b) the rural telephone program to furnish and improve telephone service in rural areas.

REA borrowers are independent corporate bodies, locally owned and controlled. REA works with the borrowers to move them as far and as fast as is feasible toward a situation in which every borrower possesses the internal strength to guarantee its permanent success as an independent local enterprise. As borrowers gain in strength and maturity, REA's necessary activities to protect loan security proportionately diminish.

2. Operation

Rural electrification.—This program is carried out through loans which bear 2 percent interest and must be repaid within a period not to exceed 35 years. Loans are also made for shorter periods at 2 percent interest to electrification borrowers to be reloaned to their consumers for the purpose of financing the wiring of premises and the acquisition and installation of electrical and plumbing appliances and equipment, including machinery.

Electrification loans are made primarily to cooperative associations formed solely for the purpose of supplying electricity in rural areas and borrowers are encouraged to expeditiously extend service to remaining unserved farms.

REA field people work with borrowers in helping them create sound, viable organizations. REA assistance includes advice in connection with activities such as power use promotion and improved member service programs as well as technical assistance in fields such as automatic data processing, accounting, long-range planning, rate design, and so forth.

Rural telephone.—This program is carried out through loans which are made for the purpose of financing the improvement, expansion, construction, acquisition, and operation of the telephone lines and

facilities or systems to furnish and improve telephone service in rural areas. The loans bear 2 percent interest and must be repaid within a period not to exceed 35 years.

Telephone loans are made to private companies and cooperatives. REA field representatives work with borrowers to develop sound construction and operating policies, and REA cooperates with manufacturers to develop efficient and economical equipment specifically designed for rural needs. Practically no standards or equipment specifically designed for rural telephone systems were in existence before REA initiated work in this field. REA also works with borrowers on financial and management matters to strengthen their operations and assure loan security.

REA has no field offices. Relations with borrowers are maintained through offices in Washington and the REA field staff.

Funds for making these repayable loans are borrowed from the Secretary of the Treasury.

3. *History*

The Rural Electrification Administration was established by Executive Order 7037 of May 11, 1935, to make loans for extension of central station electric service to unserved rural people. It was continued by the Rural Electrification Act of May 20, 1936, and became part of the Department of Agriculture on July 1, 1939, under Reorganization Plan II. On October 28, 1949, Public Law 423 amended the Act to authorize loans for furnishing and improving rural telephone service.

When the Rural Electrification Act was passed in 1936, only 1 farm in 10 had central station electric service. Today more than 98 percent of America's farms have central station electric service.

REA electric borrowers are serving approximately 150,000 additional rural consumers each year, which requires substantial amounts of capital. Their greatest need for capital, however, is to increase the capacity of their systems, including power supply facilities, to meet the continuously growing power requirements of their existing consumers. REA electric borrowers are serving more than 5 million rural consumers.

In 1950, when the telephone program started, the Census of Agriculture showed 38.2 percent of all farms with telephone service, fewer in both number and percentage than in 1920. Approximately 80 percent of the farms now have telephone service. Cumulative Rural Electrification Administration loans through June 30, 1965, will eventually provide initial or improved service to an estimated 2 million rural subscribers.

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Electrification program.

Department or agency, and office or bureau: Department of Agriculture; Rural Electrification Administration.

TABLE 1.—Level of operations and performance, fiscal years 1964-67; and estimated level of operations, fiscal year 1970

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Cumulative number of consumers receiving service from REA electric borrowers, secondary beneficiaries (consumers)	5,300,643	5,440,189	5,600,000	5,750,000	6,200,000
(b) Applicants or participants (number of loans):					
Local communities	13	16	(1)	(1)	(1)
State government agencies	1	1			
Other (cooperatives)	271	230			
(c) Federal finances:					
Loan authorizations:					
Funds available	\$434,516,000	\$417,329,000	\$402,415,000	\$292,415,000	(1)
Obligations incurred	\$261,459,000	\$379,973,000	\$270,000,000	\$270,000,000	(2)
Salaries and expenses:					
Appropriation available (for both electric and telephone programs)	\$11,243,000	\$11,934,000	\$12,202,000	\$12,202,000	\$12,202,000
Obligations incurred	\$5,919,000	\$6,347,000	\$6,673,000	\$6,673,000	\$6,673,000
(d) Matching or additional expenditures ¹					
(e) Number of Federal Government employees administering, operating, or supervising the activity:					
(1) Direction and supervision (Includes Division chiefs, Area Directors and others at GS-15 level or higher.) (Man-years)	20.3	20.3	20.4	20.4	20.4
(2) Supporting personnel (Engineers, accountants, loan and operations analysts, field representatives, clerical and stenographic.) (Man-years)	494.9	491.0	505.1	496.4	496.4

¹ Estimates not available.

² Estimated capital requirements of borrowers, some of which will be self-generated, are expected to lie within the range of \$400,000,000 to \$550,000,000. The amount of loan funds to be required from Federal Government sources will be substantially affected by the action which may be taken by the Congress with regard to alternative financing methods as described under item 6(a).

³ The amount of self-generated capital voluntarily invested by borrowers is not available.

6. Prospective changes in program orientation

(a) *Pending legislative proposals.*—The 1967 budget includes a proposal to establish in 1966 a Rural Electrification Administration loan account which will reflect the net cost of the loan programs by showing it as the excess of the aggregate of the loans to be made over the current receipts of loans previously made. The account will be budgeted on a net expenditure basis. It will include both the electric and the telephone programs.

The borrowers' organizations, and the Department, in looking ahead to the future financing needs of the borrowers, are studying the possibility of a new type of financing for rural electric and telephone development which will offer the more mature borrowers greater freedom of financial planning and system development, but at an interest rate higher than the rate which now prevails. This would probably involve the use of capital funds obtained from non-Government sources. Should it prove to be practicable and acceptable to introduce a new type of financing along this line, a portion of the loan needs for the years ahead could be financed under such a plan. It is not practicable at this time to make estimates as to the amount of such financing.

(b) *Proposed administrative and organizational changes.*—In January of 1966 a series of changes in the organizational structure of REA were

made. These changes included establishing a new position of Assistant Administrator for borrower development to direct a program of giving greater emphasis on the development of internal strength of our borrowers, and a new position of Deputy Administrator for Policy and Program Review to direct REA's cost reduction and operations improvement program.

(c) *Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social.*—No significant changes from present trends are assumed.

7. *Coordination and cooperation*

The Rural Electrification Administration does not operate any electric or telephone facilities. It carries out its program through loans to private organizations (most of which are cooperatives in the electric program). These borrowers are fully responsible for coordinating their own operations with all pertinent local, State, and National instrumentalities, both public and private.

About 95 percent of REA loans are supplemental loans made to organizations which have previously received loans from REA. These organizations do not obtain any long-term debt financing from any source other than REA, which limits the extent of the coordination which might otherwise be required in connection with loans.

(a) *Within the Bureau.*—REA is headed by an Administrator, assisted by a Deputy Administrator and a Deputy Administrator for Policy and Program Review. The chain of command goes through an Assistant Administrator—Electric; an Assistant Administrator—Telephone; and an Assistant Administrator for Borrower Development. Each Assistant Administrator is responsible for directing and coordinating the work within his area of responsibility. Overall agency procedures are covered in an extensive series of staff instructions.

(b) *With other units in your Department.*—Departmental direction and coordinating is carried out by the Secretary and the Assistant Secretary for Rural Development and Conservation, assisted by the staff offices of the Department. Departmental procedures are set forth in a series of departmental regulations.

In specific areas, REA coordinates its work with the work of other agencies in the Department through numerous formal and informal channels.

These include such activities as membership in area development committees, water resources committees, defense operations committee, Census of Agriculture committee, and others. Examples of specific liaison are work with Forest Service on rights of way on forest land, Agriculture Research Service on farm use of electricity, and Statistical Reporting Service on data relating to rural electrification and telephony.

(c) *With other Federal Government departments or agencies.*—REA coordinates electric planning with Federal power agencies such as Southwestern Power Administration, Southeastern Power Administration, Bonneville Power Administration, U.S. Bureau of Reclamation, and the Tennessee Valley Authority. It works with the Agency for International Development on rural electrification and telephone programs in other countries, and with the Office of Emergency Planning, Office of Civil Defense, and Defense Electric Power Adminis-

tration in planning emergency defense procedures. The electric program works with the Federal Power Commission, and the telephone program works with the Federal Communications Commission on accounting and other matters.

REA works with its borrowers in upgrading the economies of their service areas by helping them find credit and technical assistance for new businesses and industries from Small Business Administration, Economic Development Administration, Office of Economic Opportunity, Farmers Home Administration, and what was the Community Facilities portion of Housing and Home Finance Agency, now Department of Housing and Urban Affairs.

(d) *With State governments or their instrumentalities.*—REA borrowers have numerous relationships with the State government and its instrumentalities, for which the borrowers themselves are responsible. Most of the telephone borrowers and some of the electric borrowers are subject to the jurisdiction of their State regulatory commissions, and REA occasionally helps them in matters relating to such commissions.

REA also maintains separate liaison with many of the State regulatory commissions.

REA is a signatory, with other Department of Agriculture agencies, in a Memorandum of Agreement to facilitate cooperation between State and Federal agencies in the Great Plains area, and also in a cooperative agreement with other USDA agencies and the State extension services of the Northern Great Lakes region to facilitate Federal-State cooperation in attacking economic problems in the rural areas of the Northern Great Lakes region.

(e) *With local governments or communities.*—REA encourages its borrowers to cooperate closely with local governments and communities in their service areas to insure that their needs for electric and telephone service are met, and also in connection with plans for economic development of their areas and other matters of civic concern.

(f) *With foreign governments or international organizations.*—Working through the Department of State, REA is represented on the U.S. National Committee for World Power Conference and it cooperates with the Economic Commission for Europe of the United Nations in the agency's collection and publication of information on electric power.

Working with the Agency for International Development, on a reimbursable basis, REA has conducted training programs for a number of foreign visitors, and REA employees have gone abroad on technical missions to various countries, including Jordan and Vietnam.

(g) *With nonprofit organizations or institutions.*—In the electric program, REA works closely with the National Rural Electric Cooperative Association, which represents rural electric cooperatives in Washington, and exchanges statistical data with the Edison Electric Institute. It works closely with borrower statewide organizations, and with the Northwest Public Power Association in the Northwestern United States. In the telephone program, REA works closely and exchanges statistical data with the U.S. Independent Telephone Association and with statewide organizations of telephone companies, with the National Telephone Cooperative Association, and the National REA Telephone Association.

(h) *With business enterprises.*—Private electric power companies are large suppliers of wholesale energy to our electric borrowers, and there is in REA an office whose primary responsibility is working with private power companies and other suppliers on matters of power contracts and power supply. When power supply problems arise, this office explores every potential avenue of satisfactory wholesale supply of electric energy in order to insure that the most advantageous arrangements are made, and that REA loans for generation and transmission are not made until after every available alternative has been thoroughly explored.

In the telephone program we work closely with the Bell System and other telephone companies in assisting our borrowers to develop toll and joint use agreements.

In both the electric and telephone programs, REA works closely with equipment manufacturers on the design, standardization, and adequacy of the supply of equipment, and works with engineering firms in the development and standardization of system design and construction.

REA maintains a close working relationship with CPA firms all over the United States, and with the American Institute of Certified Public Accountants.

8. *Laws and regulations*

The Rural Electrification Act of 1936 (7 U.S.C. 901–24) with amendments as approved. The appropriation act for Department of Agriculture and Related Agencies reference is 5 U.S.C. 511–512, fiscal year 1966 Public Law 89–316.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Electric service, and modern dependable telephone service, are such essential and integral parts of our life that it appears to be impracticable to measure their specific contribution toward increased personal income, productivity, etc. Indeed, business and industrial activity can scarcely exist without these essential utility services.

The social benefits of electrification and rural telephone service are not measurable in dollars, but are tremendous. It would be intolerable if the millions of Americans living in rural areas had to do without such commonplace conveniences of the 20th century as indoor toilets, running water, effective central heating, bright light for children to study by, television, automatic laundry equipment, and appliances and laborsaving devices almost without number. The ability to communicate by telephone with neighbors, business establishments, schools and emergency services is indispensable to modern living. Without modern electric and telephone service, outmigration would increase and the economy of rural areas would wither. This would harm the entire American economy and add to the social and economic ills of urban areas.

In a much more narrow sense, the annual cash expenditures of the customers of the electric and telephone systems for their electric and telephone service, plus the construction expenditures of the borrowers, plus the expenditures of electric consumers for electric appliances and their services (which have been estimated at more than \$1

billion per year) total about \$2.5 billion per year. This is a direct component of the gross national product, which is increased by a chain reaction effect engendered by the direct expenditures.

The program of the Rural Electrification Administration is carried out in rural areas and much of the immediate expenditures of beneficiaries from the REA program are in rural areas. However, a large part is for consumer appliances and equipment, and for construction materials, most of which are manufactured in urban areas. The urban areas also realize indirect economic benefits from the increased prosperity in rural areas made possible by modern electric and telephone service.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Electrification program.

Department or agency, and office or bureau: Department of Agriculture; Rural Electrification Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$5, 000, 000
Other.....	1, 000, 000
Loans to State and local governments.....	18, 340, 368
Loans (advances) to cooperatives.....	280, 922, 231

Total, Federal expenditures..... 306, 000, 000

NOTE.—In national income terminology, the Rural Electrification Administration is classified as a Government enterprise.

TELEPHONE PROGRAM

I. DESCRIPTION OF THE PROGRAM

(With the exception of questions 4, 5, and 10, this program is discussed under the electrification program.)

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Telephone program.

Department or agency, and office or bureau: Department of Agriculture; Rural Electrification Administration.

TABLE 1.—Level of operations and performance, fiscal years 1964–67; and estimated level of operations, fiscal year 1970

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 budget estimate	Fiscal year 1970 estimate
(a) Cumulative number of subscribers receiving telephone service from REA borrowers, secondary beneficiaries.	Subscribers.....	1, 581, 079	1, 680, 845	1, 740, 000	1, 830, 000	2, 180, 000
(b) Other incorporated rural telephone companies and cooperatives.....	Loans during year.....	146	170	175	150	(1)
(c) Federal finances:						
Loan authorization:						
Funds available.....	Loan authorization.....	\$113, 245, 000	\$100, 808, 000	\$101, 400, 000	\$85, 400, 000	(1)
Obligations incurred.....	Loans.....	\$89, 953, 000	\$96, 974, 000	\$101, 000, 000	\$85, 000, 000	(2)
Salaries and expenses:						
Appropriations available ³	Dollars.....	\$5, 109, 000	\$5, 512, 000	\$5, 529, 000	\$5, 529, 000	\$5, 529, 000
Obligations incurred.....	do.....	\$3, 096, 675	\$3, 510, 517	(1)	(1)	(1)
(d) Cash equity required ⁴						
(e) Number of Federal Government employees administering, operating or supervising the activity:						
(1) Directors and supervisors (includes division chiefs, area directors and others of GS-15 level or higher).	Man-years.....	13.7	13.7	13.6	13.6	13.6
(2) Supporting personnel (engineers, accountants, loans and operations analysts, field representatives, clerical and stenographic).	do.....	431.3	441.0	437.7	430.2	430.2

¹ Not available.

² Estimated capital requirements of borrowers, some of which will be self-generated, are expected to lie within the range of \$150,000,000 to \$175,000,000. The amount of loan funds to be required from Federal Government sources will be substantially affected by the

action which may be taken by the Congress with regard to alternative financing methods as described under Item 6(a).

³ See salaries and expenses under Item (c), electric program.

⁴ The amount of self-generated capital invested is not available.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Telephone program.

Department or agency, and office or bureau: Department of Agriculture; Rural Electrification Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$4, 000, 000
Other.....	1, 000, 000

Advances to incorporated rural telephone companies and cooperatives.....	81, 000, 000
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Total, Federal expenditures.....	86, 000, 000
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NOTE.—In national income terminology, the Rural Electrification Administration is classified as a Government enterprise.

Farmers Home Administration

RURAL WATER AND WASTE DISPOSAL PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The objective of this program is to provide financial and technical assistance to farmers, rural residents, and rural communities to establish or improve water and waste disposal facilities. Loans, grants when needed, and technical advice in the installation and operation of facilities and projects serving organizations of farmers and rural residents such as small towns, water districts, water companies, and similar organizations to help provide people with potable water and sanitary facilities that result in better living conditions, and better working conditions. This program also helps small towns and other rural communities to grow economically and socially, thereby attracting new residents and business.

2. Operation

The program provides supervised credit and management advice to rural families and groups who are unable to obtain sufficient credit from any source at reasonable rates and terms. The national office, under the direction of an Administrator, issues procedures, controls budgets, and gives technical training to field staffs. The 42 State offices serve all States, Puerto Rico, and the Virgin Islands. A State director is in charge of each State office. He and his staff direct and train county office staffs, analyze programs, control State budgets for loans and grants and approve the loans. About 1,600 county offices are located throughout the country. Some county offices serve several counties. All applications for financial assistance are made at the county offices. The county supervisor who is in charge of each office is a capable professionalist who approves most loans, gives technical advice to borrowers, services security given for loans, makes collections from borrowers, and transmits the collected funds to the National Finance Office. County FHA committees consisting of three members are appointed by the State director. These committees make recommendations concerning loans and grants and servicing actions. This

program is only one of several others administered by FHA and all of its employees.

3. History

A. Water Facilities Act of 1937: Financial and technical assistance was extended to farm operators or landowners who made their facilities available to bona fide farm operators for agricultural use. The program was limited to 17 Western States. The primary objective was to provide financial and technical assistance in developing irrigation systems and improved soil and water practices. The maximum loan available per borrower was \$50,000.

B. Water Facilities Act of 1937 (as amended in 1954): The original act was broadened to permit: (a) Loans throughout the United States. (b) Loans for facilities to promote soil conservation, use, and development as well as facilities to promote water conservation, use, and development. (c) Loans up to \$250,000 to a corporation or agency serving farmers and ranchers. (d) Insuring of loans made by lenders other than the United States up to an aggregate amount of \$125 million.

C. Agricultural Act of 1961: Title III of the act known as the Consolidated Farmers Home Administration Act of 1961, replaced and substituted for the act of August 28, 1937, otherwise known as the Water Facilities Act.

It (a) Increased the ceiling on insured loans from 90 to 100 percent of the normal value of the security; (b) provided for loans to associations serving primarily farmers, ranchers, farm tenants, farm laborers, and rural residents, and (c) increased loan limits to \$500,000 direct and \$1 million insured.

D. Food and Agriculture Act of 1962: Act broadened to include authorization for loans for shifts in land use to grazing, recreation, and forestry.

E. Food and Agriculture Act of 1965: Section 306 of the Agricultural Act of 1961 was broadened to permit the use of grants and loans for the development of water and waste disposal systems serving farmers and rural communities, and for the preparation of areawide water and sewer comprehensive plans.

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Rural water and waste disposal program.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 1.—Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970

[Thousand of Dollars]

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Magnitude of the program (persons assisted).....	165, 978	269, 567	640, 000	940, 000	-----
(b) Applicants or participants: (1) Associations (loans and grants made).....	267	387	698	858	-----
(c) Federal finances:					
(1) Appropriations and authorizations available ¹	52, 500	54, 750	144, 000	238, 000	(²)
(2) Obligations incurred ³	33, 900	50, 356	128, 800	186, 400	-----
(d) Matching or additional expenditures for the program.....					-----
(e) Number of Federal Government employees administering, operating, or supervising the activity.....	(⁴)	(⁴)	(⁴)	(⁴)	-----
(f) Non-Federal personnel employed in the program.....					-----

¹ Includes appropriations, annual loan authority and insuring authority. Amounts include authorization for all association loans (e.g. loans for recreation, grazing, etc.).

² There are over 30,000 rural communities in the Nation without adequate central waste disposal systems. There are many communities in excess of this number which do not have adequate central waste disposal systems. In addition, many rural communities with a sewage collection system are without adequate treatment facilities. Thousands of others have no means of garbage collection and disposal. The magnitude and level of program for 1970 will depend upon the economy and funds authorized for use.

³ Obligations relate only to the rural water and waste disposal program.

⁴ With the exception of a small number of staff positions, Farm Home Administration employees are responsible for loan making, loan servicing, and administrative functions in connection with all of the agency's programs, whereas this report reflects only the loan making activity by year, for this particular program. Therefore, it is impracticable to determine the number of employees or man-years utilized in conducting only this segment of FHA's total lending authorities.

6. Prospective changes in program orientation

It is expected that the program will be in even greater demand due to social changes which result in a demand for facilities that contribute to improved living conditions. There are now over 30,000 rural communities in the Nation without adequate central water systems and at least an equal number that do not have an adequate waste disposal system. With the rapidly expanding population the demands for the development of new rural systems, and for the extension and improvement of existing systems will be increased.

7. Coordination and cooperation

(a) Within bureau or division: (1) Water and waste disposal program is integrated with other association loan programs directed by the division; i.e., grazing association loans, recreation loans to nonprofit organizations or public bodies, forestry loans to nonprofit associations and cooperative association loans to low-income groups authorized by the Economic Opportunity Act of 1964.

(b) Other loan programs of the agency: (1) Activities of the division are coordinated with the other loan programs of the agency; i.e., success of operating loans and farm ownership borrowers is enhanced by providing water for gardens, crops, livestock, and domestic use; comfort and health of rural housing loan borrowers is enhanced by the availability of adequate pure water and sanitary waste disposal systems; all rural communities become more healthful and prosperous as a result of an abundance of sanitary water and waste disposal systems.

(c) Other Federal Government agencies: (1) We have recently completed a formal arrangement with five other agencies having respon-

sibility for assisting communities and municipalities interested in sewer and water projects.

(2) Informal agreements and working arrangements have been developed with the following agencies:

- (a) Soil Conservation Service.
- (b) Federal Extension Service.
- (c) Forest Service.
- (d) Health, Education, and Welfare.
- (e) Agricultural Stabilization and Conservation Service.
- (f) Department of the Interior.
- (g) Rural Community Development Service.
- (h) Economic Research Service.
- (i) Department of Housing and Urban Development.
- (j) Department of Commerce.
- (k) Office of Economic Opportunity.
- (l) Appalachian Regional Commission.
- (d) State government:
 - (1) Department of health.
 - (2) State planning and zoning.
 - (3) Industrial commission.
 - (4) State department of agriculture and forestry.
 - (5) State water pollution control agency.
 - (6) Public services commission.
 - (7) Development commission.
- (e) Local government:
 - (1) County commissioners.
 - (2) Village councils.
 - (3) County or local planning boards.
- (f) Foreign governments: (1) Not applicable, except for training from time of foreign visitor and employee going abroad.
- (g) Nonprofit organizations:
 - (1) American Water Works Association.
 - (2) National Association of Counties.
 - (3) Consulting Engineers Council of the United States.
 - (4) National Rural Electric Cooperatives Association.
 - (5) National Association of Soil Conservation District.
 - (6) National League of Cities.
 - (7) National Well Drillers Association.
 - (8) Cooperative League.
- (h) Business organizations:
 - (1) Consulting engineers.
 - (2) Material suppliers.
- (i) Others:
 - (1) Investors for insured funds.
 - (2) Bankers.

8. *Laws and regulations*

- (1) Public Law 75-399.
- (2) Public Law 76-848.
- (3) Public Law 81-99.
- (4) Public Law 83-597.
- (5) Public Law 87-128.
- (6) Public Law 87-703.
- (7) Public Law 87-798.
- (8) Public Law 89-240.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

(a) Effects on personal incomes of persons served: Farmers and rural residents are able to enhance their income from gardens, livestock, and crops as a result of an adequate water supply and the addition of pastureland.

(b) Effects on the placement or productivity of workers:

(1) As a result of diversification and increased production, more complete use of available community labor resources is utilized.

(2) Availability of water and waste disposal systems is conducive to placement of laborers.

(c) Effects on business and industrial organization and management:

(1) Encourages new industry to establish in the community.

(2) Encourages and makes possible expansion of existing business and industrial organizations.

(3) Increases efficiency of existing business and industry.

(4) Creates a better social and economic environment.

(d) Effects on stability, level, volume of employment, wages, costs, production, sales, prices, or other phases of economic activity:

(1) Prevents out migration by addition of needed utilities and reservation.

(2) Provides growth and stability by creating new construction, demands for appliances and sales of commodities produced or grown by local citizens.

(e) Other benefits from the program:

(1) Social benefits of parity of opportunity in rural communities with those of urban areas.

(2) Stimulates local initiative, and reduces welfare cost if families had moved to urban areas.

(3) Provides an incentive to not only reverse the trend of out migration, but encourages those that have left to return to their original community.

(f) Pertinent geographic differentials, such as variations in the regional, State, or metropolitan area scale of operations or economic impacts:

(1) Program is active in all States with increased demand since signing of Public Law 89-240.

(2) Greatest demand in South, Midwest, and Northeast portions of United States.

(g) Measurable contribution of the program to either the magnitude or the rate of growth of the gross national product, if such a contribution can be identified: Actual figures of contribution to gross national product are not available as such information has not been included in any agency reports.

(h) Other data or comments relevant to economic impacts or significance of the particular governmental program: None except those listed above.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Rural water and waste disposal program.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]	
Federal Government:	
Loans.....	50.4
Total, Federal expenditures.....	50.4

NOTE.—Above figures do not include salaries and expenses of Federal employees.

RURAL RENEWAL

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

Provide loans and technical assistance to public agencies in low-income areas to carry out complete economic development. To stabilize and improve rural communities and provide environmental facilities, resources, and economic development opportunities for rural people.

2. Operation

The Farmers Home Administration, a Department of Agriculture agency, provides supervised credit and management advice to rural families and groups who are unable to get sufficient credit from any source at reasonable rates and terms. The national office, under the direction of an Administrator, issues procedures, controls budgets, and gives technical training to field staffs. The 42 State offices serve all States, Puerto Rico, and the Virgin Islands. A State director is in charge of each State office. He and his staff direct and train county office staffs, analyze loan programs, control State budgets for loans, and approve the larger loans. Some 1,600 county offices are located throughout the country. Some offices serve several counties. All applications for loans are made at the county offices. The county supervisor who is in charge of each office is a capable agriculturist who approves most loans, gives technical advice to borrowers, services security given for loans, makes collections from borrowers, and transmits the collected funds to the National Finance Office. County Farmers Home Administration Committees consisting of three members are appointed by the State director. These committees determine the eligibility of applicants and make recommendations concerning certain loan approval and loan servicing actions. The rural renewal program operates in only designated areas under the direction of a program leader who is responsible to the State Director.

3. History

The rural renewal program was authorized September 1962. From requests received from local interest groups the Secretary in 1964 designated five areas for rural renewal program assistance. With the assistance of the Farmers Home Administration program leader, rural renewal plans have been developed and approved for each area by the local public agency, Governor's office, and the Administrator of the Farmers Home Administration. These plans showed the need for technical assistance and loans from many sources including rural renewal loans and technical assistance funds. The funds that have been made available have been utilized for loans and technical assistance in these areas.

4. *Level of operations.* (See table 1.)

5. *Estimated magnitude of program in 1970.* (See table 1.)

Program: Rural renewal.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 1.—*Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970*

[Thousands of dollars]

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Magnitude of the program (persons assisted).....	276	352	360	360	-----
(b) Applicants or participants:					
(1) Associations (loans made).....	7	7	8	7	-----
(c) Federal finances:					
(1) Appropriations available ¹	\$1,200	\$1,200	\$1,284	\$1,200	(²)
(2) Obligations incurred.....	\$1,197	\$1,116	\$1,284	\$1,200	-----
(d) Matching or additional expenditures for the program.....					-----
(e) Number of Federal Government employees administering, operating, or supervising the activity.....	11	12	26	26	-----
(f) Non-Federal personnel employed in the program.....					-----

¹ "No year" account beginning fiscal year 1965.

² There are now approximately 1,000 rural communities which need comprehensive community development programs. The rapidly expanding population coupled with changes brought about by automation and mechanization will create an increasing need for this type of program. Legislation presently under consideration by the Congress will increase the number of agencies eligible for assistance and permit use of rural renewal funds for recreational development. The magnitude of the program by 1970, therefore, will depend more upon the economic situation at that time and the amount of funds authorized for use, than on the need for this type of assistance.

6. *Prospective changes in program orientation*

With the rapidly expanding population and with changes brought about due to mechanization and automation there will be an increasing need for comprehensive community development programs. There now exists approximately 1,000 communities where there exists a need for such a program. Other communities which will likewise be caught in this accelerated mechanization-automation era will also need a program of total rural renewal.

In order to provide more effective assistance it is proposed that section 32(e), title III, of the Bankhead-Jones Farm Tenant Act be amended to broaden the term public agencies and local public agencies that are now eligible for rural renewal assistance to include any corporation not operated for profit to participate in the planning and carrying out of a program of rural renewal. In addition, it is proposed that recreational development as an appropriate land utilization be added as a purpose for which rural renewal funds may be advanced.

7. *Coordination and cooperation*

The rural renewal program leader provides assistance to all aspects of community development in the designated rural renewal area. A primary function of the program leader is to assure maximum coordination and cooperation with all other programs and agencies as to purposes, policies, operations, and financing. These are directed toward providing needed resources to the development authority and associated development groups for bringing about needed improve-

ment projects. All other types of Farmers Home Administration loans are used to the maximum extent for providing such needs as improved housing, strengthening family farms, recreational developments, water and sewer systems, economic development loans to rural residents, and operating loans to individual family farmers. These various kinds of FHA loans are fully utilized in the rural renewal area. Full use is also being made of the other USDA agency programs in the designated area. These include assistance from the Soil Conservation Service, the Agricultural Stabilization and Conservation Service, the Forest Service, and others as needed to plan, develop, and utilize programs for the redevelopment of the area and to improve the incomes of low-income families. In accordance with Secretary's Memorandum No. 1517, other agencies and staff offices of the Department will participate in rural renewal program activities in accordance with the functions assigned to them in administrative regulations of the Department. Each of these agencies and staff offices is responsible for developing operating procedures for assisting with the rural renewal program and will coordinate them with overall rural renewal program regulations issued by the Farmers Home Administration. The rural renewal program leader works closely with the county technical action panels in the designated area to achieve the full cooperation and coordination of all agencies within the Department as well as other agencies of Federal and State Governments in supporting the development program of the rural renewal authority. This includes agencies of Federal, State and local governments and their instrumentalities and involves full cooperation and participation of county RAD committees and activities. This also involves close cooperation with development groups associated with the Economic Development Administration, the Office of Economic Opportunity, local school district officials, and State agencies concerned with employment, training, health, education, and welfare.

The program leader has been primarily instrumental in the establishment of programs for community action in designated rural renewal areas. The established rural renewal program has proven to be a means by which the programs and services of Federal and State agencies other than those within the USDA are providing services in the area. Local, county, community, and municipal governments are cooperating fully with rural renewal program leaders and authorities in achieving maximum benefits of assistance available from all government and nongovernment agencies at National, State, area, county, and community levels. Local rural areas development groups, nonprofit organizations or institutions such as development associations, housing groups, community facilities groups, soil and water associations are active in the area and are made up of local business representatives. The program leader is working with these various local leaders and businessmen as individuals and through assistance to the development groups and committees of which they are members to serve them in every possible way to obtain technical and financial assistance from the most expedient available source for bringing about needed economic and social development. These include other FHA loans and loans from other agencies of Federal and State governments as well as from nongovernment lending bodies.

8. *Laws and regulations*

Public Law 87-703 approved September 27, 1962. Title I, section 102(c) amends section 32(e) of title III of the Bankhead-Jones Farm Tenant Act, as amended.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

The rural renewal program is making a vital contribution to the revitalization of the economy in low-income areas. Rural renewal loans are being made for correction of maladjustment of land use through the development of projects for rural homesites, reforestation areas, lakes, greenbelts, public playgrounds, grassland areas, and family farms. These economic development activities financed with rural renewal loans and technical assistance funds are providing increased incomes, jobs, and homes for many low-income, underprivileged rural citizens that are having both a direct and indirect impact upon the level of the economy in the area. These development activities are resulting in a distribution of personal income to a greater number of low-income families. As workers obtain additional jobs and their productivity becomes greater, the increased earnings enable them to move out of the poverty category. The stimulation of new business enterprises and expansion of existing ones is resulting in the location of stable businesses in rural areas. In these designated rural renewal areas a stability of income is being realized. The level, volume, and other beneficial aspects of employment along with wages, costs, production, output, marketing, processing, and distribution facilities and other phases of economic activity have resulted from the rural renewal program. Other benefits have resulted from this program in an indirect manner such as the attraction of outside investment to the area because of the availability of resources, both natural and human. This is evident by the interest from outsiders in moving their plants and economic activities to the area. Pertinent geographical differentials are being resolved as a result of providing additional resource utilization opportunities in the area which in many instances are more comparable to the metropolitan area scale of operations with resulting favorable impacts. The impact of direct rural renewal loans made in these areas is providing a major stimulus for economic growth; however, the effects of the rural renewal program leader in helping local people to obtain all other possible sources of assistance are making an equal or greater contribution.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Rural renewal.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

(In millions of dollars)

Federal Government:	
Loans.....	0.9
Total, Federal expenditures.....	.9

HOUSING PROGRAMS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the rural housing program is to provide families in rural areas, who do not have an adequate home or farm service buildings, an opportunity to have decent homes or essential farm service buildings. Rural areas include farms, open country and small rural towns with populations of not more than 5,500. To accomplish this objective, title V of the Housing Act of 1949, as amended, authorizes loans to families to build, improve, or buy homes and farm service buildings. For families with insufficient income to repay a loan for adequate housing, small loans and grants are authorized for minor repairs to remove hazards to the health and safety of the family and the community. To give elderly persons in rural areas who do not desire to own their own homes an opportunity to rent adequate housing suited to their needs, loans may be made to finance rental housing for them in rural areas. Loans and grants may be made to provide housing for both seasonal and residential domestic farm labor.

2. Operation

The Farmers Home Administration, a Department of Agriculture agency, provides supervised credit and management advice to rural families and groups who are unable to get sufficient credit from any source at reasonable rates and terms. The national office, under the direction of an Administrator, issues procedures, controls budgets, and gives technical training to field staffs. The 42 State offices serve all States, Puerto Rico, and the Virgin Islands. A State director is in charge of each State office. He and his staff direct and train county office staffs, analyze loan programs, control State budgets for loans, and approve the larger loans. Some 1,600 county offices are located throughout the country. Some offices serve several counties. All applications for loans are made at the county offices. The county supervisor who is in charge of each office is a capable agriculturist who approves most loans, gives technical advice to borrowers, services security given for loans, makes collections from borrowers, and transmits the collected funds to the National Finance Office. County Farmers Home Administration Committees, consisting of three members, are appointed by the State director. These committees determine the eligibility of applicants and make recommendations concerning certain loan approval and loan servicing actions.

3. History

The rural housing loan program was authorized by title V of the Housing Act of 1949. Initially the act authorized direct loans to farmowners to finance dwellings and farm service buildings for use by farmowners or their tenants or laborers. A farm was defined as a parcel of land operated as a single unit, used for agricultural production and customarily producing or being capable of producing \$400 worth of agricultural commodities for sale and home use.

In 1961 the basic law was amended to permit loans to owners of nonfarm real estate in rural areas. This included building sites in open country and small towns defined by regulations as rural towns of not more than 2,500 population. Authorization also was added in 1961 to make insured loans to provide housing for domestic farm labor.

Special attention was given to the housing needs of the elderly families in rural areas in 1962. In that year, the authority to make

section 502 loans was broadened to include the purchase of previously occupied dwellings and a minimum adequate building site for elderly persons in rural areas. Elderly persons who did not have sufficient income to meet all their debt obligations were permitted to use cosigners on their housing notes. The 1962 amendments also increased the maximum assistance available under section 504 of title V of the Housing Act of 1949 from \$500 to \$1,000. A new senior citizens rental housing program also was added that year. Insured loans could be made to individuals and eligible organizations to provide rental housing for elderly families in rural areas. Low-interest-rate direct loans for similar purposes were authorized for elderly rural families with low or moderate incomes.

In 1964 a new section was added to authorize labor housing grants to purchase, construct, or improve housing and related facilities. Funds for this phase of the housing program were made available late in 1965.

Major changes were made in 1965 with the enactment of Public Law 89-117. The basic ones were placing most of the section 502 activity on an insured basis; authorizing section 502 loans to any qualified rural resident or farmowner to buy a previously occupied dwelling, minimum adequate building site, and farm service buildings; and defining a rural area to include rural towns which have not more than 5,500 population.

4. Level of operations. (See table 1.)

Program: Rural housing program.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 1.—Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970

(Thousands of dollars)

Measure	Unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 (budget estimate)	Fiscal year 1970 estimate
(a) Magnitude of the program.....	Persons assisted.	79,372	70,738	172,615	198,890	-----
(b) Applicants or participants:						
(1) Individuals or families.	Loans and grants made.	19,543	17,579	40,535	46,615	-----
(2) Associations.....	do.....	27	32	230	235	(1)
(c) Federal finances:						
(1) Appropriation and authorizations available.	-----	\$265,264	\$285,134	\$501,126	\$412,000	-----
(2) Obligations incurred.	-----	\$137,692	\$134,962	\$378,450	\$397,000	-----
(d) Matching or additional expenditures for the program.	-----	(2)	(2)	(2)	(2)	-----
(e) Number of Federal Government employees administering, operating, or supervising the activity.	-----					
(f) Non-Federal personnel employed in the program.	-----					

¹ There is at present a backlog of 4.5 million homes in rural America that need major repairs or replacement. The anticipated growth in the number of families living in rural areas, the yearly increase in the number of senior citizens who need adequate housing and related facilities in rural areas, the termination of the bracero program and the increased emphasis on adoption and enforcement of housing and sanitation codes in farm labor housing, and the general trend toward higher living standards throughout our society will create a demand for this type of assistance by 1970 substantially above current levels.

² Includes appropriations, borrowing authority, and insuring authority.

³ With the exception of a small number of staff positions, Farmers Home Administration employees are responsible for loan making, loan servicing, and administrative functions in connection with all of the agency's programs, whereas this report reflects only the loan-making activity by year for this particular program. Therefore, it is impracticable to determine the number of employees or man-years utilized in conducting only this segment of FHA's total lending authorities.

5. *Estimated magnitude of program in 1970.* (See table 1, footnote 1.)

6. *Prospective changes in program orientation*

With a backlog of 4.5 million homes in rural America that need major repairs or replacement and the expected growth in the number of families living in rural areas, the demand for housing credit will increase. Likewise the social changes in our society will likely accelerate the demands for improvement in living conditions of rural residents. In the special area of farm labor housing, the demand for better housing is likely to accelerate as a result of the termination of the bracero program and the increased adoption and enforcement of farm labor housing and sanitation codes.

Since the rural housing program started in 1949, over 500,000 men, women, and children who were inadequately housed have been given an opportunity to have a decent home.

7. *Coordination and cooperation*

The rural housing program is an integral part of the total operation of the Farmers Home Administration. Families who receive farm operating or soil and water loans, for example, may also receive housing loans to finance the construction or improvement of their dwellings or farm service buildings. The housing activities also are closely related to the water and sewer programs of the Farmers Home Administration. Safe and adequate water and satisfactory waste disposal which are important features of an adequate home are essential to the health of the family. When an assured and safe water supply and an adequate waste disposal system are available in a community, families can install modern plumbing and bath facilities in their homes. This not only provides a more healthful environment but also reduces the investment individual families need to make to have adequate housing and related facilities.

The Farmers Home Administration maintains close working relationships with other Federal agencies, particularly those in the housing field, such as the Department of Housing and Urban Development and the Veterans' Administration. At the local level, county supervisors are expected to be thoroughly familiar with the sources of housing credit available in the area. This includes not only the lending policies of private creditors, but also the insuring policies of agencies such as the Federal Housing Administration and the Veterans' Administration.

Housing financed by the Farmers Home Administration must comply with the building codes and the health and sanitation requirements which may be imposed by State or local governments.

The insured phase of the housing program involves a direct working relationship with private investors. Local banks and other investors may advance funds for insured housing loans or may buy loans that already have been made. This gives them an opportunity to participate actively in giving families an opportunity to have a decent home and in the development of the community.

8. *Laws and regulations*

Title V of the Housing Act of 1949, Public Law 171, 81st Congress, approved July 15, 1949. Public Law 531, 82d Congress, approved July 14, 1952. Public Law 438, 83d Congress, approved June 29, 1954. Public Law 560, 83d Congress, approved August 2, 1954.

Public Law 345, 84th Congress, approved August 11, 1955. Public Law 1020, 84th Congress, approved August 7, 1956. Public Law 87-70, approved June 30, 1961. Public Law 87-723, approved September 28, 1962. Public Law 88-340, approved June 30, 1964. Public Law 88-560, approved September 2, 1964. Public Law 89-117, approved August 10, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The rural housing program is an effective means of renewing the countryside by replacing the scattered rural shacks and the clusters of dilapidated houses with adequate but modest homes. The program has a direct economic impact in the community and also a significant impact on the welfare of the family receiving the loan. The difference in the physical appearance of the grossly inadequate housing occupied by some families before they received rural housing loans and the modest new homes is dramatic. Even more significant is the effect of such an improvement on the living environment of the family itself. The pride of ownership, appreciation of the opportunity to raise their children in a home that offers modern conveniences and healthful living conditions, and increased participation in community affairs are conspicuously evident among families who receive rural housing loans.

The rural housing program can be an important force in stimulating the renewal of rural areas. Not only do individual families receiving loans benefit by having made available to them the means whereby they can acquire better housing, but the impact of an active housing construction program extends throughout the local area. Contractors, small businessmen, material suppliers, and building trades workers all benefit through increased business and employment opportunities. Since rural housing loans are made only to those applicants who cannot qualify for credit from other sources, most of the expenditures for housing probably would not be made if rural housing loan funds were not available.

Assuming an annual level of operation of \$400 million, this would—

Provide 32,000 man-years of employment,

Require 600 million board-feet of lumber,

Provide a market for \$80 million worth of plumbing, heating, and electrical materials and equipment,

Provide a market for \$120 million for other construction items such as concrete, masonry, steel, millwork, plaster, and paint, and

Sales of \$30 million in home furnishings.

Although the primary benefit of better housing will accrue to families who receive the loans, the secondary economic benefits of expenditures for housing material and labor can be significant and widespread. Since the rural housing program operates in areas where families are in low- and moderate-income levels, the propensity to save is low and the economic ripple effect of a million dollars will be substantial. Direct, on-the-job employment opportunities are made available to carpenters, bricklayers, plumbers, painters, and other construction workers. The workers generally live and spend their incomes in the

local communities. Some of the employment will be local as a result of an increase in the volume of business of material suppliers.

The economic impact also can be far-reaching, going as far as the source of raw materials such as the forests and mines and including processing, prefabricating, and marketing and transporting of the finished or semifinished product.

Another important aspect of the rural housing loan program is that it provides an added incentive for the development of industry and at the same time facilitates the enlargement of farms of those who choose agriculture as a vocation. The availability of housing credit to families in low- and moderate-income levels may enable them to move from small uneconomic farm units to localities near nonfarm employment opportunities. This also gives their families ready access to community facilities that would not be available to them in more remote areas. Furthermore, the released farmland would be available for the enlargement of other farms in the area, thus enabling those who remain in agriculture to increase their incomes by enlarging their units.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Rural housing program.

Department or agency, and office or bureau: Department of Agriculture; Farmers Home Administration.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]	
Federal Government:	
Transfer payments to individuals.....	2.2
Loans to individuals.....	132.7
Total, Federal expenditures.....	134.9

Rural Community Development Service

RURAL AREAS DEVELOPMENT PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The Rural Community Development Service has the responsibility to plan for better coordinated and more comprehensive solutions to the problems of rural residents and rural communities.

The Rural Community Development Service operates as a staff arm of the Secretary of Agriculture and under the general direction and supervision of the Assistant Secretary for Rural Development and Conservation. It is responsible for—

(a) Providing leadership within the Department of Agriculture in formulating plans and evaluating operations pertaining to development of natural and human resources in rural communities, with the goal of achieving coordination and consistency in USDA programs so as to promote the optimum development, use and conservation of resources, and the equitable distribution of benefits;

(b) Formulating plans for and evaluating operations of the "outreach" services to be performed by operating USDA agencies in order to help non-USDA Federal agencies to reach persons as effectively in rural communities as in other communities;

(c) Maintaining continuous liaison with other USDA and non-USDA Federal agencies to oversee and expedite, from the standpoint of the Department's rural community development objectives, the operation of programs and provisions for coordination between the several agencies;

(d) Formulating plans for and overseeing the execution of special demonstration projects in rural community development requiring the coordinated participation of two or more agencies or designed to achieve novel or exceptional community development benefits;

(e) Continuous review of working relationships between the several USDA, non-USDA Federal, other public, and private agencies involved in work affecting rural community development, in the interest of expediting communications, remedying causes of delay or ineffectiveness, and developing plans for improvement.

2. Operations

The Rural Community Development Service is furnishing leadership and direction within the Department of Agriculture in developing plans and procedure whereby USDA agencies will perform "out-reach" services to help other departments and agencies of the Federal Government to reach rural residents equitably. It is also developing plans for "packages of programs" which will integrate services of the various agencies of USDA and non-USDA Federal agencies so as to achieve maximum overall effectiveness in overcoming the disadvantages of rural people and promoting advances in rural communities.

The Rural Community Development Service is composed of the Office of the Administrator and Administrator's staff, two operating divisions, and a planning and liaison staff.

Office of the Administrator and Administrator's staff.—Consists of the Administrator, Deputy Administrator, and five professional specialists in program review and administrative management and management support liaison with the Office of Management Services.

Field Operations Division.—Consists of a Director and three professional men located in Washington and, by the end of the 1966 fiscal year, 23 State directors located in the field.

The Washington office is responsible for direction and coordination of field operations of RCDS State offices. It processes and distributes to State offices program information and instructions prepared by the Program Operations Division, and seeks to correct bottlenecks or other impediments to expeditious processing of applications for services from rural people.

Each State director serves as executive director of the State technical action panel (TAP), which consists of the heads of the USDA agencies operating in the State.

Regional development staff.—The regional development staff is composed of a chief, deputy chief, and program analyst, who are responsible for leadership within the Department of Agriculture in formulating plans and conducting liaison with other agencies as required of the Department by the Appalachian Regional Development Act of 1965 and the Public Works and Economic Development Act of 1965.

This staff serves the Administrator, who represents the Secretary of Agriculture in connection with assistance to and consultation and coordination with the Department of Commerce, the Appalachian Regional Commission, and in cooperation with various multistate commissions in development of regional programs, as required by the acts.

The staff is responsible for formulating policies and programs to insure full participation by rural communities and rural local governments in planning for community facilities, public services, and development of resources in which rural residents have interests and concerns. In addition, it maintains a continuous review and evaluation of Department operations affecting regional development programs, and is responsible for developing recommendations to the Secretary of Agriculture for adapting and coordinating the Department's programs with the various regional development programs in the interest of achieving optimum overall rural community development benefits.

Program Operations Division.—The Program Operations Division is comprised of the Office of the Director including a Director, Deputy Director, and six staffs of program specialists. Each staff consists of a Chief and a program analyst, and is responsible for the consultation and liaison with the authorities in charge of all Government programs that have a bearing on its assigned "problem area."

The six staffs and the types of governmental service with which each will work are as follows:

- (a) Housing and community facilities;
- (b) Jobs development;
- (c) Schools, education, and training;
- (d) Economic opportunity, health, and welfare;
- (e) Natural resources conservation and development;
- (f) Family farm development.

3. History

In his February 4, 1966, message to the Congress, the President stated the following:

It is not easy to equitably distribute Federal assistance to a scattered rural population. Rural communities often lack the specialized organizations found in major cities which keep informed of development programs and initiate action to make use of them. Special measures must be taken both by the States, and by Federal agencies to reach rural people, particularly in remote areas.

Since it is clear that an administrative office for each Federal agency or program cannot and should not be established in every county, a method must be developed to extend the reach of those Federal agencies and programs which should, but do not now, effectively serve rural areas.

Accordingly, I have asked—

(1) Each Department and agency administering a program which can benefit rural people to assure that its benefits are distributed equitably between urban and rural areas.

(2) The Secretary of Agriculture and the Director of the Budget to review carefully with the head of each Department or agency involved, the administrative obstacles which may stand in the way of such equitable distribution. They should propose administrative or legislative steps which can be taken to assure that equity is attained to assure full participation by rural areas.

(3) The Secretary of Agriculture to put the facilities of his field offices at the disposal of all Federal agencies to assist them in making their programs effective in rural areas. The Secretary is creating within the Department of Agriculture a Rural Community Development Service, which will have no operating programs of its own but will devote its energies to assisting other agencies in extending their services.

In line with the President's directive, the Secretary of Agriculture has organized a Rural Community Development Service. Its principal responsibility is to perform the new service for all Federal Government agencies in rural communities.

4. Level of operations. (See table 1.)

Program: Rural areas development program.

Department or agency, and office or bureau: Department of Agriculture; Rural Community Development Service.

TABLE 1.—Level of operations or performance, fiscal years 1964-65, and estimated level of operations, fiscal years 1966-67 and 1970¹

Measure	Unit (see notes)	Fiscal year, 1964	Fiscal year, 1965	Fiscal year, 1966 estimate	Fiscal year, 1967 (budget esti- mate)	Fiscal year, 1970 esti- mate ¹
(a) Magnitude of the program	(2)	(2)	(2)	(2)	(2)	(2)
(b) Applicants or participants:						
State government agencies	(2)	(2)	(2)	(2)	(2)	(2)
Local communities or govern- ments	(2)	(2)	(2)	(2)	(2)	(2)
(c) Federal finances:						
Appropriations available ²	thousand dollars	120	132	637	3,468	4,000
Obligations incurred	do.....	119	129	637	3,468	4,000
(d) Matching or additional expenditures for the program						
(e) Number of Federal Government ¹ em- ployees administering, operating, or supervising the activity: ¹						
(1) Administrative or supervisory		4	4	20	141	180
(2) Secretarial		4	4	13	80	82
(f) Non-Federal personnel employed in the program ⁴						
(g) Other measures of level or magnitude of performance ⁵						

¹ RCDS only. Most employees of the Department will in part be related to this effort. Personnel of other Departments will also participate.

² This is an agency with a leadership and coordination role. Participants will be all Federal, State, and local agencies that work with rural people. The objectives are to promote economic growth and improved facilities for human resource development for all rural America.

³ Includes only those funds appropriated to the Rural Community Development Service.

⁴ More than 100,000 non-Federal leaders serve on committees.

⁵ Thousands of other rural people also give assistance.

5. Estimated magnitude of program in 1970. (See table 1.)

6. Prospective changes in program orientation

In the state of the Union message of January 12, 1966, President Johnson said:

To improve the life of our rural Americans and our farm population, we will plan for the future through the establishment of several new community development districts, improved education through the use of Teacher Corps teams, and better health measures, physical examinations, and adequate and available medical resources.

These programs, if enacted into law and provided with adequate funding authorizations, will be additional instruments with which the Rural Community Development Service can work in supplying the means whereby rural people are able to achieve a higher level of economic development and have the opportunity for human resource improvement.

7. Coordination and cooperation

The essence of the Rural Community Development Service operations are coordination and cooperation with all programs relating to economic and human resource improvement in rural areas. It is the function of the Service to work with all agencies in the Department of Agriculture and with agencies in all of the other departments of the Federal branch of the Government having services and technical assistance of value to rural people.

The Rural Community Development Service will develop with other agencies, both inside and outside the Department of Agriculture, policies and procedures which will improve the effectiveness of the programs as they relate to rural communities. At the State level, the Rural Community Development Service representatives will work with the State heads of all Federal organizations and with agencies of the State governments to promote the better utilization of services and technical assistance by eligible rural people. In the areas within the States, and in counties and communities, arrangements will be made for representatives of the agencies of the Department of Agriculture to help in making available to rural people the services of all Federal, State, and local agencies.

In each rural county of the Nation, there is a technical action panel made up of the local representatives of the Federal agencies of the Department of Agriculture, together with representatives of State and local agencies. The mission of this technical action panel is to provide assistance to rural area development committees made up of local leaders. The mission of the local leaders is to appraise the needs of their particular area and determine those things which can be done to improve the income of the area and to provide needed human resource improvement.

Rural areas development committees, aided by the technical action panels, work closely with nonprofit organizations and institutions in the local community and also with business enterprises and other organizations. Through these, as well as through government services, means are found for economic growth and improvement, for the establishment of better community facilities, and for human resource development through such things as training, improved medical attention, better care for the aged, etc.

8. Laws and regulations

Authorization for the program is contained in Secretary's memorandum No. 1570. Language recognizing the agency and providing a base for appropriations is contained in the appropriations act for the Department of Agriculture for the fiscal year 1965-66, Public Law 89-316.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The rural areas development program as assisted by the Rural Community Development Service addresses itself to the disparity of income between rural and urban people. The median income of all rural people in 1960 was \$4,381 and that of urban people was \$6,166.

It is the objective of the program to remove this disparity as rapidly as possible. Upward change in income of rural people will come in part through increased earnings and higher productivity of workers.

Through the introduction of new industry and commercial enterprise into rural areas, there will at the same time be the economic impact of the new industry or commercial enterprise itself and the increased earnings of the rural people who are employed.

The policy of the Department provides that before technical assistance or special services can be given to a new industry or commercial enterprise, the determination must be made that the industry is not moving from some other area and leaving behind economic difficulties which offset the improved economy of the new location. Also before assistance will be given, it will be ascertained that the new industry or enterprise will not result in overexpansion either of the industry as a whole or in the particular area. The guideline in this regard is that the new industry in the proposed location must result in a net economic improvement for the local area, the broader region, and the Nation.

The rural areas development program is being carried out in all parts of the Nation. Special attention, however, is being given to the lower income areas of the Southeast.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Rural areas development program.

Department or agency, and office or bureau: Department of Agriculture; Rural Community Development Service.

TABLE 2.—*Economic classification of program expenditures, for fiscal year 1965*

Federal Government:

Purchases of goods and services:	
Wages and salaries.....	\$125, 000
Total, Federal expenditures.....	\$125, 000

DEPARTMENT OF COMMERCE

CONTENTS

	Page
Economic Development Administration.....	350
Office of State Technical Services.....	361

Economic Development Administration

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The newly established program of the Economic Development Administration is designed to provide new industry and permanent jobs in areas where they are most needed. The main emphasis is on long-range economic development and programing for areas or communities that are burdened with persistent unemployment and low family incomes.

The act recognizes that economic development of distressed areas, districts and regions is an enormously complex process, requiring the full cooperation of both public officials and private enterprise. It also requires partnership among officials at every level of government—local, county, State, and Federal.

The new act has a single primary object: to create a climate conducive to the development of private enterprise in America's economically distressed communities. It does this by insisting upon local initiative to design and implement community redevelopment in partnership with Government, in order to harness the economic potential of areas that have too long been outside the mainstream of the Nation's prosperity.

2. Operation

EDA provides (1) grants and loans for public works and development facilities related to economic development, (2) loans and guarantees for part of the cost of new job-producing industrial or commercial facilities, (3) grants and technical assistance to regional action planning commissions, multicounty economic development districts, and redevelopment areas to enable them to prepare and carry out long-range development programs, and (4) research and information on economic development problems.

Industrial and commercial loans and guarantees are available to qualifying private firms and public organizations. The other forms of assistance are available, on application, to any State, or political subdivision thereof, Indian tribe, or private or public nonprofit organization or association representing any redevelopment area or part thereof.

Public works.—More than two-thirds of the funds authorized by Congress for the new program—\$500 million annually for 4 years—will be used for public works and development facility grants. Loans of up to 100 percent are also authorized for these projects in areas where funds are not otherwise available. Public works provide such facilities as water and sewage systems, access roads and the like, to encourage industrial development that will result in long-term employment. These development facilities will be constructed by providing direct grants of up to 50 percent of the cost of eligible projects and supplementary grants which can bring the Federal share as high as 80 percent in the neediest areas.

Business loans.—To encourage private investment, EDA provides low-interest, long-term loans to businesses expanding or establishing plants in designated redevelopment areas. Loans of up to 65 percent of the total project cost (including land, buildings, machinery, and equipment) may be made for up to 25 years at a rate of interest based on Federal borrowing costs. These loans will be made for projects which cannot be accomplished by financing solely through banks or other lending institutions. Federal guarantees for working capital loans made by private institutions in connection with these projects are also available.

Technical assistance.—To help distressed areas understand the scope of their problems as well as their economic potential, EDA provides an extensive program of technical assistance. This assistance may be in the form of studies to identify area needs or to find solutions to industrial and economic development problems. It also takes the form of grants-in-aid of 75 percent of the cost of planning and administering local economic development programs. It may also include management and operational assistance to private firms.

Research and information.—Funds are provided under the Act to develop a continuing program of study, training, and research into the causes of unemployment, underemployment, and chronic depression, and to devise programs and projects to help raise income levels. The Act also authorized the providing of information to areas whenever such information would be useful in alleviating or preventing conditions of excessive unemployment or underemployment.

The EDA program is administered through a central office in Washington and eight regional offices located strategically in redevelopment areas over the Nation—Portland, Maine; Wilkes-Barre, Pennsylvania; Huntington, West Virginia; Huntsville, Alabama; Detroit, Michigan; Duluth, Minnesota; Seattle, Washington; and Austin, Texas. Public facility grants and loans and industrial and commercial loans are made through contacts between eligible applicants and regional offices. Technical assistance is provided directly by EDA staff members or through contract arrangements with consulting firms or other professionally competent organizations.

The EDA program provides special incentives and assistance to groups of counties and, in some cases, States, which join together to solve their economic development problems.

3. History

The EDA program has no history as such since it was established under the Public Works and Economic Development Act of 1965,

which was signed by President Johnson on August 26, 1965. However, inasmuch as EDA is the successor agency to the Area Redevelopment Administration, a short history of the ARA program is included here:

ARA program—1961-1964.—The Area Redevelopment Act was passed in May 1961, and ARA received its budget and got into operation in the fall of that year.

The act was not an anti-recessionary measure, but was a first attempt at a long-range recovery measure intended to combine local initiative with a program of (1) long-term, low-interest business loans; (2) loans and grants for public facilities to improve the opportunities for new employment; (3) technical assistance to remove obstacles to economic progress; (4) worker retraining; and (5) general information and research on the nature, causes, and cures of chronic unemployment and underemployment.

Industrial and commercial loans, the core of the ARA program, were limited to 65 percent of the cost of any project, and required subordinate community investment of 10 percent, which could not be repaid until the Federal loan had been fully repaid. The entrepreneur could invest as little as 5 percent of the cost of the project. However, no project could be approved until the eligible "redevelopment area" submitted an overall economic development program (the so-called OEDP), setting forth the long-range economic goals of the area, and the project was required to be consistent with the criteria set forth in the OEDP. In addition, because of the small scale of the new program, public facility loans and grants were administratively limited to projects which were directly related to identifiable new industrial or commercial employment.

Total funds authorized for the 4 years of the program were \$100 million for urban business loans, \$100 million for rural business loans, \$100 million for public facility loans, \$75 million for public facility grants, and \$4.5 million annually for technical assistance. The worker retraining (\$4.5 million annually) and retraining subsistence (\$10 million annually) programs were handled by the Department of Labor in cooperation with the Departments of Commerce and Health, Education, and Welfare.

The initial obstacles to the success of the ARA program were many: Lack of existing economic development committees or organizations to prepare OEDP's or to develop projects, lack of readily available managerial talent or investment capital, the inability of local communities to raise the required 10 percent investments, the many complexities of the Area Redevelopment Act itself (which made it difficult to understand), and the resulting organizational and administrative difficulties in operating the program largely through the use of delegate Federal agencies. The agency also ran out of grant funds during the first 2 years of its existence, a factor which prevented the full utilization of its public facility loan funds. A bill to provide additional funds, passed by the Senate on June 26, 1963, after a narrow previous defeat in the House, failed of reconsideration in the House prior to the adjournment of the 88th Congress.

The Area Redevelopment Act was in effect the predecessor of several other Federal programs, which came about in part because of increased national recognition of the depressed areas' problems and the fact that Federal assistance on a larger scale was necessary to accomplish the purposes intended. These included the Manpower Development and Training Act of 1962 (the latest version of which includes the training program for depressed areas previously contained in the Area Redevelopment Program), the Public Works Acceleration Act of 1962, the Economic Opportunity Act of 1964, and the Appalachian Regional Development Act of 1965. Of these acts, some contained an industrial loan program similar to that of the Area Redevelopment Act, and only the Accelerated Public Works Act and the Appalachian Act contained any form of grant program for public facilities in areas of economic distress. Of these latter two, the accelerated public works program has exhausted its authorization for funds.

Despite its experimental nature, the Area Redevelopment Administration over its entire period of operation (through August 1965), had approved a total of 562 industrial and commercial and public facility projects, which are expected to result in the creation of more than 119,000 direct and directly related jobs. A total of 2,464 projects of all types—public facility, industrial and commercial, technical assistance, and training—had been approved, involving a Federal expenditure of \$322,000,000.

4. *Level of operations.* (See table 1.)

Note: The operations of the Economic Development Agency are shown by six major groupings: the public works grant and loan programs; the commercial and industrial loan program; technical assistance; grants-in-aid to states and districts; regional planning assistance; and Economic Development Center assistance. The obligations as shown for these programs do not include such items as administrative expenses, interest payments to the Treasury in connection with the loan programs, the reserve for losses under the working capital guarantee program and other miscellaneous expenses. Federal obligations for these other expenses are estimated as follows:

Fiscal year:	
1964-----	\$11,007,000
1965-----	10,634,000
1966-----	24,781,000
1967-----	33,585,000

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

[Department of Commerce; Economic Development Administration]

Program 1: Public Works Grant and Loan Program.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (approved projects).....	7	8	1,610	1,320
(b) Applicants or participants (applicants).....				
State government agencies.....	4	1	200	225
Local communities or governments.....	37	19	4,050	4,525
(c) Federal finances.....				
Unobligated appropriations available.....	(¹)	(¹)	(¹)	(¹)
Obligations incurred.....	² \$7,714,554	² \$15,587,200	² \$234,870,000	² \$201,000,000
Commitments made.....	\$7,714,554	\$15,587,200	\$248,870,000	\$213,000,000
(d) Matching or additional expenditures for the program (estimate).....	\$3,000,000	\$4,064,000	\$16,000,000	\$58,000,000
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years).....	49	33	215	404

¹ No funds were appropriated for grants in fiscal year 1964 and fiscal year 1965. Funds for public works loans were included in the appropriations for the area redevelopment fund for fiscal year 1964 and fiscal year 1965. The appropriations in these years were \$132,000,000 and \$59,500,000, respectively, and also financed commercial and industrial loans.

For fiscal year 1966, \$203,200,000 was appropriated for grants and related operating expenses; in fiscal year 1967 an appropriation of \$175,140,000 is being requested for the grant program, of which an estimated \$170,000,000 will result in obligations for grants.

Funds for public works loans in fiscal year 1966 and fiscal year 1967 are included in the appropriations for the economic development revolving fund, which also finances commercial and industrial loans. In fiscal year 1966, \$105,000,000 was appropriated for loans of all types and for related operating expenses. An estimated \$34,900,000 of this amount will be used for public works loans. In fiscal year 1967 an appropriation of \$85,000,000 is being requested, as well as utilization of \$22,800,000 of accumulated interest payments and repayments of principal on loans made in prior years. An estimated \$31,000,000 will be obligated for public works loans in fiscal year 1967.

² Obligations were for loans only in fiscal year 1964 and fiscal year 1965. The estimate for fiscal year 1966 consists of \$199,940,000 for grants and \$34,930,000 for loans. The fiscal year 1967 estimate consists of \$170,000,000 for grants and \$31,000,000 for loans.

Program 2: Commercial and Industrial Loan Program.

Department of Commerce; Economic Development Administration.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (approved projects).....	162	69	115	130
(b) Applicants or participants:				
Local communities or governments.....	46	26	30	40
Other (corporations or companies).....	281	161	200	260
(c) Federal finances:				
Unobligated appropriations available.....	(¹)	(¹)	(¹)	(¹)
Obligations incurred.....	\$83,132,317	\$40,233,611	\$62,500,000	\$66,500,000
Commitments made.....	\$83,132,317	\$40,233,611	\$67,500,000	\$66,500,000
(d) Matching or additional expenditures for the program (estimated).....	\$24,000,000	\$35,311,000	\$30,000,000	\$35,000,000
(e) Number of Federal Government employees administering, operating or supervising the activity (man-years).....	150	145	230	267

¹ Funds for commercial and industrial loans were included in the appropriation to the area redevelopment fund in fiscal years 1964 and 1965. The appropriations in these years were \$132,000,000 and \$59,500,000, respectively, and also financed public works loans. Funds for commercial and industrial loans in fiscal years 1966 and 1967 are included in the appropriations for the economic development revolving fund, which also finances public works loans. In fiscal year 1966, \$105,000,000 was appropriated for loans of all types and for related operating expenses. An estimated \$62,500,000 of this amount will be used for commercial and industrial loans. In fiscal year 1967, an appropriation of \$85,000,000 is being requested, as well as utilization of \$22,800,000 of accumulated interest payments and repayments of principal on loans made in prior years. An estimated \$66,500,000 will be obligated for commercial and industrial loans in fiscal year 1967.

Program 3: Technical Assistance.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (approved projects).....	127	123	275	365
(b) Applicants or participants.....	263	210	450	620
(c) Federal finances:				
Unobligated appropriations available.....	\$4,500,000	\$4,500,000	\$6,400,000	\$8,200,000
Obligations incurred.....	\$4,311,518	\$4,481,828	\$6,400,000	\$8,200,000
Commitments made.....	\$4,311,518	\$4,481,828	\$6,400,000	\$8,200,000
(d) Matching or additional expenditures for the program (estimated).....	(1)	(1)	(1)	(1)
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years).....	20	22	43	79

¹ Not available.

Program 4: Grants-in-aid to States and Districts.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (approved projects).....			75	150
(b) Applicants or participants (applicants):				
State government agencies.....			35	30
Local communities or governments.....			45	80
Districts.....			50	90
(c) Federal finances:				
Unobligated appropriations available.....			\$3,775,000	\$6,800,000
Obligations incurred.....			\$3,775,000	\$6,800,000
Commitments made.....			\$3,775,000	\$6,800,000
(d) Matching or additional expenditures for the program (estimated).....			\$1,258,000	\$2,266,000
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years).....			15	18

Program 5: Regional Planning Assistance.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of program (Regional Action Planning Commission).....			8	8
(b) Applicants or participants:				
State government agencies (Commission membership).....			8	8
Local communities or governments.....				
Individuals or families.....				
Others (specify).....				
(c) Federal finances:				
Unobligated appropriations available.....			\$525,000	\$2,075,000
Obligations incurred.....			\$525,000	\$2,075,000
Commitments made.....			\$525,000	\$2,075,000
(d) Matching or additional expenditures for the program (estimated).....				
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years).....			50	50
(f) Non-Federal personnel employed in the program.....			136	136
(g) Other measures of level or magnitude of performance (specify).....				

Program 6: Economic Development Center Assistance.

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (approved projects)				497
(b) Applicants or participants:				
State government agencies				35
Local communities or governments				715
Other (corporations or companies)				30
(c) Federal finances:				
Unobligated appropriations available				\$39, 575, 000
Obligations incurred				\$39, 575, 000
Commitments made				\$43, 400, 000
(d) Matching or additional expenditures for the program (estimated)				\$2, 000, 00
(e) Number of Federal Government employees administering, operating, or supervising the activity (man-years)				31

5. *Estimated magnitude of program in 1970*

The EDA program is directed to the solution of chronic and severe area unemployment and underemployment. Its magnitude in 1970 will therefore reflect economic conditions at that time. A significant decrease in the national rate of unemployment or in the concentration of unemployment in particular areas would probably bring a decrease in the size of the EDA program. A large rise in unemployment would have the opposite effect. If economic activity remains at about current levels, the program would probably increase slightly in line with population growth.

6. *Prospective changes in program orientation*

(a) *Pending legislative proposals.*—None. EDA is beginning its first year of operation; any new legislative proposals must wait until this agency has had sufficient experience in operating under the 1965 Act.

(b) *Proposed administrative and organizational changes.*—None. Administrative organization of EDA is currently being worked out.

(c) *Probable changes in conditions under which the program will function in 1970.*—See comments under (5) above. It is probable that by 1970, the regional and multicounty economic development organizations set up under this Act will play a much more important role in guiding development in their areas as they develop experience and professional expertise.

7. *Coordination and cooperation*

The Public Works and Economic Development Act of 1965 requires coordination and/or cooperation with a number of other programs and agencies.

Since EDA has had very little operating experience thus far, the wording of the Act must be relied on for most of the information needed here.

(a) Within EDA, all offices and divisions will be working under close cooperation and coordination. Public facility grants and loans will be related to the industrial and commercial loan activities, all in the context of the planning stimulated by the Overall Economic Development Program. Technical assistance will similarly be coordinated with the needs made apparent by the local and regional planning activities.

(b) *With the Department of Commerce*, EDA will require technical data, information, and assistance from the Bureau of the Census, Business and Defense Services Administration, Office of Business Economics, Bureau of Public Roads, and, to a lesser extent, most of the other Bureaus and Offices of the Department.

(c) *Coordination with other Federal laws or programs* is discussed below in reference to those sections of the Act which make specific mention of other Federal laws:

Sections 101a and 201a indicate that one of the alternative criteria for determining eligibility for development facility loans and grants is that the project "... otherwise substantially further the objectives of the Economic Opportunity Act of 1964." These provisions may require working relationships with the Office of Economic Opportunity.

Section 101a also indicates the types of Federal grant-in-aid programs to which EDA can make supplementary grants for areas which, because of their economic situation, cannot supply the required matching share. Coordination with the agencies and programs mentioned will be required.

Section 104 excludes Title I grants for any project in any area within the "Appalachian region" (as defined in the Appalachian Regional Development Act of 1965) which is approved for assistance under the Appalachian Regional Development Act. This provision will require a working relationship between EDA and the Appalachian agency.

Section 301b provides for using EDA technical assistance grants-in-aid in conjunction with other available planning grants, such as urban planning grants authorized under the Housing Act of 1954, and highway planning and research grants authorized under the Federal Aid Highway Act of 1962. Combined grants under this section will require close cooperation and coordination between EDA and the two agencies administering the other programs.

Sections 203, 401a, 703a, 704a, and 715 relate to the mechanics of transition from ARA to EDA. Sections 502e, 601a, 601c, and 701 refer to statutes on Federal salaries and employment of consultants. Section 508 deals with a regional commission's contractual powers under the U.S. Code. Thus none of these involve any coordination problems.

Section 712 requires conformity with the labor standards set forth in the Davis-Bacon Act, and will require some coordination with the Department of Labor.

In addition to these references to other legislation, the Act calls for the Secretary of Labor to determine levels of unemployment for designation purposes. The Secretary of the Interior is given similar responsibilities with respect to Indian reservations. Designation problems will require cooperative working relationships with the Departments of Labor and Interior.

(d) and (e) *With State governments or their instrumentalities and with local governments or communities*, EDA will have very close and continuous working relationships. The EDA program is based on local initiative—at the community, multicounty, State, and regional level—in mapping out economic development plans and applying for the Federal aid available from the agency. Industrial and commercial loan projects must be approved by the State or local government

as consistent with the local area's Overall Economic Development Program. State, multicounty, and local development organizations can receive EDA grants-in-aid for staff and administrative expenses. The working relationships will be developed primarily between these organizations and the EDA regional offices.

(f) *With foreign governments and international organizations*, EDA will have no direct relationships. This is a domestic program, and aside from possible technical information exchange with similar organizations in friendly foreign nations, no relationships are contemplated.

(g) *With nonprofit organizations or institutions*, EDA will have direct working relationships. As indicated earlier, private or public nonprofit organizations are among the groups which the Act designates as eligible for public facility grants and loans and technical assistance.

(h) *Business enterprises* are eligible for EDA, industrial and commercial loans; therefore direct working relationships with private business firms will be required.

(i) *With others (specify)*. The Act includes *Indian tribes* among the groups eligible for EDA assistance. Those which meet the economic eligibility criteria will work directly with EDA.

8. Laws and regulations

There are two pertinent acts and one joint resolution of Congress involved: The Area Redevelopment Act, the Public Works and Economic Development Act of 1965, and House Joint Resolution 541.

Both of the acts contain obligation limitations by section. The Area Redevelopment Act, in addition, has a general appropriation authority in Section 23. Proper citations of these acts are as follows:

Area Redevelopment Act, Public Law 87-27, 75 Stat. 47 (May 1, 1961).

H.J. Res. 541, Public Law 89-55 (June 30, 1965). This resolution merely changes the expiration date of ARA from June 30, 1965 to August 31, 1965, in order to provide continuity in the change over from ARA to EDA.

The Public Works and Economic Development Act of 1965, Public Law 89-136, 79 Stat. 552 (August 26, 1965).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) *On personal incomes, distribution of personal income*.—Effects of EDA program on personal income in redevelopment areas will be both direct and indirect. Public facilities grants and loans will directly increase personal income of those employed in public facilities construction and expansion, and will indirectly increase income of persons employed in the manufacture of construction materials and in retailing and other establishments meeting general consumer demands. Industrial and commercial loans will increase personal income of managers and employees of new or expanded firms financed by this program. Under the technical assistance program, grants-in-aid to State and multicounty development organizations will provide direct personal income to economic planning and administrative personnel.

With regard to distribution, the EDA program will result in a relative gain in total personal income of redevelopment areas as compared with other areas of the Nation.

(b) *On the placement or productivity of workers, or both, and on their earnings.*—The EDA program will result in placement of workers in the new jobs created through both the public facilities construction and the new industries financed by the program. The general productivity level of workers in redevelopment areas should trend upward as a result of the increased investment in capital—public facilities and new industrial plants and equipment.

(c) *On business and industrial organization and management; the stimulation of new business enterprises or expansion of existing enterprises; business location; and effect on competition, if any.*—This program's main goal is the stimulation of new or expanded business enterprises in redevelopment areas. It will tend to influence the location of more such establishments in redevelopment areas than would occur without the program. The EDA program will stimulate competition to some extent, but it will not cause unemployment elsewhere because of the restrictions in the Act forbidding the relocation of employment opportunities and forbidding assistance where the industry involved already has unused efficient capacity.

(d) *On stability, level, volume, or other aspects of employment costs, productions, sales, prices, or other phases of economic activity.*—The levels of employment, wages, production, and sales in redevelopment areas should be raised by the EDA program. No particular effects on price levels are anticipated.

(e) *Other benefits resulting from this program.*—The EDA program, in addition to increasing the level of economic activity in redevelopment areas, will also tend to restore the "livability" of these communities by generating comprehensive local and regional economic planning and action groups that will mount sustained, coordinated attacks on the problems of economic stagnation and community betterment. A reduction in the rate of out-migration of young people, improvements in each area's cultural and recreational resources, and restoration of public confidence in the economic future are some of the other benefits to be expected from the EDA program.

(f) *Pertinent geographic differentials.*—The impact of this program will be in the redevelopment of the Nation; geographic differentials in impact are thus the main objective of the program. Within designated redevelopment areas, Economic Development Districts and the Economic Development Centers within them will experience a greater than average impact. As for urban-rural differentials, this program will have greatest impact on the urbanized areas qualifying for assistance.

(g) *Measurable contribution to the magnitude or rate of growth of GNP.*—This program will obviously increase the magnitude of the GNP, and by accelerating the rate of capital formation, should have some upward influence on the rate of economic growth. The dimensions of these impacts are impossible to estimate at this time. When appropriations are made, the public works spending which will be generated under EDA will be predictable within fairly close limits, but the amount of GNP attributable to the industrial and commercial loan program, the regional assistance, and the technical

assistance parts of the program will be difficult to determine because of the many variables that will come into play. An important part of the planned EDA research effort will be the study of area, regional, and national impacts of this program.

(h) *Other data or comments on impact.*—It should be noted that the EDA program is designed to stimulate local initiative—at the community, multicounty region, State, and interstate regional commission levels—an effort to plan, coordinate, and implement a long-term economic development program. As these newly organized groups acquire experience and knowledge, they are expected to become a permanent and effective part of the economic life of these areas, and eventually, to eliminate or at least minimize the problem of area unemployment.

10. *Economic classification of program expenditures.* (See table 2.)

(NOTE: The expenditures of the Economic Development Administration in fiscal 1965 are shown in three major groupings: the public works grant and loan program; the commercial and industrial loans; and technical assistance. In addition there were "other" expenditures of \$11,705,000. These included administrative expenses and other miscellaneous items.)

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[Department of Commerce; Economic Development Administration]

[In thousands of dollars]

Program 1. Public works grants and loan program	
Federal Government:	
Grants to State and local governments.....	8,407
Loans to State and local governments.....	7,915
Total, Federal expenditures.....	16,322
Non-Federal expenditures financed by:	
State and local governments.....	2,768
Individuals and nonprofit organizations.....	132
Business enterprises.....	1,164
Total non-Federal expenditures.....	4,064
Total expenditures for program.....	20,386
Program 2. Commercial and industrial loan program	
Federal Government:	
Loans to individuals and commercial enterprises.....	48,685
Non-Federal expenditures financed by:	
State and local governments.....	2,522
Individuals and nonprofit organizations.....	9,248
Business enterprises.....	23,541
Total non-Federal expenditures.....	35,311
Total expenditures for program.....	83,996
Program 3. Technical assistance	
Federal Government:	
Purchases of goods and services.....	3,884

Office of State Technical Services

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To promote commerce and encourage economic growth by supporting State and interstate programs to place the findings of science usefully in the hands of American enterprise.

In this program, the Federal Government provides matching funds to the States to assist in providing activities or programs which enable business and industrial establishments to organize and use scientific and engineering information more effectively.

2. Operation

The key to the State Technical Services Act is local leadership, local initiative, local resources and local participation. Federal funds, on a matching basis will stimulate and encourage the establishment or expansion of local institutions specifically designed to meet the needs of the local economy. The qualified universities and colleges in the States will play an important role in the program.

To participate in the program, each State will designate an agency to coordinate and administer the annual technical services programs within the State and to develop a five-year plan which shall outline the technological and economic conditions of the State, including both industrial potential and identification of industrial problems. The designated agency will also prepare and submit an annual technical services program which identifies specific methods for accomplishing the objectives of the five-year plan, and includes a detailed budget, procedures for administration, and indicates specific responsibilities. These technical services will be provided through qualified educational and other institutions in the State. Typical programs will probably include: technical information services, a technical referral service, and workshops or seminars in advanced technology suitable for local industry. A planning grant of up to \$25,000 is authorized to each designated agency for each of the first three fiscal years. This grant does not have to be matched by State funds.

Plans and programs must be approved by the Secretary of Commerce and matched at least dollar for dollar by State or other non-Federal funds. The amount of matching funds for which each State will be eligible will also be determined by the Secretary of Commerce on the basis of regulations published in the Federal Register.

In addition to the funds administered through the State technical service programs, the Act authorizes the Secretary of Commerce to fund, on a matching basis, programs which he determines are of special merit or for additional programs which he determines are necessary to accomplish the purposes of the Act.

3. History

The State Technical Services Act of 1965, Public Law 89-182, was signed into law by President Johnson on September 14, 1965. A supplemental appropriation for fiscal 1966 of \$3.5 million was approved by the Congress. An Office of State Technical Services has been established in the Department of Commerce which will report to the Assistant Secretary of Commerce for Science and Technology.

As of January 15, 1966, forty-eight States, Puerto Rico, and the Virgin Islands have designated agencies as required for participation under this Act, and forty requests have been received for planning grants.

4. Level of operations. (See table 1.)

Program : State Technical Services.

Department or agency, and office or bureau : Department of Commerce ; Office of State technical services.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure and unit	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967, estimate
(a) Magnitude of the program (State programs).....	0	40	50
(b) Applicants or participants:			
State government agencies.....	0	40	50
Local communities or governments.....			
Individuals or families.....			
Qualified institutions.....		80	100
(c) Federal finances:			
Obligations.....	0	\$3,500,000	\$8,000,000
Expenditures.....	0	\$2,500,000	\$6,500,000
(d) Matching or additional expenditures for the program.....	0	(¹)	(¹)
(e) Number of Federal Government employees administering, operating, or supervising the activity.....	0	² 13	³ 29
(f) Non-Federal personnel employed in the program.....	0	(¹)	(¹)
(g) Other measures of level or magnitude of performance.....			

¹ Supplemental appropriations were only recently received, and no State programs have as yet been evaluated, approved, or implemented.

² 1 administering and 12 operating.

³ 2 administering and 27 operating.

5. Estimated magnitude of program in 1970

The need for technical services as defined by this legislation is likely to increase in the future because of the increasing amount of technical information generated and the increasing technical sophistication of American industry.

6. Prospective changes in program orientation

The State Technical Services Act of 1965 was only recently signed by the President. Since the signing, a request for a change in the legislation to include the Territory of Guam has been received and is being given consideration. As noted under Sec. 5, it is likely that the need for technical services will increase in the future.

7. Coordination and cooperation

(a) *Within our office.*—Coordination and cooperation between the persons responsible for State Programs, the Special Merit Programs, and Central Reference Service will take place. The Central Reference Service provides services for the State Programs and the Special Merit Programs. The Special Merit Programs will support some projects which probably will in later years be absorbed as part of the regular programs in the States.

The proposed rules and regulations for the Office of State Technical Services have been published in the Federal Register, December 29, 1965, Volume 30, Number 250, page 16211.

(b) *With other units of our Department.*—Opportunities for cooperation with the Economic Development Administration in their

technical assistance programs will no doubt arise. No formal arrangements have yet been made since both programs are in their formative stage.

The Office of State Technical Services will make use of the existing Clearinghouse for Federal Scientific and Technical Information on a reimbursable basis. The Clearinghouse will be a primary source of documents which will be distributed to American industry through the State programs and the special merit programs.

(c) *With other Federal Government departments or agencies.*—The Office of State Technical Services will rely very heavily on the technical information generated by the Department of Defense, the Atomic Energy Commission, the National Aeronautics and Space Administration and other Government Agencies and bureaus as a primary source of information to disseminate in the States. The Clearinghouse already has formal arrangements to distribute documents generated by these agencies. Complete coordination with the programs of other Federal Agencies will be established as soon as possible.

(d) *With State governments.*—The majority of the funds to be allocated under this Act will be to the States, Puerto Rico, the Virgin Islands, and the District of Columbia. Each of the above will submit its plan for information dissemination and, on funding, will administer the program in the States. The actual process of information transfer will be done by and through qualified institutions in the States.

(e) *With local governments or communities.*—Some States may have special relationships with local governments, although it is unlikely that this will be an appreciable part of their program. No direct relationship between the Office of State Technical Services and local communities is contemplated.

(f) *With foreign governments or international organizations.*—Programs similar to the State Technical Services exist in foreign countries. Cooperation will probably be limited to an exchange of experiences in execution of the programs here and abroad.

(g) *With non-profit organizations and institutions.*—The State Technical Services Act specified that the actual dissemination of information will take place through qualified institutions in the States. These institutions will be colleges, universities, State agencies, and qualified non-profit research institutes.

(h) *With business enterprises.*—The objective of the State Technical Services Act as stated in the Act is “to promote commerce and encourage economic growth by supporting State and interstate programs to place the findings of science usefully in the hands of American enterprise.” Obviously, the interaction with the business community will be strong. The qualified institutions in the States will aid business in identifying the technical information it needs and in finding that information.

8. Laws and regulations

The only law applicable is the State Technical Services Act of 1965, Public Law 89-182, 79 Stat. 679 (September 14, 1965). Assurances of compliance with Title VI of the Civil Rights of 1964 are required under the Act.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

A supplemental appropriation of \$3.5 million for fiscal 1966 was only recently received. To date 17 planning grants to the States have been made under the State Technical Services Act of 1965. No annual plans have yet been funded. Consequently no data are available on the accomplishments of the program. The following information is a statement of what is hoped to be accomplished by the program.

(a) *Effects on personal incomes.*—The objective of the State Technical Services Act is “to promote commerce and encourage economic growth.”

This is to be accomplished by placing “the findings of science usefully in the hands of American enterprise.” Obviously, if this objective is met, it should, indirectly have a positive effect on personal incomes of those employed by industry through the lowering of production costs and through the expansion of the business activities and volume of the employer. While all business can participate, it is contemplated that the major beneficiaries of the program will be medium- and small-sized businesses and industries. Personal incomes in these businesses should rise as a result of the program.

(b) *Effects on placement or productivity of workers.*—The more effective use of technology by businesses and industries is expected to produce new products, new industries, expand existing industries, raise the level of productivity, and create new employment opportunities.

(c) *Effects on business.*—The whole thrust of the State Technical Services program is for the benefit of the business community. The following positive effects are expected:

1. Management of business will be made more efficient through the introduction of quantitative methods of business management through special programs carried out by qualified institutions under the Act.

2. More and better information dissemination should help to increase the number of entrepreneurs; establishing new, science-based industries; and expanding existing enterprises into new markets.

3. As the result of upgrading the technological level of American industry through better information dissemination, it should become more competitive in foreign markets and in meeting the competition of foreign products at home.

(d) *Effects on employment.*—Increasing the level of technology used by business and industry will make them more competitive in both domestic and foreign markets. This will result in improved products, new products, greater sales and increased employment.

(e) *Other benefits.*—If the objectives of the Act, “to promote commerce and encourage economic growth”, are attained, then it is obvious that the increased dollar flow will have salutary effects on all aspects of community life.

(f) *Geographic differentials.*—The maximum amount of funds which can be made to each State will be based primarily on population. However, States with low population will receive a larger allocation per citizen since it is recognized that a certain minimum level of expenditure is needed to have a viable program.

(g) *Measurable contribution of the program.*—No data are available since the program has not been implemented.

10. *Economic classification of program expenditures.* (See table 2.)

Fiscal 1966 will be the first year of operation for the State Technical Services Act of 1965. Therefore, no financial data are available for fiscal 1965. For fiscal 1966 the estimates are:

Program: State technical services.

Department or agency, and office or bureau: Department of Commerce; Office of State Technical Services.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1966*

[In thousands of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	105
Other	370
Grants to State and local governments.....	2,025
Total, Federal expenditures.....	2,500
Non-Federal expenditures financed by State and local governments.....	1,025
Total expenditures for program.....	3,525

DEPARTMENT OF LABOR

CONTENTS

	Page
Office of Manpower Policy, Evaluation, and Research:	
Manpower and automation research program—MDTA title I.....	366
Manpower development and training program MDTA title II, excluding section 241.....	368
Redevelopment areas—MDTA title II, section 241.....	382
Trade adjustment assistance.....	387
Bureau of Apprenticeship and Training—Apprenticeship program.....	388
Bureau of Employment Security:	
U.S. Employment Service and affiliated State employment services.....	394
Unemployment insurance.....	416
Farm labor service.....	427
Neighborhood Youth Corps (see Office of Economic Opportunity)	
Bureau of Labor Standards.....	441
Women's Bureau.....	445
Wage and Hour and Public Contracts Divisions.....	449

Office of Manpower Policy, Evaluation, and Research

MANPOWER AND AUTOMATION RESEARCH PROGRAM—MDTA TITLE I

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

As stated in the MDTA, as amended (Manpower Development and Training Act), the purpose of the research program conducted by the Office of Manpower Policy, Evaluation and Research is to "assist the nation in accomplishing the objectives of technological progress while avoiding or minimizing individual hardship and widespread unemployment.

2. Operation

The research program of OMPER operates under authority of Title I of the MDTA, as amended. It is a direct Federal operation, located in Washington, D.C., with no field or regional offices. Internal or "in-house" research is conducted by the OMPER research staff and external research is conducted through grants to governmental and other non-profit organizations and through contracts with individuals, other government agencies, educational institutions, and private research groups.

3. History

The Manpower Development and Training Act was enacted in the spring of 1962 and the research program was initiated in August of the same year. Since that time, a number of research reports have been

prepared by the staff and over 115 contracts and grants have been awarded covering a broad range of manpower problems. Originally, the Act provided contract authority only, but in April, 1965, authority to award grants was added to the statute.

4. Level of operations. (See table 1.)

Program: Manpower and Automation Research Program—MDTA Title I.
Department or agency, and office or bureau: Department of Labor; Office of Manpower Policy, Evaluation, and Research.

TABLE 1.—Level of operations or performance, fiscal years 1964–67¹

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate
(a) Magnitude of program ² (number of contracts and grants awarded).....	41	41	80
(b) Participants ² (number of contractors and grantees):			
Government agencies.....	2	3	3
Academic institutions.....	16	21	63
Nonacademic research organizations.....	4	5	4
Other organizations.....	8	3	8
Individuals.....	2	1	2
(c) Federal finances ³ (see table for question 4 under "Title II: Excluding Sec. 241").....			
(d) Matching or additional expenditures of the program ²			
(e) Number of Federal Government employees administering, operating or supervising the activity ³ (average man-years).....			
(f) Non-Federal personnel employed in the program.....	INA	INA	INA
(g) Other measures of level of magnitude (number of research proposals received).....	153	152	250

¹ For 1967 information see answer to question 4 under title II.

² The total number of contracts and grants awarded may exceed the number of contractors because a single contractor may be involved in more than 1 contract.

³ Data are combined for titles I and II. See tabular answer for question 4 under "Title II: Excluding Sec. 241."

5. Estimated magnitude of program in 1970

Both the annual appropriations and the volume of research undertaken by OMPER have increased since the beginning of the research program. In planning ahead for the program, general research objectives for the coming five years have been set out. These envisage substantial increases in the magnitude of the program—in the neighborhood of a four-fold increase from 1966 to 1970—contingent upon adequate appropriations.

6. Prospective changes in program orientation

a. Pending legislative proposals: see answer to Question 6(a) under "Title II. Excluding Section 241."

b. Proposed administrative and organizational changes: A plan to reorganize the Research office on the basis of type of research function is expected to be put into effect in the near future. At present, research subject matter areas determine organizational units. The pending plan will provide for organizational units on a functional basis as, for example, a contracting unit, a grants unit, an internal research unit, etc. The purpose of the proposed reorganization is to make the operation of the research program more efficient and permit its expansion with a minimum increase in administrative costs.

c. Probable changes in the conditions under which the program will function in 1970, e.g., technological, economic, social: See answer for question 6(c) under "Title II, Excluding Section 241".

7. Coordination and cooperation

One of the major functions of the OMPER research office has been to coordinate all manpower-related research programs within the Department of Labor. This has entailed working closely with the Bureau of Labor Statistics, Bureau of Employment Security, and Bureau of Apprenticeship and Training, in particular. A Coordinating Committee for Manpower Research has been established under the chairmanship of an OMPER staff member and with representation from each Department of Labor bureau involved in manpower or automation research. Research contracts have been awarded to other Federal agencies, both for research conducted by them and for research contracted by them with academic institutions. Relationships are maintained with the research staffs of the Department of Health, Education, and Welfare and provide an interchange of information on and coordination of the closely related programs of the two agencies.

8. *Laws and regulations.* (See answer for Question 8 under "Title II, Excluding Section 241".)

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

No quantitative estimate of the economic effects of the research program (Title I) is submitted because the results of such research, which are embodied in training and other operational programs, are not directly measurable. See answer for question 9 under "Title II, Excluding Section 241".

10. Economic classification of program expenditures

This information is not available for the research program alone, but only for the Office of Manpower Policy, Evaluation and Research as a whole. See answer for Question 10 under "Title II, Excluding Section 241".

MANPOWER DEVELOPMENT AND TRAINING PROGRAM: TITLE II— EXCLUDING SECTION 241¹

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The overall purpose of the Manpower Development and Training Act of 1962, as amended, is to authorize the Federal Government to appraise the manpower requirements and resources of the Nation and to deal with the problem of unemployment resulting from automation and technological changes and other types of persistent unemployment.

Training under Title II of the Act is designed to provide workers with new skills where needed, to upgrade their present skills, and to meet the job needs of workers displaced by automation, technological change, foreign competition, geographic relocation of industry and other shifts in the job market.

The institutional and on-the-job training programs are designed to provide workers with skills to enable them to become employed. The

¹ Certain portions of this section combine responses for Title I and/or Section 241 of Title II and other programs. These are indicated at the beginning of the appropriate passages.

experimental and demonstration program is designed to pioneer in techniques and methods of reaching disadvantaged persons and other underutilized workers and the techniques of instruction or other assistance necessary for them to become fully employed.

2. Operation

Administrative responsibility under the MDTA is in the Departments of Health, Education, and Welfare, and Labor. In the Labor Department the Manpower Administration exercises overall responsibility for administering the MDTA and has assigned occupational responsibility for occupational training programs to the Bureau of Employment Security and to the Bureau of Apprenticeship and Training. The Manpower Administration also draws upon the expertise of other organizations in the Department as the need arises. (See answer to Question 7 below.) Community participation in training programs is provided at national, regional, State, and local levels by manpower advisory committees, representing labor, management, and public interests. These committees provide advice and assistance to the concerned government agencies throughout all phases of training activities.

The MDTA training program is a Federal-State operation. The development and supervision of training programs, as well as selection, referral, placement and follow-up of trainees is the function of the State Employment Security agencies and their network of local employment service offices. Approval and funding of proposed training projects are the responsibilities of the BES regional offices in cooperation with vocational education regional representatives, except for smaller training projects which may be approved at the State level. General supervision of, and assistance to, State agencies in the operation of training programs is provided by the United States Employment Service of the BES.

*Institutional Training Program.*²—Institutional training programs provide occupational training in either a public or private educational or vocational institution using a classroom method of teaching. The Secretary of Health, Education, and Welfare has general responsibility for entering into agreements with State vocational education agencies under which the institutional training activities are conducted. Training programs are initiated by the public employment service offices after a determination is made that a training need exists in an occupation which will qualify trainees for full-time employment, and in which there is a reasonable expectation of employment. In addition, it must be ascertained that there is an available and qualified supply of potential trainees. In cooperation with the vocational education agency, which has responsibility for training facilities, curriculum, instruction, materials and equipment, the application for training is prepared by the employment service representative.

After review by State employment security and vocational education offices, institutional training programs are approved and funded by regional BES and vocational agency representatives, except for certain small projects which may be approved at the State level.

Institutional training projects may be established for a single occupation, or on a multi-occupation basis. The latter permits trainees with common needs to be grouped together for training in a range of

² This program is also discussed by the Department of Health, Education, and Welfare.

occupations. Basic education training, if required, may be included in either type of project. If there is an insufficient number of qualified applicants, or a training course will not be available within 45 days, an individual may be referred to a training course in an appropriate public or private facility.

On-the-Job Training Program.—The on-the-job training (OJT) program for which the Department of Labor's Bureau of Apprenticeship and Training has operating responsibility, combines instruction with work to qualify a trainee for a particular occupation. The instruction may be given at the OJT facility or at an approved vocational training institution.

BAT representatives work directly with employers, management associations, labor unions and other applicant on-the-job training groups, to evaluate facilities and capabilities, prepare OJT plans and schedules, review contract proposals and negotiate contracts for training, inspect and monitor training progress for compliance with standards and contract provisions. Similar work is performed at the National level with management and labor organizations and multi-plant corporations to secure prime OJT contracts for the development of training projects in affiliated local units of the parent organization. Under reimbursement agreements, arrangements are made for the performance of similar promotional and technical assistance services by State Apprenticeship Agencies.

An important new activity under the OJT program involves OJT contracts with non-profit community organizations. An OJT contract is arranged with participating organizations providing administrative and subcontracting funds, which enables the organization to negotiate and place OJT sub-contracts with individual employers. These employers agree to train unemployed and underemployed people in the community and employ those who successfully complete the training.

Neither the Federal BAT nor participating State apprenticeship agencies actually conduct training. Standard government contracts are entered into with the employer, labor union, association, or other training sponsor to conduct the training program using the facilities of such groups to train the unemployed, underemployed, and those whose skills have become or are becoming obsolete. On-the-job training under this program may be combined with supplemental technical instruction by agreement with State vocational education agencies using public school facilities.

Special Manpower Programs.—Special experimental, demonstration and pilot projects are conducted by means of contracts and/or grants with public and private organizations for the purpose of improving techniques and demonstrating the effectiveness of specialized methods in meeting the manpower, employment, and training problems of worker groups such as the long-term unemployed, disadvantaged youth, displaced older workers, the handicapped, members of minority groups and other similar groups.

Under this program, cost reimbursement contracts are executed by the Secretary of Labor with local community groups such as hospitals, health and welfare services, correctional institutions, sheltered workshops, private non-profit organizations, and State and local government agencies. The full range of manpower services and training pro-

vided through these experimental and demonstration contracts may include "out-reach" to find those disadvantaged who are isolated geographically, culturally or psychologically; vocational assessment; counseling; pre-vocational, literacy, and occupational training; job development; placement and followup. Supporting services are designed to stimulate motivation as well as to facilitate learning. Special manpower programs are usually built on broad community involvement. Substantial services and facilities are often contributed by private foundations, unions, medical associations, universities, service clubs, private industry and similar groups.

3. History

Since it began in 1962, the MDTA has evolved from a pioneering experimental effort to retrain workers for jobs to a full-scale program with a number of accomplishments in achieving the objective, originally set by the Congress, of retraining 400,000 persons during the first three years. These activities are documented in issues of the *Manpower Report of the President* and the statutory *Report* by the Secretary of Labor, submitted to Congress annually.

As the program developed, the need for administrative and legislative changes become apparent. Thus, the Act originally focused on retraining experienced mature workers whose skills had been made obsolete by technological change. The high unemployment rate among youth made some reorientation in their favor desirable. Also, because the program did not become operative until the fall of 1962, there was insufficient time for State legislatures to evaluate programs and initiate action for State matching of Federal funds. These deficiencies were remedied in the 1963 Amendments by lowering the eligibility age for allowances and the required work experience, increasing the proportion of funds allowable for youth training allowances, and delaying State matching requirements. Training allowances had proved too low. Persons with family responsibilities were tempted to drop out of the longer training programs to take temporary employment so the 1963 Amendments authorized a modest liberalization of allowances.

The Amendments also reflected an awareness of the correlation between lack of education and unemployment. Many potential trainees could not be referred to occupational training because they lacked basic skills of reading, writing, and arithmetic necessary to learn the elements of a job. Consequently, up to 20 weeks of additional allowances were made available, bringing the original 52 week maximum up to a total of 72 weeks, so that such trainees could receive basic education in conjunction with occupational training.

In 1965, the Act was again amended to make it a more efficient instrument for carrying out its objectives. Since experience proved that training allowances are critical to the success of MDTA programs, the training allowance provisions were changed. These include lengthening the period of eligibility, making more disadvantaged and needy people eligible, and increasing the amount for trainees with larger families. The amended Act also extended the training provisions for another three years and radically altered the financing provisions with respect to the State-matching provision. Starting in fiscal year 1967,

States will be required to supply 10 percent, in cash or kind, of the costs of institutional training.

The Institutional Training Program.—With a background of experience in vocational training and a network of schools readily available, early programs were approved for specific occupations in which the employment service determined there were unfilled openings for training workers, thus adhering to the statutory requirement that training be in occupations where there is a reasonable expectation of employment. Persons selected for training were those who had the best potential for successful completion of particular courses. This selection, however, screened out many of the unemployed—those who lacked the necessary educational attainment. To meet the needs of the hard-core unemployed who previously had been screened out, various approaches were taken especially after the adoption of the 1963 Amendments. The most comprehensive of these—the multi-occupational approach permits training in a number of different occupations in one project. This approach starts with problems and needs of job seekers rather than with the need for workers. Most multi-occupational projects provide prevocational services, including an assessment of the prospective trainee's skill potentials and interests, work tryouts, and literacy training in addition to occupational training.

Also, many special youth projects were developed. The 1963 Amendments lowered the age of eligibility for youth allowances from 19 to 17 years and raised the ceiling on such allowances from 5 percent of total allowance payments to 25 percent of all trainees receiving allowances.

The program has helped match employers' needs for workers and workers' needs for jobs. Training has been given from semi-skilled and service jobs to skilled, managerial, and technical work. By early October 1965, institutional training had been approved for over 385,000 persons. It is estimated that 275,000 trainees had enrolled in training courses and 135,000 had completed training.

The On-the-Job Training Program.—The MDTA-OJT program did not get under way until late in fiscal 1963. Whereas institutional programs under MDTA could utilize the existing network of public training facilities, a new system of procedures and standards were needed for OJT. Despite staff limitations, the first on-the-job contract was signed some six months after the first appropriation became available for MDTA training. During the remaining few months of fiscal 1963 under OJT programs developed by the Bureau of Apprenticeship and Training and participating State Agencies almost 2,000 trainees were enrolled. The program expanded during fiscal 1964 with contracts developed providing training opportunities for more than 13,500 workers. In 1965, a four-fold expansion in the program occurred with about 53,700 trainees reached in OJT contracts. The 1966 goal has been set at 100,000 trainees. State Apprenticeship Agencies were encouraged to participate in the program, and agreements have been entered into by the Secretary of Labor with nine States, including the District of Columbia and Puerto Rico, to perform services on reimbursable basis in the promotion and development of OJT contracts.

The Special Manpower Program.—Experimental and demonstration projects found their beginning in the fact that too few of the

hard-core disadvantaged were being reached by the Manpower program. Those over 40 years old, the undereducated, the young and the unskilled, the migrants, minority group members, the culturally disadvantaged—all those added up to a fairly large group who had difficulty qualifying for training by traditional tests. At the outset, the goal of the experimental and demonstration projects was to demonstrate the validity of the premises: (1) that many judged untrainable by traditional tests are trainable; (2) that literacy training can be provided to those who lacked reading, writing, and arithmetic skills; and (3) that the non-motivated can be motivated to become self-reliant, gainfully employed members of society.

The first E&D activity was concerned with including in a tractor training program enough English reading instruction to enable the trainees to read simple instructions on operation and repair of their machinery. Success led to further experimentation. Literacy training, occupation-oriented, helped many become employable.

A series of projects involving sheltered workshops, work crews, and work tryout stations, applied techniques adapted from vocational rehabilitation. Methods found successful in working with the mentally and physically handicapped were applied to the socially and vocationally handicapped. Motivation was stimulated, the potential of the unemployed was assessed and the way was paved to competitive employment. Traditional tests had not accurately assessed the potential of the semi-literate.

Early E&D programs, focused upon youth, were introduced into many "laboratory city" projects financed by the President's Committee on Juvenile Delinquency and by private foundations. The work was broadened to include older workers. Projects were devised for prison parolees, migrants, minority groups, young and unskilled. A series of college-based rural programs was sparked by a conference of college officials in June 1963, and nine or more colleges furnished resources not otherwise available to the rural poor.

Much of what was learned in the special manpower program contributed directly to the amendments to the Act in 1963 and 1965, improving its capacity for meeting the problem of waste of human resources.

Present emphasis of experimental and demonstration programs embraces a search for more subprofessional job opportunities emerging from the increased need for social and community services (health, welfare, recreation, etc.); efforts to eliminate unrealistic hiring specifications; a coordination of MDTA with anti-poverty resources; and effective feed-back of what has been learned to on-going institutions, local, State, or Federal, to give continuity to the new insights and techniques. Broad community involvement will continue to be a hall-mark of E&D programs.

4. *Level of operations.* (See table 1.)

Program: Manpower Development and Training, Title II, Excluding Sec. 241.
 Department or agency, and office or bureau: Department of Labor; Office of Manpower Policy, Evaluation, and Research.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

[In thousands of dollars]

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program:				
Projects approved.....	2,662	3,670	5,500	
Trainees approved.....	127,998	213,533	275,000	250,000
Contracts approved.....	54	87	65	
(b) Participants:				
State government agencies, agreements with Secretary of Labor.....	53	54	54	
State government agencies, contracts (E. & D.).....	9	14	10	
State apprenticeship agencies, contracts (OJT).....	5	8	10	
Other State government agencies, con- tracts (OJT).....	5	8	12	
Local government agencies, contracts (E. & D.).....	6	9	6	
Local government agencies, contracts (OJT).....	5	9	20	
Other community agencies, contracts (E. & D.).....	34	56	39	
Other community agencies, contracts (OJT).....	20	30	50	
Other OJT contractors.....	285	752	1,093	
(c) Federal finances:				
Unobligated appropriations available...	\$143,834	\$401,447	\$438,953	\$443,591
Obligations incurred.....	141,158	397,387	438,953	443,591
Total allotments.....	143,834	401,447	438,953	(³)
(d) Matching expenditures.....	(³)	(²)	(³)	
(e) Federal employees, man-years.....	537	2,639	2,836	2,499
(f) Non-Federal personnel in OJT program, man-years.....		17.4	30	
Non-Federal personnel, estimates of direct staff (E. & D. program).....	780	119	880	

¹ Information for Titles I and II is combined for measures (c) and (e).

² Includes estimated number of trainees, costs, and man-years for redevelopment areas as provided by sec. 241.

³ Information not available.

⁴ Excludes 6 man-years (and \$103,000) of trade adjustment activities.

5. Estimated magnitude of program in 1970

Manpower training under the Act is projected for 500,000 persons by 1970, 300,000 in the institutional program and 200,000 in the on-the-job training program. This will provide training for less than one percent of the estimated labor force of 86 million workers by 1970. It is based on the assumption that the private sector of the economy will be doing more in the way of training.

By 1970, it is estimated that the experimental and demonstration manpower program, up to the present concerned primarily with training activities, will be enlarged and redirected to demonstrate new approaches and innovations in other components of a comprehensive manpower program.

6. Prospective changes in program orientation

a. For all Titles of MDTA, None as of January 6, 1966.

b. Beginning in fiscal year 1967, the Title II training program will be guided and directed through a National-State Manpower Development Planning System.

c. The MDTA programs and, indeed, most of the programs administered by the U.S. Department of Labor, function with basic reference to the (1) economy's manpower requirements, (2) national manpower resources, and (3) seriousness and nature of unemployment. Analysts in the Department, and many other observers, have detected "changes

in the conditions under which the program will function in 1970, e.g., technological, economic, social." Such changes, or trends, have been described in the past three issues of the *Manpower Report of the President* (March 1964, March 1965 and March 1966.) In essence the trends appear to be as follows:

Manpower Requirements.—The chief factors which may affect manpower requirements are technological change and the climate of international affairs.

The manpower implications of technological change are evident in the following patterns.

1. Current technology is tending to restrict employment in jobs with low skill demands.

2. For production workers the indications are that the typical job of the future will probably be that of machine monitor.

3. Maintenance and repair workers qualified to service and repair electronic equipment, instruments, and automated machinery have a growing field of employment.

4. Electronic data processing (EDP) is eliminating many routine jobs and also creating some jobs at a higher level. The net result is likely to be a slowing down of the increase in employment in the offices affected.

5. New specialties are being created e.g., in such modern fields as cryogenics, bionics, ultrasonics, computer technology, and micro-electronics.

In the light of these trends the MDTA programs can be expected to continue emphasizing the upgrading of skills in those fields offering job opportunities.

U.S. posture in international affairs can call for the use of either military or civilian personnel or both. No prediction of these requirements is attempted here.

Manpower Resources.—The total labor force is expected to grow from 77 million in 1964 to 86 million in 1970, and to 101 million in 1980.³ This growth requires adding 1½ million jobs a year on the average, in order to absorb the growth in labor force; it would do nothing to offset the effects of increasing productivity.

Since 1960, the number of teenagers in the work force has increased by 800,000. Another 1.4 million workers have been added to the 20-to-24 year age group.

The rest of this decade will show dramatic increases in the numbers of workers under 25. There will be 1½ million more teenagers, and 2¾ million more of the ages 20 to 24, although their labor force participation rates have been declining. There will be about 2 million more adult men than in 1964, and 2½ million more adult women workers.

Population growth accounts for nearly all the labor force increase among the youth, and all of the change among adult men. For women, increasing labor force participation rates will be responsible for more than half the projected growth.

Unemployment.—By 1970 the unemployment rate is expected to be lower than the 1965 annual average of 4.6 percent. No percentage

³ These, and other labor force projections for 1970-80 were made by the Bureau of Labor Statistics. See *Monthly Labor Review*, February 1965, also *Manpower Report of the President*, March 1965. [See, also, *Manpower Report of the President and a Report on Manpower Requirements, Resources, Utilization, and Training by the U.S. Department of Labor*, transmitted to the Congress, March 1966.]

figure is forecast but the trend in average annual unemployment for the past three years is downward, viz, 1963, 5.7%; 1964, 5.2%; 1965, 4.6%. As unemployment declines, the training programs of the Department of Labor will be tailored increasingly towards overcoming the harder core of unemployment composed largely of disadvantaged and hard-to-train workers.

7. *Coordination and cooperation*

The Manpower Administration has overall responsibility for administration of the MDTA. Staff assistance in program and policy development is provided by the Office of Manpower Policy, Evaluation and Research. The United States Employment Service of the Bureau of Employment Security has been assigned the responsibility for development and operation of MDTA institutional training projects and the Bureau of Apprenticeship and Training operates the OJT program. In carrying out its responsibilities, the Manpower Administration (MA) cooperate with the following:

a. *Within the MA:*

Staff meetings are held for representatives of all the MA offices (BES, BAT, NYC, and OMPER). Reading materials, correspondence, etc. are customarily circulated throughout the organization. Manpower Administration Orders are often prepared after consultation with the subject material units and then promulgated in order to establish means and prescribe methods of operation.

b. *Within the Department of Labor:*

The MA obtains data and has access to technical advice from experts in other units of the Department of Labor. These organizations include the Labor Management Services Administration, Wage and Hour and Public Contracts Divisions, the Bureau of Labor Statistics, Bureau of Labor Standards, Bureau of Employee's Compensation, Women's Bureau, Bureau of International Labor Affairs, plus other staff offices dealing with legislation, administration, etc.

c. *With Other Federal Agencies:*

1. The Department of Health, Education, and Welfare, through the Division of Vocational and Technical Education, on development of standards and procedures for the conduct of the institutional training programs;

2. The Bureau of Indian Affairs, Department of Interior, on development of training programs for Indians on and off the reservation;

3. The Department of Agriculture in the development of training programs for farm occupations and to prepare rural residents for jobs in urban areas;

4. The Economic Development Administration of the Department of Commerce in the determination of occupational training or retraining needs of unemployed or underemployed residents of redevelopment areas under Section 241, of the MDTA;

5. The Department of Defense in providing retraining of workers affected by cutbacks of defense installations;

6. The Selective Service System in providing procedures for making training available to young men rejected for military service;

7. The Office of Economic Opportunity on occupational training for graduates of the Job Corps, and for unemployed heads of families and other needy persons under Title V of the Economic Opportunity Act.

d. and e. *State and local governmental agencies :*

1. The State Employment Security agencies, and their network of local public employment service offices, in the development and operation of training programs, placement of trainees and followup of their employment status following training;

2. State and local rehabilitation, health, and welfare agencies in the development of occupational training programs for workers with special needs;

3. Other State and local government agencies with special interests in development or operation of training projects, including Equal Opportunity Commissions, Indian Tribal Councils, Economic Development Commissions, etc.

4. The State Governors on establishment and operation of State Manpower Advisory Committees.

f. None.

g. A number of non-profit organizations and institutions are participating in programs of an experimental and developmental nature and also in some OJT programs. Among these are: health foundations, colleges and universities, unions, community welfare organizations, and the like. (See Part I, Question 2 above.)

h. Coordination and cooperation with business enterprises is an integral part of the OJT program which deals with all kinds of industries which need skilled workers. (See Part I, Question 2 above.)

i. None.

8. *Laws and regulations*

LEGISLATIVE ACTS

NATURE OF LEGISLATION

Area Redevelopment Act (P.L. 87-27, May 1, 1961) (\$14,500,000 appropriation authorization, terminated June 30, 1965).

First specific statutory attack on unemployment in economically distressed areas.

Manpower Development and Training Act (P.L. 87-415, March 15, 1962). Authorization for \$100 million for 1963; \$165 million for 1964; and \$165 million for 1965.

Extended the training concept to all areas and provided for an extensive program of research.

Amendment to MDTA (P.L. 88-214, December 19, 1963. Authorization for \$411 million for 1965 and \$285 million for 1966 (State matching).

Amendments to the 1962 Act providing for basic literacy training, expanded youth training liberalized allowances, and labor mobility studies.

The Manpower Act of 1965 (P.L. 89-15, April 26, 1965). Authorization of \$454 million for 1965 and each year thereafter. P.L. 89-15 expires in 1969.

Training in redevelopment areas is incorporated in MDTA, provision for broadening and extending programs for experimental and demonstration projects, research, job development, mobility, use of private facilities, allowances, and training placement.

Trade Expansion Act (P.L. 87-794, October 11, 1962).

Training assistance under the Manpower Act is authorized for workers whose employment may be affected by the TEA.

REGULATIONS

Regulations of the Secretary of Labor pertaining to occupational training of unemployed persons are included in Title 29 of the Code of Federal Regulations, Subtitle A, Part 20. These regulations have been amended as new legislation has been enacted.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

Comprehensive studies of the economic effects of training programs under the Manpower Development and Training Act are not yet available.⁴ However partial answers can be obtained from two studies and from the program's operating statistics.

In this section each study is discussed separately. The data derived from the operations of the program as a whole are reviewed.

The first study is "*The Effectiveness of the Training Program Under MDTA*", an evaluation study conducted by the Department in late 1965. This study furnished data on effects of MDTA on personal incomes, placement of workers earnings, productivity, and other benefits. In the course of this evaluation a nationwide sample of 965 MDTA graduates (83% of them former institutional trainees, the others former OJT trainees) and 366 of their employers were interviewed. This was the successor to a study entitled "A Nationwide Evaluation of the MDTA Program", conducted early in 1964. The reports for both of these evaluations have not been published.

Effects on Personal Incomes [for 9(a)].—Data on personal incomes relate to earnings of trainees. Median earnings for trainees who completed institutional training projects were \$74 per week, \$10 more than their pretraining weekly earnings. (The data did not permit derivation of a valid median for OJT trainees.) The median for Negroes after training was \$13 higher than their pretraining weekly earnings. Forty percent of the trainees interviewed increased their average earnings over their earnings in pretraining employment, 34% earned about the same, and 26% had not yet attained the wage levels they enjoyed before they became unemployed.

Eighty-seven percent of the 965 persons interviewed (85% of the institutional trainees—97% of the OJT trainees) had obtained work after completing training. By the time of the interview (three to fifteen months after completion of training), there had been some loss or turnover in jobs, and 73% of the trainees (70% of the institutional trainees—89% of the OJT trainees) had full-time jobs. Sixteen percent had lost or left their jobs.

Any Benefits (not included above) [for 9(e)].—Several evaluation studies have provided information about benefits of the MDTA program not directly applicable to economic aspects. Some of the most important are: (1) increased confidence and improved morale (for

⁴ MDTA Research Contract No. 963 (measuring the benefits and costs of retraining programs of unemployed workers) being conducted by Michigan State University is the most comprehensive effort to assess the economic impact of MDTA. Three estimates are being developed in connection with this research study: (1) private benefits and costs to participating individuals; (2) social benefits and costs, covering the impacts on the national economy; and (3) budget impacts, covering changes in Government tax receipts and expenditures. The completion of this study is scheduled for late 1966.

example, 96% of the trainees who were interviewed said they had a "fair amount" or "a lot" of confidence in their ability to learn a new job and hold it, compared with 85% who said they had such confidence before training; (2) improved cooperation between State employment services and State and local vocational educational systems; (3) frequent alleviation of skills shortages in communities, such as in automobile transmission mechanic and nurse aide; and (4) removal of persons from welfare rolls.

The second study is "*The Economic Effectiveness of Retraining the Unemployed*," a study of the benefits and costs of retraining the unemployed based on the experience of workers in Connecticut by Michael E. Borus.⁵ This study used a sample of 373 persons involved in MDTA programs four quarters of 1962-63. Mr. Borus found that the benefits of retraining are considerably greater than the costs and that the benefit-cost ratios for the government and the economy are much greater than the individual's ratio. The study was based on a comparison of the post-retraining employment experience of those who completed MDTA training with those who did not enter or did not complete the program, but were, insofar as possible, comparable in other respects. Cost estimates were based on data provided by the workers and government agencies. Based on the record of the sample a year after training was completed, Mr. Borus made the following estimates:

Effects on Personal Incomes of Persons Served [for 9(a)].—The average added income received by making use of the skills obtained in training was approximately \$500 per year with a range of from \$400 to \$1,200.

Unemployment was reduced 5 weeks per year for the average worker. If the worker had been asked to assume the retraining cost, the benefit-cost ratio would have been less than 2, in some cases less than 1, and fewer workers would have taken training.

Effects on Business or Industrial Organizations [for 9(c)].—One of the most significant conclusions reached by Mr. Borus was that MDTA training has been for occupations in which employers have not given training under their own auspices and cannot be expected to do so. Labor shortages have existed in these occupations for long periods indicating that employers do not consider training under their auspices profitable because of the risk that the worker will find other employment after training. Since MDTA operates in these areas of labor shortages, where training and employment would otherwise not occur, Mr. Borus points out that the gain to the economy is significant, and it is proper and necessary that the government assume the training.

It follows that if MDTA training is in occupations where there have been continuing labor shortages, there is a gain to industries using these skills even though individual employers will not train in these occupations themselves. Likewise, the assumption could be made that this has an advantageous effect on business expansion, as well as on productivity, stability, costs and prices. Since the training is for occupations which fill a general need, rather than those of the indi-

⁵ Yale University, 1964.

vidual employer, it could also be assumed that the training does not adversely affect competition.

Other Benefits [for 9(e)].—Mr. Borus observed that reduction in welfare payments and other benefits paid by Federal, State and local governments averaged \$100 per year per worker. The value to the government of expected training benefits is estimated at \$1,321.54 for the first year and a total of \$7,823.37 for the first 10 years after training. The value of the benefits to the economy for a worker trained was estimated at \$5,061.91 for the first year and a total of \$29,965.95 for a 10-year period.

In addition to the two studies above, the program operation statistics show the following:

Placement Results for Selected Groups of Trainees who Completed MDTA Institutional Programs [for 9(b)].—Selected groups of trainees may benefit more than others from vocational training but results are encouraging even for those with lower placement rates.

Young persons under 19 years of age had a placement rate somewhat below the average for all trainees, but this is a notable achievement considering that teenagers have the highest unemployment rate of any age group in the nation.

Placement rates for older youths—those 19 to 21 years of age were fairly close to the overall average and for the 22 to 44 year old group the rate was somewhat higher than the average of 74 percent. For trainees 45 years of age and over, the job placement success was markedly below the average. However, 69 percent of these older trainees found work despite the difficulties of reemployment generally encountered by these workers.

Although job placement patterns with respect to age were somewhat similar for men and women, the variations from the average were more marked for men than for women. Thus, although older trainees had the lowest placement rates, older men had more difficulty than older women in obtaining jobs. The placement rate for men trainees 45 years of age and over was 72 percent, 7 percentage points below the average for all men; for older women, the 66.5 placement rate was only 2 percentage points less than the overall average for women.

The extent of formal schooling was a definite factor in employment after training. Placement rates with respect to schooling progressed steadily upward with additional years of formal education: The employment record was highest at 77 percent for those who had at least a high school diploma—probably reflecting the now customary employer requirement for a high school diploma.

The long-term unemployed continued to encounter job-finding problems and their placement rate was lower than for those who had been jobless for short periods before starting training. More than three out of four trainees with less than 15 weeks of continuous unemployment before training had obtained work; for those with 15 weeks or more of continuous unemployment the rate dropped to 68 percent, and to 63 percent for those out of work in excess of 52 weeks. (See following table.)

TABLE 2.—*Employment experience of persons completing MDTA institutional training, by age, education, and duration of unemployment, reports processed by Aug. 31, 1965*

Characteristic	Employed graduates as a percent of all persons completing training		
	Total	Men	Women
Total.....	74.0	79.0	68.5
Age:			
Under 19 years.....	70.8	74.9	67.8
19 to 21 years.....	73.3	79.0	66.6
22 to 44 years.....	76.0	81.2	69.9
45 years and over.....	69.2	72.0	66.5
Education:			
Under 8th grade.....	68.4	74.0	52.2
8th grade.....	69.4	74.1	59.6
9th to 11th grade.....	71.0	76.2	64.3
12th grade and over.....	76.7	82.6	71.7
Duration of unemployment prior to training:			
Under 15 weeks.....	77.6	83.5	72.1
Under 5 weeks.....	78.3	82.4	72.4
5 to 14 weeks.....	76.7	79.9	71.6
15 weeks or more.....	67.7	71.9	64.7
15 to 26 weeks.....	74.0	78.2	68.5
27 to 52 weeks.....	69.4	72.8	66.0
Over 52 weeks.....	63.0	63.3	62.8

Placement rates are higher for white than for nonwhite persons who completed training. The nonwhite group had a placement rate of 68 percent; the corresponding rates for the white group was 76 percent. The patterns of job placement by sex are similar for both groups but with the rates consistently lower for women. (See table below.)

TABLE 3.—*Employment status of persons who completed MDTA institutional programs, reports processed by Aug. 31, 1965*

Status	All trainees		Men		Women	
	Number	Percent	Number	Percent	Number	Percent
Total completions.....	60,070	100.0	31,380	100.0	28,690	100.0
Employed.....	44,438	74.0	24,795	79.0	19,643	68.5
Unemployed.....	10,820	18.0	5,290	16.9	5,530	19.3
Not in labor force.....	4,812	8.0	1,295	4.1	3,517	12.3
Total completions (white).....	41,829	100.0	23,265	100.0	18,564	100.0
Employed.....	31,960	76.4	18,863	81.1	13,097	70.5
Unemployed.....	6,428	15.4	3,437	14.8	2,991	16.1
Not in labor force.....	3,441	8.2	965	4.1	2,476	13.3
Total completions (nonwhite).....	14,443	100.0	6,155	100.0	8,288	100.0
Employed.....	9,752	67.5	4,387	71.3	5,365	64.7
Unemployed.....	3,641	25.2	1,523	24.7	2,118	25.6
Not in labor force.....	1,050	7.3	245	4.0	805	9.7

NOTE.—Race not obtained on 3,798 persons who completed training and for whom the labor force status was available.

10. *Economic classification of program expenditures.* (See table 4.)

Program: Manpower Development and Training, Title II, Excluding Sec. 241.
Department or agency, and office or bureau: Department of Labor; Office of Manpower Policy, Evaluation, and Research.

TABLE 4.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:	
Purchases of goods and services:	
Wages, salaries (Federal)-----	4, 830
Other ¹ -----	101, 690
Transfer payments to individuals and nonprofit organizations (allowances)-----	123, 521
Total, Federal expenditures-----	230, 041
Non-Federal expenditures-----	(2)

¹ OJT Contracts and Institutional Training Costs.

² Not available.

REDEVELOPMENT AREAS: MDTA TITLE II, SECTION 241

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the program is to provide a supplementary program of training for unemployed and underemployed persons residing in areas designated as redevelopment areas by the Secretary of Commerce.

2. Operation

Program responsibilities and operating arrangements parallel those used in the regular MDTA Title II training activity, except that proposals for occupational training in redevelopment areas under Section 241 are approved in the National office, not in the field. See answer for Question 2 under "Title II, Excluding Section 241."

3. History

The training activities of the Department of Labor under Section 241 of the Manpower Development and Training Act of 1962, as amended, are essentially a continuation of the program begun under Sections 16 and 17 of the former Area Redevelopment Act (ARA) of 1961. Therefore, the history of the program must begin with the earlier Act.

The ARA represented the first comprehensive attack by the Federal Government on the problems of chronic unemployment and underemployment in order to promote economic betterment in economically distressed areas. The ARA was designed to expand job opportunities in "redevelopment areas" through a concerted program of financial and technical assistance.

The relevant portions of the law provided for (a) the training of unemployed and underemployed persons residing in redevelopment areas to enable these persons to overcome skill deficiencies which acted as barriers to employment, and (b) the payment of weekly training allowances for a maximum of 16 weeks at the State's average unemployment compensation allowance. To assure an effective and sound program, each training proposal was required to be geared to existing and potential manpower needs.

Improvement of the skills and employability of unemployed workers in redevelopment areas where jobs are scarce presented a formidable challenge. Job opportunities for which suitable training proposals

could be developed had to be sought out in some of the most impoverished and economically blighted areas of our Nation. Persons most in need of training were all too frequently the most difficult to train and the least equipped to meet current job requirements. The development of training projects to afford the trainees a reasonable opportunity for employment also had to take into account the limitations imposed by the Act. The effect of restricting the number of weeks for which training allowances could be paid to a maximum of 16 meant that most ARA training was confined to the lower spectrum of occupational skills. Lack of travel and subsistence allowances also restricted the program's range and adaptability.

The ARA training was able to achieve considerable magnitude and diversity by employing certain basic concepts and approaches. First, training activity was geared to the people involved—their skills, their aptitudes, interests, previous work experience, and attitudes. Second, the training was job-oriented; i.e., designed to equip unemployed individuals with marketable skills. Finally each training proposal took into account the special needs of the area and was geared to its blueprint for economic growth.

Despite the preponderance of training for lower skill levels, training for all major occupational categories was conducted. Courses were developed to meet the needs of a variety of new and expanding firms and a number of these afforded opportunities for future training by the employer to upgrade skills.

The 1,060 training projects which were approved since the beginning of the program authorized the training of some 45,000 persons. The training activity as a whole took place in many different economically distressed areas, such as industrial centers in the Northeast, former mining communities in Appalachia, rural areas in the South, and Indian reservations in the West.

The Manpower Act of 1965 amended the MDTA by adding Section 241 authorizing the Departments of Labor and Health, Education, and Welfare to provide a supplementary program of training in redevelopment areas. The new section became effective on July 1, 1965, concurrently with the expiration of the ARA and repeal of Sections 16 and 17.

This legislative change represented an increased Federal commitment but with a continuity of operations. The basic purposes and emphasis of the program were kept intact by Section 241 which provides for: (a) determination of occupational training and retraining needs by the Secretary of Labor in consultation with the Secretary of Commerce, to assure that training activities are coordinated with the redevelopment effort, (b) continued eligibility for training allowances of any unemployed and underemployed persons residing in redevelopment areas without regard to MDTA eligibility requirements, and (c) exemption of the funds appropriated for the supplementary program from State apportionment and State matching requirements. At the same time, the more liberal provisions of the MDTA regarding duration of training, extent of allowances and other benefits, were intended to overcome the serious limitations to which occupational training under ARA was subjected.

4. *Level of operations.* (See table 1.)

Program: Redevelopment Areas, MDTA Title II, Sec. 241.

Department or agency, and office or bureau: Department of Labor; Office of Manpower Policy, Evaluation, and Research.

TABLE 1.—*Level of operations or performance, fiscal years 1964-66*

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate
(a) Magnitude of the program (approved projects).....	305	309	360
(b) Applicants or participants:			
State government agencies.....	1 39	1 37	1 41
Local communities (designated areas).....	150	179	180
Individuals (trainees in approved projects).....	11,928	11,030	15,000
(c) Federal finances:			
Unobligated appropriations available.....	\$8,500,000	\$8,500,000	(?) (?)
Obligations incurred.....	\$8,262,000	\$8,158,000	(?) (?)
Allotments made.....	\$8,500,000	\$8,500,000	(?) (?)
(d) Matching expenditures.....	(1)	(1)	(1)
(e) Federal Government employees administering, operating, or supervising the activities.....	53	(3)	(2)
(f) Non-Federal personnel employed.....	(1)	(1)	(1)
(g) Other measures or level of performance:			
Enrollees.....	10,196	10,032	12,000
Completions.....	7,812	7,692	9,100
Placements.....	5,468	5,384	7,000

¹ Includes Puerto Rico.

² Expiration of ARA.

³ Included in MDTA budget.

⁴ Not applicable.

5. *Estimated magnitude of program in 1970*

Same as answer for Question 5 under "Title II, Excluding Section 241."

6. *Prospective changes in program orientation*

a. None

b. None

c. Same as answer for Question 6(c) under "Title II, Excluding Section 241."

7. *Coordination and cooperation*

Same as answer for Question 7 under "Title II, Excluding Section 241." In addition with reference to 7(c), an interagency review committee composed of representatives of the Departments of HEW, Labor, and Commerce, reviews proposals for training and makes recommendations to the Secretary of Labor for his final approval.

8. *Laws and regulations*

Area Redevelopment Act, P.L. 87-27, May 1, 1961, Sections 16 and 17. The Manpower Act of 1965, P.L. 89-15, April 26, 1965, Section 241. Public Works and Economic Development Act of 1965, P.L. 89-136 August 26, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

a. *Effects on Personal Incomes.*—The vast majority of the persons trained under the ARA program were unemployed, many of them having been idle for more than a year at the time of referral to training. As a result of their training their economic well-being has ma-

terially improved. For many of those on public assistance prior to their training, steady employment was effective rehabilitation.

b. *Effects on Placement.*—About 75 percent of those who completed their training went to work, most (nine-tenths) in training related jobs. The data from the beginning of the program in 1961 thru June 30, 1965 show that 21,053 trainees completed training. Of these, 15,892 had obtained employment. Because 14,321 persons obtained training-related employment, and most were unemployed at the start of their training, it must be concluded that the training was a major factor leading to their employment.

c. *Effects on Business, etc.*—Much of the training in the early stages of the program was for existing job vacancies rather than for new jobs created by the financial assistance provisions of the ARA. As ARA loans and grants were awarded more facilities were expanded and new plants became fully operational. Concomitantly, training projects were geared to such economic growth, making it possible for employers to staff new plants or to readily expand existing operations. At the same time the training effort was closely monitored to make sure that projects were not undertaken on behalf of firms which were ineligible for Government assistance because of the relocation provisions of the statute.

d. *Effects on Employment, Wages, etc.*—Information not available.

e. *Other Benefits.*—See answer for Question 9(e) under "Title II, Excluding Section 241."

f. *Pertinent Geographic Differentials.*—Geographical location has been an important factor in determining the socio-economic impact of occupational training activities under the ARA. Plants for which training was conducted in rural areas were usually manufacturing establishments, the largest firms in the community which contributed greatly to the local economy.

On the other hand, the number of individuals trained in large urban centers was very small in comparison to total employment. It may be assumed, therefore, that training played a minor role in the economy of the few urban centers which are officially designated redevelopment areas.

Much of the training activity centered in Appalachia, contributing to the upgrading of skills and development of new skills in an attempt to cope with the problems of rural isolation, inadequate training facilities, low educational levels, and limited job opportunities. Occupational training has not only helped meet existing job needs but it has also contributed to a more flexible, and hence more employable, labor force.

Cumulative thru June 30, 1965, 55 percent of the total number of trainees approved were training in 10 States. The number of trainees approved was as follows:

Michigan	4,965	Kentucky	1,847
Pennsylvania	3,915	Illinois	1,674
West Virginia	3,138	North Carolina	1,502
Oklahoma	2,313	Ohio	1,501
New Jersey	2,270	Rhode Island	1,458

g. *Contribution to GNP*—Information not available.

h. *Other Comments.*—Essentially, the program was a novel one with a focus on the needs of unemployed and underemployed persons,

many of whom had taken little or no part in a training situation for a considerable period of time. The traditional approach to vocational training was modified under ARA by placing greater emphasis on communication skills, on understanding of the work situation, and on social services. These emphases have generated specially designed courses in which, for example, basic literacy training, oriented to specific occupations, was added to the regular course content. ARA pioneered the first such successful training project when a group of Negro and Puerto Rican migratory farm laborers in New Jersey were prepared for year-round employment by learning to operate modern farm equipment.

The success of this project prompted application of the same approach to a large group of Mexican-American migrant farm workers in a Texas community. Lack of education, poor health, deficiency in English, and above all, lack of occupational skill made it extremely difficult for these workers to qualify for more desirable jobs.

Against this backdrop ARA set up a number of courses in mechanized farm operations as well as other needed skills. Along with skill training, instruction in basic English was provided and underpinned with appropriate motivation. As a result many of these workers have been able to fill jobs within the community, making it possible to develop closer ties, establish deeper roots, keep their children in school, and become more responsible citizens.

Closely related to the above approach was the frontal attack on illiteracy in a large urban center such as Detroit. Many of the Negro residents of the central city were hardly able to read or write and have been unable to find jobs; they even lacked the basic educational equipment to qualify for enrollment in existing ARA or MDTA training courses.

To meet the problem head-on, an ARA course was established to train and supply educational technicians because the educational system lacked enough instructors.

The trainees, all of whom had at least one year of college credit, were introduced to such techniques as audio-visual aids, programmed learning, and methods of communication. The "graduates," have proceeded to provide specially designed training in literacy skills and it is estimated that over 5,000 persons will benefit from such training in the coming year.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Redevelopment Areas; MDTA Title II, Sec. 241.

Department or agency, and office or bureau: Department of Labor; Office of Manpower Policy, Evaluation, and Research.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]	
Federal Government:	
Purchases of goods and services:	
Wages and salaries (Federal)-----	474
Other ¹ -----	3,924
Transfer payments to individuals and nonprofit organizations (allowances)-----	1,998
Total, Federal expenditures-----	6,396
Non-Federal expenditures-----	(2)

¹ OJT contracts and institutional training costs.

² Not available.

TRADE ADJUSTMENT ASSISTANCE PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives, and 2. Operation.

Title III of the Trade Expansion Act of 1962 and Title III of the Automotive Products Act of 1965 provide special Federally financed adjustment assistance benefits for firms and workers who are adversely affected by U.S. foreign trade policy. In the case of workers, the program places emphasis on the objective of returning the adversely affected individual to the labor force as a productive member, preferably with his original employer.

Dislocated workers under the Trade Expansion Act or Automotive Act are eligible for full testing, counseling, and job placement services in the local offices of the Federal-State employment service system. Wherever possible the individual is to be referred to training or otherwise encouraged to enter training. The role of the State agency in the area of adjustment assistance is the same as it is under the training programs provided under other relevant Federal law.

Affected workers are also eligible for cash readjustment allowances and for cash relocation allowances. Cash readjustment allowances, which replace regular unemployment insurance benefits, are equal to 65 percent of the worker's average weekly wage with a ceiling of 65 percent of the national average weekly wage in manufacturing. These allowances are payable for 52 weeks but up to 26 additional weeks may be allowed for workers to complete approved training courses. If the worker was over 60 when separated, a total of 65 weeks of allowances may be permitted.

The adjustment assistance provisions of these two Acts in certain circumstances also provide for the payment of relocation expenses of adversely affected workers. If the worker is totally unemployed, is the head of a family, has no suitable job available in his own area, has a firm job offer in another area and is willing to move, he can be reimbursed for his expenses. The payment covers the reasonable expenses of moving him, his family and their household goods to the new locale and a lump-sum payment equal to 2½ times the average weekly wage in manufacturing.

3. History

The adjustment assistance provisions of the Trade Expansion Act have not been utilized thus far inasmuch as no group of workers or firms have been able to demonstrate injury resulting from U.S. foreign trade policy. (No claims could be filed under the Automotive Act prior to January 20, 1966.) The Automotive Act's special provisions for assistance will expire in 1968.

4. Level of operation

Not applicable.

5. Estimated magnitude of program in 1970

Assuming successful completion of the Kennedy Round of Tariff Negotiations in 1967, the adjustment assistance provisions of the Trade Expansion Act should be used for aiding 25,000 to 50,000 workers per year by 1970. The Automotive Act special provisions will not be in effect in 1970.

6. *Prospective changes in program orientation*

In testimony before the Senate Finance Committee (September 1965) the Administration indicated that it would submit legislation easing the standards in the Trade Expansion Act under which firms and workers may become eligible for adjustment assistance. If such legislation is approved by the Congress, there will probably be some increase in adjustment assistance activity.

The other major change in the conditions applicable to this program will be the completion of the Kennedy Round of Tariff Negotiations.

7. *Coordination and cooperation*

Since the program is not now operative, there is no necessity of cooperation at present. It is planned that the unemployment insurance agencies of the State governments will be responsible, under contract to the Federal Government, for administering benefits to eligible workers and that the regular training programs of MDTA and other laws will be used.

8. *Laws and regulations*

Trade Expansion Act (Public Law 87-794).

Automotive Products Act (Public Law 89-283).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects, and 10. Economic classification of program expenditures*

Program not yet operative, so this section of questionnaire is not applicable.

10. *Economic classification of program expenditures*

Not answered.

Bureau of Apprenticeship and Training

APPRENTICESHIP PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The national apprenticeship program is designed to develop and increase the numbers of skilled workers in the various crafts and trades and to help meet the manpower needs of the Nation.

2. *Operation*

This basic promotional program is carried out by the Bureau of Apprenticeship and Training (BAT) which (1) indicates the need to establish new apprenticeship systems and (2) helps industry improve systems which already exist. A network of 161 field offices in 12 regions covering the 50 States and territories is employed in this task.

BAT's efforts involve management and labor organizations on both national and local levels. Promotional programs are based on BAT research studies which determine specific skill demands in specific industries on a regional basis. Employers and labor organizations are encouraged to adopt policies and procedures which lead to the

¹ Excludes MDTA activities.

creation of apprenticeship systems; BAT provides technical assistance, training aids and materials to further these ends.

3. History

The necessity for organization and direction in the training of the Nation's skilled workforce resulted in the appointment of a Federal Committee on Apprenticeship by the President in 1933 to advise the Secretary of Labor on matters of national policy and standards. Recommendations of the 11-member committee, composed of representatives from management, labor, and education, led to the passage of the National Apprenticeship Act in 1937 which resulted in the creation of the Bureau of Apprenticeship (then called the Apprentice-Training Service) to carry out the objectives of the law. The Federal Committee has continued to serve as the advisory body to the Bureau and the Secretary of Labor.

Prime function of the Bureau through the years has been to help industry to adopt and meet the standards of apprenticeship in particular trades and crafts and to give recognition to those that meet the standards. The Federal agency also assists labor and management in establishing joint apprenticeship committees; publishes apprenticeship standards and guidelines for those systems it registers; helps develop and supports apprenticeship information centers in major industrial areas; keeps national statistics on apprentices and journeymen; cooperates with foreign countries in the exchange of information and practices through reciprocal visitations; and awards certificates of completion to apprentices trained in registered programs.

Changing technology and automation have added a new dimension to the Bureau's promotional efforts. Skill improvement training programs have become a necessity in many occupations and industries to help the labor force keep pace with skill demands and to keep them employed. Accordingly, the Bureau's title of Bureau of Apprenticeship was changed in 1956 to include "and Training".

4. Level of operations. (See table 1.)

Program: Apprenticeship program.²

Department or agency, and office or bureau: Department of Labor; Bureau of Apprenticeship and Training.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure and unit ¹	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(a) Magnitude of the program:				
Workload services:				
Single establishment account ²	35,000	30,872	31,000	33,000
Multi-establishment account ²	7,400	6,864	7,100	7,500
Total established workload (establishments)	183,000	168,150	172,100	180,000
New apprenticeship programs started in year ²	,200	1,300	1,300	1,800
Other industrial programs started in year ²	1,000	700	800	1,100
(b) Applicants or participants:				
State apprenticeship agencies or councils ²	30	31	31	31
Local communities or governments ²				
Registered apprentices in training during year ²	216,700	227,000	234,000	247,000
Apprentices at end of year ²	167,000	173,000	179,000	190,000
Registered apprentice accessions during year ²	58,500	59,900	61,300	63,000
Registered apprentice completions during year ²	25,800	26,100	26,600	27,000
Other (workers)	27,000	19,000	22,000	18,000

See footnotes at end of table, p. 390.

² Excludes OJT under MDTA, for measure (a) only.

TABLE 1.—Level of operations or performance, fiscal years 1964-67—Continued

Measure and unit ¹	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimate	Fiscal year 1967 estimate
(c) Federal finances:				
Unobligated appropriations available (thousands).....	\$5,460	\$5,722	\$7,018	\$8,180
Obligations incurred ⁴ (thousands).....	\$5,647	\$6,240	\$7,074	\$8,180
(d) Matching or additional expenditures:				
State apprenticeship agencies (estimates) (thousands).....	\$3,000	\$3,016	\$3,016	(?)
Other State government agencies.....				
Private industry.....				
(e) Federal Government employment:				
BAT-headquarters management:				
Administrative and staff services (positions).....	87	76	100	117
Field operations (positions).....	453	452	509	582
(f) Non-Federal employment:				
State apprenticeship agencies (estimates) (positions).....	380	380	380	(?)
Other State government ²				
Private industry ³				
(g) Other measures of level or magnitude of performance.....				

¹ See list of definition of terms and units.

² The unit is implied in the measure.

³ Information not available.

⁴ Includes following amounts for OJT under MDTA which are also included in MDTA program: 1965, \$533,000; 1966, \$1,404,000; 1967, \$1,863,000.

DEFINITIONS OF TERMS AND UNITS

Single establishment account is an establishment and appropriate union(s), with which the field representative is working to install or improve apprenticeship or other training which will be operated independently of other establishments.

Multi-establishment account is 2 or more establishments and appropriate association(s) and union(s), with which the field representative is working to install or improve apprenticeship or other training which will be operated by the group.

Apprentice program started: A program is reported started when the first apprentice enters training. A program may consist of one or several apprenticeable occupations and may include participation by one or several employing establishments and appropriate associations and unions.

Other industrial programs started: Training programs excluding apprenticeship and federally assisted on-the-job training under MDTA or former ARA. Includes training of semiskilled operators, retraining of journeyman and other industrial workers.

State apprenticeship agencies or councils: An organizational entity of State government performing similar functions to those of the Federal bureau under cooperative working agreements. State apprenticeship agencies do not receive any Federal funding, supervision or control. Fifteen States, Puerto Rico and the District of Columbia, have a director and at least 1 field operator; 3 States have an apprenticeship law but no staff; 2 States have a clerical employee only and 9 States have a director but no field operators.

Local communities or governments: The number of county and city governments participating in registered apprenticeship programs is not known. Participation is on the same basis as private industry and data are included in the establishment workload count.

Individuals (person or worker): This measure is of direct beneficiaries of the program. Apprentices in programs promoted by the BAT and State apprenticeship agencies and established in industry, are registered by the State agency if such exists or by the BAT. Figures given are for registrations, completions and number receiving training during year in both State and federally recognized programs. The estimated number of workers receiving training in other industrial training programs are those promoted and developed by the Federal bureau.

Participating establishments: The estimated total reached in the combined single and multi-establishment account workload.

Federal finances: Figures given are for the BAT only. Other Federal expenditures are involved in administration and other services the Bureau receives at Department level. The Office of Education contributes through State vocational education agencies to the classroom instruction portion of some registered apprenticeships. No data are available to estimate these expenditures.

Matching or additional expenditures: Amounts given for State apprenticeship agencies are estimates based on information furnished by the agencies. Data for expenditures of other State agencies, principally that portion of Smith-Hughes Act funds used at State and local level with matching provisions, for related classroom instruction of an indeterminate number of registered apprentices, are not available.

Expenditures by private industry on registered apprenticeship are not known. Annual budgets of joint labor-management apprenticeship committees administering programs financed by private training trust funds at both local and national levels have been estimated to exceed \$4,000,000 but would account for only a very small percent of total expenditures by private industry on industrial training.

Federal Government employment: BAT employment is given. Information is not available for estimating other Federal positions in the Department of Labor or of Health, Education, and Welfare indirectly related to the program.

Non-Federal employment: The estimated employment by apprenticeship agencies is given. Information is not available for estimates of other indirect employment at State level nor for employment in private industry.

5. *Estimated magnitude of program in 1970*

In estimating the probable magnitude of the apprenticeship program in 1970 several assumptions have been made. Due to the nature of the apprenticeship system, it is directly related to the general employment level. When employment is high, the number of new and continuing apprenticeships is likewise high.

Assuming that the Federal government's determination to achieve and maintain full employment continues and the economic growth continues as it has for the past several years, a reasonable estimate for the number of apprentices in training in 1970 would be 275,000. Changes in the employment situation would obviously affect the figure.

6. *Prospective changes in program orientation*

(a) None.

(b) A general organization survey is to be made in 1966. It is expected that the headquarters-field relationships will be retained and that the full Federal function to the local community will continue.

(c) Technological change will call for increasing numbers of skilled workers as indicated in answer for 6(c) under "MDTA, Title II, Excluding Section 241." The trades for which the apprentice program may be expanded include: building trades craftsmen, mechanics and repairmen, precision tool and die makers, and hydraulics technicians.

7. *Coordination and cooperation*

As implied in the Bureau's name, the Bureau of Apprenticeship and Training is concerned with all training activities that contribute to meeting the manpower needs of the nation and as a result it comes into contact with a vast number of public and private organizations involved in training.

(a) *Within BAT*, Internal coordination is effected through staff meetings, discussions by individuals working together on assignments, the issuance of bulletins and circulars to the field organization, and annual meetings with the regional directors in the National Office.

(b) *Within the Department of Labor*, BAT participates in staff meetings with the Manpower Administrator and officials of the four other agencies which comprise the Manpower Administration; and is represented on various interbureau committees of the Department. It works closely with the Bureau of Employment Security in ascertaining worker shortages in order to help establish training programs in the field.

(c) *With other Federal Government agencies:*

(1) The Office of Education in setting up related instruction programs for apprenticeship.

(2) The Bureau of Indian Affairs, Department of Interior, on training programs at Indian reservations.

(3) The Department of State and the Agency for International Development in developing training tours for foreign nationals in the United States.

(4) The Department of Defense in pinpointing critical occupations with worker shortages to prevent production lags.

(5) The Department of Commerce and Small Business Administration in organizing joint programs of assistance to commerce and industry wherein training is involved.

(d) *With State governments*, Operating agreements are concluded with State apprenticeship agencies having a field staff for a division of responsibilities and the workload between State agencies and BAT.

(e) *With local governments*, While formal apprenticeship programs and systems are not established or involved with county or municipal governments, BAT works with community and municipal committees in arranging training programs under the aegis of these committees.

(f) *With International Organizations*, Through the State Department, BAT maintains working agreements with the United Nations and the International Labor Organization for exchanging information on training opportunities and for observing techniques and methods.

(g) *With Nonprofit Organizations*, Because collective bargaining agreements are maintained between labor organizations and business management, BAT coordinates its training promotion activities with unions.

The Ford Foundation is one of the nonprofit agencies with which BAT maintains a relationship to suggest areas of training or retraining which the Foundation may support through studies or grants.

(h) *With Business Enterprises*, Business enterprises in industries with apprenticeable occupations generally cooperate in adapting the standards and guidelines set by BAT for training systems.

(i) *Other*, None.

8. Laws and regulations

The principal legislative authorizations for BAT functions are the Acts of March 4, 1913 (5 U.S.C. 611), and August 16, 1937 (29 U.S.C. 50) and Department of Labor Appropriation Act, 1966.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

(a) Effects on personal incomes of persons served or involved and on the distribution of personal income.

The individual who takes advantages of an apprenticeship program will have the opportunity to materially increase his personal income. The average apprenticeship program takes four years to complete. During this training period the apprentice on the average receives as salary 50 percent of the journeyman's wage at the beginning of his training, with increases of 5 percent every six months thereafter. Thus, his salary is usually about 85 percent of the journeyman's wage immediately before he attains journeyman status. Assuming \$4.00 an hour as the average journeyman's wage, the apprentice therefore receives \$2.00 an hour at the beginning of the training period and \$3.40 an hour during the last phase of the program. This contrasts with an average of \$2.60 an hour for production workers engaged in manufacturing—which is itself an area better paid than many. Under these circumstances, the difference in income over a 40-year work period would amount to roughly \$21,500 for the journeyman.

(b) Effects on the placement or productivity of workers, or both, and on their earnings.

The apprenticeship system is generally recognized as one of the most effective ways to train individuals for careers in the skilled trades. By

the nature of apprenticeship the individual gains practical experience in production and receives related instruction. Thus, apprenticeship involves employment and contribution to production by the individual during training. Training produces a worker with all-around skills; assists in placement of workers and vastly increases a worker's flexibility in the job situation. With his new skills, the journeyman is able to contribute more to production than he otherwise would have been able to do. Furthermore, as a trained person he requires less supervision in his work resulting in lower costs and smoother lines of production.

(c) Effects on business or industrial organization and management; the stimulation of new business enterprises or expansion of existing ones; business location; and effect on competition.

In an industrial organization the journeyman as a skilled worker often stands in the key position of a translator between the engineers and scientists and the production workers. Frequently, he will perform the same role between the supervisor and production workers.

The journeyman's status has often proved to be a steppingstone to supervisory positions. In one study of former apprentices almost 20 percent had advanced to supervisory levels in a six year period as journeymen.²

After their training as apprentices, a considerable number have gone on to establish their own businesses. In one study of former apprentices almost 10 percent had established their own businesses in a period of six years after completion of training.²

(d) Effects on the stability, level, volume, or other aspects of employment, wages, costs, productions, sales, prices, or other phases of economic activity.

One of the most obvious advantages of apprenticeship programs to the individuals involved and the country is that skilled workers have a lower unemployment rate than unskilled workers. In October 1965, the unemployment rate for craftsmen was 2.1 percent, as compared with 4.5 percent for production workers and 6.5 percent for laborers. In a recent study of former apprentices, six years after completing their apprenticeship training 98 percent were employed.³

The skilled workers have greater continuity of employment. In a study of former apprentices, the majority were employed by the same employer under whom they served their apprenticeship six years earlier, and 93 percent had continued in an occupation within the skilled trades. Some 85 percent were in the same trade in which they had received training.

The skilled worker is a vital element in industrial expansion. Without skilled workers economic growth is impeded. Thus, an adequate number of trained workers is mandatory for continued expansion. When a shortage of trained workers exists, particularly in a period of rapid expansion, competition for their skills increases, resulting in higher production costs and inflationary tendencies.

(e) Other benefits.

For young men and some young women who do not go on to college after high school, the apprenticeship program offers one of the most significant avenues for career development open to them. Both on-the-

³ *Career Patterns of Former Apprentices, Bulletin T-147, B.A.T., March 1959.*

job training and related instruction in a school situation equip them for valuable careers not customarily open to unskilled workers.

(f) Pertinent geographic differentials.

The apprenticeship programs attempt to develop skilled workers whose services are particularly in demand in an industrial setting. Accordingly, the majority of apprenticeship programs are developed in metropolitan areas where industry is concentrated. In some rural areas training is offered to a number of mechanics dealing with agricultural equipment and related machinery.

(g) Information not available.

(h) Several publications that have in part contributed to this report and relate to the present discussion include the following:

(1) *Apprenticeship and Economic Change*, U.S. Department of Labor, Bureau of Apprenticeship and Training, 1964.

(2) *Apprenticeship and Unemployment*, U.S. Department of Labor, Bureau of Apprenticeship and Training, 1964.

(3) *The Role of Apprenticeship in Manpower Development: United States and Western Europe*. Subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, United States Senate, 1964.

(4) *Toward Full Employment: Proposals for a Comprehensive Employment and Manpower Policy in the United States*. A report prepared by the subcommittee on Employment and Manpower of the Committee on Labor and Public Welfare, United States Senate, 1964.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Apprenticeship program.

Department or agency, and office or bureau: Department of Labor; Bureau of Apprenticeship and Training.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	4,826
Other	721

Total, Federal expenditures.....	5,547
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Bureau of Employment Security

U.S. EMPLOYMENT SERVICE AND AFFILIATED STATE EMPLOYMENT SERVICES

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

a. To provide a broad spectrum of employment and manpower services—such as counseling, testing, placement, referral for rehabilitation and employability development, and job market information—without regard to race, creed, age, color, sex, or national origin.

b. To aid *jobseekers* to get suitable jobs in line with their skills and experience.

c. To aid *employers* to get well qualified workers to fill their replacement and expansion needs and to provide them with related services.

d. To assist in the development of human resources through training, and identification of need for and referral to other employability development services, and in better utilization of these resources.

e. To aid in the development and expansion of employment opportunities through cooperative action with all appropriate agencies and groups at local, State and national levels, to enhance the Nation's economic stability and growth.

f. To devise feasible plans for and maintain operational readiness to meet manpower needs in times of national disaster or defense emergency.

2. Operation

The Federal-State employment service system is a nationwide network of nearly 2,000 local employment offices financed by Federal grants and administered by State employment security agencies.

The *Federal* partner in this system, the United States Employment Service—one of the three major services within the Bureau of Employment Security of the U.S. Department of Labor—performs the following functions with the assistance of personnel stationed in 11 regional offices: develops policy and standards for the organization and operation of the Employment Service system; provides guidelines and technical assistance to State agencies and local offices in the conduct of their operations; maintains a system for recruitment and placement between States; participates in preparing budgets and makes allocations to State agencies for ES operations; collects and analyzes a variety of occupational, test, job market and related technical data on a nationwide basis; prepares occupational tools and publications, etc.; provides leadership and guidance for operational research for the benefit of workers, employers, and communities affected by automation and technological change; reviews and evaluates operations and provides guidance for improvement; maintains an Employment Service for the District of Columbia.

State agency staff provides administrative and technical leadership and assistance for the conduct of day-to-day program activities of the State office and the local offices, control financial management and statistical reporting programs, and provides administrative support services.

Local public employment offices provide a multitude of services, including: registration, counseling, and testing of job applicants; placement and job development; special services to applicant groups with unusual job-finding problems; interarea and interstate recruitment and placement; gathering, analysis, and publication of job analysis and job market information and providing such services; identifying training needs and recommending and helping develop manpower training programs; recruiting, screening, testing, counseling, and referring youth to training programs and work-training such as Job Corps and Neighborhood Youth Corps; identifying need for and referring job seekers to rehabilitative services of other agencies to help develop employability; and participating with community groups, employers, labor organizations, educational institutions and other groups in planning and developing programs to help meet local manpower problems.

Funds appropriated by the Congress for the administration of the system are apportioned among the State agencies in accordance with

their needs. Following guidelines established in the national office, the States, in turn, allocate their funds among their central office operations and local offices in the manner deemed to best serve the work force of the State.

3. History

The public employment service, established by the Wagner-Peyser Act in 1933, is responsible for developing and maintaining a national system of employment offices to provide counseling and placement services for men, women, and juniors legally qualified to engage in gainful work, and to carry out related basic functions which are involved in manpower development and utilization.

Established during the Nation's greatest economic depression, the Employment Service was most concerned in its earliest years with finding jobs for as many workers as possible, in public as well as in private employment. The public employment service was responsible for referring unemployed workers to the relief and public works programs established in the 1930's. Passage of the Social Security Act in 1935, with its provision for State unemployment insurance programs, placed upon the Employment Service another responsibility—that of providing "work tests", necessary for determination of worker eligibility for unemployment benefits. Similar responsibility was placed on the Employment Service by subsequent legislation extending unemployment insurance coverage to Federal employees and to returning servicemen after World War II and the Korean Conflict, i.e. registering these workers as a condition of eligibility for benefits and for assisting in their job market adjustment.

From its earliest years, the Employment Service program extended beyond that of a mere labor exchange. Even in the depression years, there were some skills for which there was an unmet demand in some areas, and an inter-area clearance system was developed to help meet this need. An occupational research and a test research program had been developed by 1935. Placements of handicapped workers were first reported as a separate item in 1940.

In the first half of the 1940's, and in the early 1950's, when the Nation was committed to a major defense effort, the Employment Service was responsible for recruiting, screening, and placing workers in defense and essential civilian employment, and for identifying critical occupations. In both periods, the urgency for the most efficient utilization of the work force resulted in the development of new techniques in job analysis and in counseling and testing, and in the improvement of inter-area recruitment activities and job market information programs.

Following passage of the Employment Act of 1946, the Bureau of Employment Security was called upon to furnish the Council of Economic Advisers with regular reports on employment conditions on a labor area basis as one measure of the Nation's economic health. In that same year, the Employment Service pointed out the need for an intensive employment development effort in areas of chronically high unemployment.

In the second half of the 1940's, the public employment service was assigned responsibility for providing extensive counseling, testing, and placement services for veterans and for former defense workers, as it was again after the Korean Conflict. In 1946, the Employment Serv-

ice adopted the Six-Point Program, as a guide to its post-World War II activities. The Six-Point Program called for the following emphases: an effective placement service; employment counseling; special services to veterans; industrial services to employers, labor, and other groups; labor market analysis and information; and community participation—that is, cooperation with community organizations and government agencies in community employment planning and programs.

The 1950's were years not only of defense-directed and later peacetime readjustment efforts, but also of the beginning of Employment Service responsibility in connection with the entry of foreign workers into the United States and for job-placement assistance to refugees, the expansion of services to professional workers, for intensive service to various special worker groups, and for the improvement of many of its techniques and services. Recurrent recessions in the second half of the 1950's, with their varying impact upon different segments of the labor force and different job markets, caused the Employment Service to focus attention upon those groups and areas most affected.

In the 1960's, there has been an unparalleled flow of manpower legislation and other legislation affecting workers, and the public employment service has had a major role in its implementation. This has involved the job market information program, and the provision of such services as counseling, testing, referral, and placement. The public employment service is performing these functions in support and implementation of manpower development and training, anti-poverty and economic development programs.

4. Level of operations. (See table 1.)

Program: U.S. Employment Service and Affiliated State Employment Services.
Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program (thousands): ¹				
All programs, excluding MDTA:				
New applications	10,819	10,774	11,739	12,030
Total counseling interviews	1,871	1,827	2,601	2,920
Job tests	2,182	2,246	3,000	3,190
Placements, nonfarm	6,431	6,298	6,491	6,635
All programs, including MDTA:				
New applications	10,924	10,944	11,953	-----
Total counseling interviews	2,008	2,115	2,990	-----
Initial counseling	1,189	1,247	1,800	-----
Job tests	2,338	2,482	3,287	-----
Nonfarm placements	6,454	6,330	6,524	-----
Youth Program: ²				
New applications	3,650	4,103	5,100	5,250
Initial counseling	690	748	1,000	1,185
Nonfarm placements ³	1,554	1,665	1,781	1,915
Older worker program: ²				
New applications	1,867	1,702	1,700	1,775
Initial counseling	122	116	150	180
Nonfarm placements	1,306	1,247	1,259	1,281
Handicapped program: ²				
New applications	453	451	450	470
Initial counseling	158	156	160	190
Nonfarm placements	282	278	295	305

See footnotes at end of table, p. 393.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67—Continued*

Measure	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 estimates	Fiscal year 1967 estimates
(a) Magnitude of the program—Continued				
Selective Service rehabilitants ² 4				
Initial interviews.....	28.6	52.6	(?)	(?)
Total counseling interviews.....	22.2	33.2	(?)	(?)
Initial counseling.....	16.8	21.4	(?)	(?)
Nonfarm placements.....	2.6	7.6	(?)	(?)
Enrolled in MDTA and ARA training				
Referred to other agencies (health, wel-				
fare, educational, or the Job Corps).....	(?)	.3	(?)	(?)
Employers, employing establishments plac-				
ing 1 or more job orders with the Employ-				
ment Service.....	1,010.4	1,045.4		
(b) Applicants or participants:				
State governmental agencies (States,				
territories, and District of Columbia).....	54	54	54	(?)
Local offices total (number of full-time				
ES offices).....	1,706	1,768	(?)	(?)
Youth Opportunity Centers ³ (sepa-				
rate local offices for youth).....	(?)	36	57	(?)
Mobile teams (rural):				
Number of separate teams.....	14	14	16	(?)
Number of rural communities				
served.....	22	38	60	(?)
Number of States involved.....	14	14	16	(?)
Individuals or families. (See data in				
"Magnitude of the program," above).				
Other: economic development groups				
with which ES works.....	10,399			(?)
(c) Federal finances for grants to States				
(thousand dollars) ¹¹ :				
Unobligated appropriations available ¹² .	369	7,850		
Obligations incurred.....	160,406	175,895	218,445	254,450
Allotments or commitments made.....				
(d) Matching or additional expenditures.....	(?)			
(e) Number of Federal Government employees				
administering, operating, or supervising				
the activity (positions in Employment				
Service for District of Columbia).....	212	215	285	290
(f) Non-Federal personnel employed.....	21,864	22,651	28,946	29,101
(c) Federal financing for Federal Government				
activities (dollars): ¹¹				
Unobligated appropriations available.....		71,973		
Obligations incurred.....	7,254,567	8,166,755	9,000,200	10,669,000
(d) Matching or additional expenditures for the				
program.....	(?)			
(e) Number of Federal Government employees				
administering, operating or supervising				
the activity.....	671	698	706	793

¹ Placements exclude applicants holding acceptances.

² Included in "All programs including MDTA."

³ Does not include Neighborhood Youth Corps.

⁴ Program for Selective Service rehabilitants did not begin until mid-February 1964.

⁵ Reliable estimates cannot be given for these programs because they have not operated long enough to reveal a pattern.

⁶ Reporting of this item began in fiscal 1965.

⁷ Information not available.

⁸ Included in count of "Local offices total."

⁹ Not established.

¹⁰ Data collected every 2d year.

¹¹ Trust fund financing.

¹² The unobligated balance was prorated to the Services (Employment Service, Unemployment Insurance Service and Farm Labor Service) on the basis of expenditures. It is not possible to identify the unused contingency amount by Service.

5. Estimated magnitude of program in 1970

By 1970 about 13 million individual job seekers can be expected to file applications with the Employment Service. Many of these may need vocational training to qualify for available job opportunities. As many as 230,000 other persons will file applications specifically seeking opportunities for manpower training. Counseling services will be provided to between 2.5 million and 2.8 million individuals who are having difficulty in choosing a field of work, who have job adjustment problems, or who are seeking assistance in choosing train-

ing in fields for which they have potential for success. Counseling interviews for these individuals will aggregate about 4.5 million. About that number will take aptitude, proficiency, or related tests which will help in making choices of jobs, careers, or vocational training. Over 7 million nonagricultural placements are expected to be made by the public employment service in 1970.

These assumptions of Employment Service operating activity are based on an estimated labor force of about 86 million workers by 1970. The economy will be a dynamic one with changing manpower problems, industry relocations, and changing skill demands, due both to technological reasons and to shifts in consumer and industrial patterns. There will be greater recognition of the peculiar employment problems of different segments of the work force including older workers, inexperienced and untrained youth, school dropouts, workers with obsolescent skills, minority groups, and veterans who have served our Nation in recent years.

6. Prospective changes in program orientation

a. Some important changes in the Employment Service program, legislative and other, are expected to result from the recommendations of the Employment Service Task Force. In October 1965 the Task Force was created by Secretary Wirtz for the purpose of reviewing the programs of the U.S. Employment Service. A comprehensive review was assured by the membership of the group which consisted of well known persons from the fields of education, philanthropy, business, religion, unions, and industrial relations. The Task Force submitted its findings and recommendations to the Department in January 1966.

In his charge to the Employment Service Task Force, Secretary Wirtz pointed out that the Wagner-Peyser Act of 1933, the basic legislation under which the Employment Service operates, is well over 30 years old. It is deemed time to review operations with a view to effecting needed improvements to gear the Employment Service to become the "front-line agency for translating manpower, education and training, and war-on-poverty policy" into appropriate action.

Dramatic changes have taken place in the Nation's economy and labor force in the past three decades which have affected all facets of the job market. Among these are technological advances, the sharp growth in size and important shifts in composition of the labor force, and changing patterns in consumer demand. These longer-range economic events plus recent legislation, especially in the efforts to eradicate poverty, have created a whole new perspective for and a challenge to the Employment Service to contribute to the well-being of individuals and the Nation.

Moving from its original concept of a simple labor exchange—a place where unemployed workers sought jobs and employers with job vacancies sought workers—the Task Force proposed that the Employment Service must now be considered an agency which can provide comprehensive manpower services through the 2,000 local public employment offices.

Local offices in each community must become Manpower Service Centers with services tailored to meet the needs of the community:

For the *individual*, the center must provide information on (a) the world of work locally and in other areas, (b) actual job oppor-

tunities to which he can be referred, (c) opportunities for training or retraining if this is needed to improve his employability. It should help him determine through counseling, testing, and other services what immediate and long-range occupational or other goal is most suited to his interests and capabilities. It should reach out to serve the needs of those who are disadvantaged economically and educationally to help them prepare for, obtain, and hold jobs.

For the *employer*, the center must provide aid in solving his particular manpower problems. It may mean recruitment of a large number or a small number of workers—from professional to unskilled categories. It may mean assistance with an out-of-area recruitment campaign or in-plant manpower planning, such as guides for reducing high turnover. It means providing him with accurate manpower information about trends in employment and unemployment in his area and beyond.

For the *community*, the center should serve as the coordinator of government training programs to the end that they turn out workers with skills that are needed when they are needed. It should help each community understand its current economy and its potential for the future in terms of both industrial development and manpower development. This requires information on occupational changes, nature of jobs, economic trends, employment and unemployment.

To meet the challenge of providing comprehensive manpower services, the Task Force report to the Secretary made a number of recommendations. Among the more important ones were the following:

1. A new legislative mandate should be sought to clarify the role and mission of the Employment Service.

2. A separate, identifiable Employment Service should be established with administrative and physical separation from unemployment compensation activities.

3. Special efforts should be extended by the Employment Service to reach out to persons in need of specialized manpower services to improve their employability.

4. The Employment Service should serve in a coordinating role to implement various government training programs.

5. Personnel in the Federal-State System should be strengthened by raising hiring and promotional specifications and salaries.

6. Training and development of personnel should be expanded through more and better orientation, in-service and out-service training, tuition refund, and educational leave.

7. Exploration should be undertaken of ways and means of facilitating mobility of personnel within the Federal-State System to develop employees' competencies and enable the System to draw more effectively on all its resources.

8. Improvements should be made in the methods of development and dissemination of labor market information through better research methods and operating procedures.

9. The current inter-area recruitment program should be strengthened and the feasibility of utilizing automatic data processing in this program should be explored in depth.

10. Employment Service operations should be financed not only from the Federal Unemployment Tax Fund (as is done at the present time) but also from general revenues.

Subsequent to the acceptance of the Task Force Report by the Secretary of Labor, the Department has been analyzing its recommendations with a view to determining the best methods of implementing them. Many of the Task Force provisions will be covered by legislation soon to be proposed by the Administration to the Congress. Others will be put into effect through administrative action.

b. A proposal has been made to set up an organizational unit and to add staff specifically to carry out the enlarged E.S. workload and responsibilities for the Department of Labor related to immigration. Public Law 89-236, October 3, 1965 (the 1965 Amendments to the Immigration and Nationality Act) requires that each alien desiring to enter the United States as an immigrant to perform skilled or unskilled labor obtain a certification from the Department of Labor prior to issuance of a visa.

There is also a proposal to enlarge the administrative organization and technical services provided for the youth employment and guidance services of the Employment Service.

c. The total labor force is expected to grow from about 77 million in 1964 to 86 million in 1970. Even though the rate of unemployment is expected to decline, with a growing labor force and our highly complex and ever-changing job markets, many persons will be seeking jobs for the first time, others will be changing or be displaced from jobs, moving from part-time to full-time employment, or seeking opportunities for better utilization of their skills. These will be among the estimated 13 million job seekers who will be filing new applications with the public employment service by 1970. The primary responsibilities of the Federal-State employment service system will continue to be to provide job seekers and employers with job market information, counseling services, local and inter-area placement services to facilitate the matching of workers and jobs, and to identify, work with or refer to appropriate agencies, workers who need training or other services to improve their employability for current and anticipated job opportunities. The Employment Service will give increasing emphasis to reaching out and serving disadvantaged workers in the labor force in accordance with the intent of the Congress in legislation enacted in the last four years. The public employment service is involved in the implementation of many of the provisions of this legislation (as listed in response to questions 7 and 8).

Complex job finding problems will face job seekers in the Nation's metropolitan areas. Training and employment problems resulting from increased urbanization and the in-migration of low-income groups and nonwhite workers to central areas of large cities will require highly personalized job development efforts. Equally difficult employment problems will face lower income workers and the poor in rural communities and small towns in which there are no local public employment service offices to provide services readily. Such areas often also lack other institutions and resources for employability development, as adult education and health services. Increasing recognition will need to be given to specific area and regional needs for economic development, and when necessary, action programs will have

to be undertaken to overcome problems of large-scale unemployment and underemployment.

Population in the 16-21 year age group will continue to exceed the rate of growth for the total population. The number and complexity of employment problems encountered by these young people, particularly those at a disadvantage in education, will require comprehensive counseling services to help them in determining fields of work for which they have potential and the types of academic or vocational training necessary to improve their employability. They will need specialized employment service assistance to find and hold suitable jobs.

Older workers, members of minority groups, and the handicapped—many of whom make up the hard-core unemployed—who are least able to migrate in search of new jobs, who are underemployed, whose skills are outdated, or who lack education required for job opportunities will require specialized employment and training services tailored to their particular needs.

A sharply increasing number of military retirees who are mostly in the older worker group are joining the labor force each year. Many of them will require specialized employment service assistance to find opportunities which will utilize the skills that they developed during their military careers.

By 1968, employers of 25 or more persons will be covered by the provisions of the Civil Rights Act of 1964. This means a five-fold increase in the number of employers to which the provisions are applicable compared with 1965 when employers of 100 or more were covered. In finding qualified or potentially qualified workers and helping employers comply with this Act, additional responsibility will be placed upon the public employment service.

There will be increasing demands to provide training activities geared to available or potential job opportunities, to undertake and carry out community economic development, and to provide meaningful counseling and other actions essential to the matching of workers and jobs. These activities cannot be carried on effectively without extensive and up-to-date job market and occupational information. There will be increasing need for job vacancy and manpower requirements and labor supply information by occupation, industry, and area.

Technological changes will continue to call for the cooperation of employers in providing early warning of changes to come. The collection, processing, and flow of such information will need to be accelerated by the use of modern data processing and communications equipment. Changes in old occupations and emergence of new occupations will require that job descriptions be kept up-to-date and be widely disseminated to employers, workers, educators, community planners, and those concerned with economic development and the implementation of an active manpower policy. Employment counseling and job market information for workers affected by technological changes, and who must be retrained to meet changing occupational requirements, will have to be improved and expanded to reach more of those who need service.

If the current downward trend in the unemployment rate should continue, shortages can be expected in professional, technical, and

skilled occupations and even in some clerical fields. It will be necessary to make better utilization of workers' skills in these fields, or of those who might enter them after short-term training periods. The methods for facilitating the movement of qualified workers to places where suitable job openings exist will need to be improved. In certain industries, such as those that offer services, there will be increasing demands from a growing population seeking a higher standard of living. Service and other jobs which employers are finding difficult to fill will need to be improved so that workers who are now reluctant to take them will find such jobs a satisfactory means of earning a living. With the expansion of vocational rehabilitation, training, and educational opportunities for the handicapped, increasing numbers of such persons can be expected to enter the labor force. They will want assistance in finding job opportunities to which they can match their skills and abilities.

To meet the emerging needs of our changing economy and a growing population and labor force, the public employment service has become a many-faceted enterprise. It will continue to adapt its operations to meet the technological, economic, and social changes which are anticipated for fiscal 1970.

7. Coordination and cooperation

Because the public employment service consists of the United States Employment Service, a segment of a Federal Bureau, agencies in 50 States, three territories, and the District of Columbia, and roughly 2,000 local offices operated by these agencies, it is difficult to delineate the innumerable cooperative relationships with public and private organizations and groups. We have, however, attempted to mention in the paragraphs which follow some of the more important groups and the Employment Service relationship to them.

a. Within the Bureau of Employment Security (of which it is a major organizational part), the Employment Service works closely with the Unemployment Insurance Service, the Administration and Management Service, and the Farm Labor Service.

For example, the ES works with the UIS on procedures to maximize claimants' exposure to employment opportunities and reports its actions to UIS for use in improving the administration of benefit payments. It works with the A&MS in developing and preparing materials on standards and training for employment security system staff. It works with the FLS on providing staff for the Smaller Communities Program mobile teams to insure that full employment services are extended to rural and farm areas. It works with staff in the Bureau Administrator's Office concerning legislative proposals.

b. With other Bureaus and Offices of Department of Labor:

(1) *Departmental Offices and Departmentwide Committees:*
Represented on Committee on Foreign Economic Policy and makes recommendations on proposed tariff changes which would adversely affect employment of U.S. workers.

Department's Field Operations Group meets regularly to keep all agencies advised of new programs, and policies affecting their respective organizations, especially as they relate to field operations.

Office of the Solicitor to obtain legal opinions on the many facets of ES operations.

The Coordinating Committee on Manpower Research provides a forum for the interchange of information on proposed new manpower research projects and a mechanism for eliminating overlap and duplication.

Through the Office of Statistical Coordination, obtains Department clearance on all new or revised statistical reporting procedures and instructions.

Interdepartmental Task Force on Rural Youth which is responsible for some pilot programs of concentrated action for rural youth.

Office of the Special Assistant to the Secretary for Equal Opportunity in Manpower Programs to help insure nondiscrimination in ES operations.

Office of Federal Contract Compliance in assisting compliance officers and employers who have problems.

Every organizational entity in the Department in connection with emergency manpower plans and procedures.

(2) *Bureau of Labor Statistics:*

Jointly finances the Current Employment Statistics (CES) program to compile data on current employment of wage and salary workers and hours and earnings data on production workers and the Cooperative Labor Turnover Statistics (CLTS) program to gather data on separations and accessions of workers.

Collaborates on gathering data for the Job Vacancy Information program.

Currently negotiating for collection of data on a special household survey of unemployed.

To obtain current employment data on youth of working age.

In the preparation of materials for BLS Occupational Outlook Handbook.

In research on factors affecting the employment of special worker groups.

(3) *Neighborhood Youth Corps:*

Direct involvement and continuing day-to-day relationship whereby local employment office or Youth Opportunity Centers:

Recruit, screen, counsel, select, and refer potential enrollees for NYC projects.

Provide services for NYC enrollees upon completion of work-training, including referral to further training or to jobs.

Provide information on local employment and training opportunities.

(4) *Bureau of Apprenticeship and Training:* At every working level, ES personnel work close with their BAT counterparts—i.e., Federal Bureau, Regional, State, and local. Specifically—

In setting up and operating Apprenticeship Information Centers in Youth Opportunity Centers where young people can obtain at one central and easily accessible point available information on apprenticeship requirements and enrollment.

In developing apprenticeship opportunities for special worker groups.

In the exchange of information relative to training needs for special trade associations and business or industrial firms.

In release of General Aptitude Test Battery (GATB) and proficiency test scores for Joint Apprenticeship Councils.

In screening candidates for OJT projects.

(5) *Wage and Hour and Public Contracts Division:*

In referring to appropriate WHPC office handicapped persons who may qualify for certificates to work at a rate below the minimum wage.

In determining through its information on the supply of experienced workers in an occupation in a community, whether employers should be granted learner's certificates.

(6) *OMPER:*

In the review of proposals for research related to the handicapped, older workers, minority groups, etc., and in carrying out Department of Labor responsibilities under the provisions of manpower training legislation.

In carrying out provisions of the Immigration and Naturalization Act.

(7) *Bureau of Labor Standards:*

In determining suitable working standards for employment of youth.

To insure that placement of youth is in line with child labor laws and standards.

In assisting beneficiaries of workman's compensation to find suitable work.

(8) *Bureau of Employees' Compensation:* In assisting BEC beneficiaries to become rehabilitated and to find suitable employment.

(9) *International Labor Affairs Bureau:*

To assist in recruiting specialists to serve overseas in technical positions.

To assist in the coordination of training of foreign technicians in this country.

c. With other Federal Government Departments and Agencies:

Executive Office of the President:

(1) *Bureau of the Budget:*

Member of Interdepartmental Committee on Occupational Classification sponsored by BOB to promote comparability of statistics on occupations gathered and published by all government agencies.

Members of Federal Committee on Standard Metropolitan Statistical Areas concerned with establishment of standards which enable all Federal statistical agencies to use same criteria for collection and publication of data.

Member of Technical Committee for Standard Industrial Classification concerned with uniform standards for classification of business and industrial establishments.

(2) *Central Intelligence Agency:*

Under an agreement, USES is responsible for administering tests for recruitment of foreign service personnel.

(3) *Office of Economic Opportunity:*

Working through State ES agencies to facilitate a variety of joint actions with local Community Action Program groups.

Under terms of a formal agreement, the Employment Service is responsible for recruiting, screening, and referring

male youth (16-22 years of age) to the Job Corps. Also informally refers young women to Women in Community Service for screening for Women's Job Corps centers.

(4) *Office of Emergency Planning*: Member of Surplus Manpower Committee—which implements Defense Manpower Policy No. 4—which extends preference in Federal procurement to areas of heavy unemployment as classified by the Bureau of Employment Security, Department of Labor.

(5) *Administrative Office of the U.S. Courts*: Works with Probation Division in providing counseling and placement services to prison releaseses and probationers.

Other departments:

(1) *Agriculture*: Works through the Federal Extension Service (4-H Clubs) to reach rural youth in need of job training or placement assistance. Participates continuously in conferences and meetings to provide this group vocational guidance.

(2) *Commerce*:

Bureau of the Census: Provides field interviewing services for special surveys of employment and unemployment.

Bureau of Public Roads:

ES & BPR working on agreement whereby contractors (and subcontractors) on road projects in Appalachian Region give preference in hiring to qualified residents in area or other Appalachian counties of the State where project is situated.

Working with the *Economic Development Administration*—the agency charged with implementing the Public Works and Economic Development Act of 1965. Finds facts that lead to designation of areas eligible for assistance on the basis of substantial and persistent unemployment; determines areas eligible for public works assistance only, under Title I, on the basis of substantial unemployment; finds facts related to situations where there is an unusual and abrupt rise in unemployment.

Plays a major role in the *President's Job Development Program for Service and Related Occupations*, especially through local employment service office promotion and publicity drives supported by State and national office efforts.

Cooperates with the Department of Commerce and spearheads campaign for summer jobs for youth (Youth Opportunity Campaign).

(3) *Defense*:

Member of Interagency Select Advisory Committee to the Secretary of Defense which was set up to identify and coordinate Federal resources to assist communities affected by military cutbacks.

Maintains liaison with Department of Defense Economic Adjustment and the Civilian Personnel Branches of the Army, Navy, and Air Force to minimize manpower disloca-

tions in areas of military cutback, working through State ES agencies.

Works with Department of the *Army* Corrections Branch and the Department of the *Navy* Corrective Services Branch in providing counseling and placement services to prison relesees and probationers.

Under a formal operating agreement, cooperates with DOD in recruiting teachers and other employees under USES professional placement and other programs.

Works with DOD in a continuing program to help place Retired Military Personnel.

Pursuant to the "Armed Forces Procurement Regulations" (1962), the DOD encourages its contractors to utilize, to the extent practicable, ES State and local offices locally and through the interarea clearance system.

(4) *Health, Education and Welfare:*

Office of Education:

Through a liaison committee, implements provisions of cooperative agreements between State vocational education agencies and State employment services, pursuant to the Vocational Education Act of 1963.

Works with OE in coordinating services to special worker groups.

Programs to assist school dropouts and other needed services for youth.

Works with HEW in providing services for refugee groups, such as Cubans, through inter-area recruitment system.

Implements Employment Service responsibilities under the provisions of the MDTA and other manpower training legislation.

Children's Bureau: Cooperates in providing materials and information on guidance and placement of youth.

Social Security Administration:

USES supplies consultant service on occupational information to an advisory group on the Vocational Aspects of Disability Operations of the SSA.

Works with SSA in coordinating services to special worker groups.

Vocational Rehabilitation Administration:

ES works continuously in counseling, testing, and referral of handicapped persons to suitable rehabilitative services, education, or training facilities and to job opportunities, and in the administration of special tests to the blind.

Under a formal cooperative agreement, works with VRA in coordinating services to special worker groups.

(5) *Interior:*

Bureau of Indian Affairs: Under a formal cooperative agreement, works with BIA to assist in expanding training and employment opportunities for Indians.

Office of Territories: Works with territorial governments of Guam and the Virgin Islands in implementing the Immigration and Naturalization Acts.

(6) *Justice:**Bureau of Prisons:*

Works with BP in providing counseling and placement services to prison releasees and probationers.

Under an agreement, USES releases results of prison inmates' GATB or proficiency or aptitude tests to prison officials (usually counselors or psychologists) to facilitate inmates' rehabilitation.

Immigration and Naturalization Service: Works intensively and extensively with I&NS in the implementation of the I&N Acts of 1952 and 1965, especially regarding skills and aliens seeking permanent residence in the United States.

(7) *Post Office:* Service to PO in recruiting extra personnel for vacation replacement and for Christmas seasonal work.

(8) *State:**Agency for International Development:*

Provides technical training on functions of manpower programs for which USES has responsibility to technicians from developing countries.

Works intensively with D/S in implementation of the Immigration and Nationality Acts of 1952 and 1965.

Under agreement with the Department of State, USES is responsible for administering tests for use in recruiting certain foreign service personnel.

Independent agencies and selected boards, committees, and commissions:

(1) *Appalachian Regional Commission:* Implements and coordinates intent of Appalachian Regional Development Act in use of local labor. (See notes under Commerce—Bureau of Public Roads.)

(2) *Atomic Energy Commission:* Close relationship with Office of Economic Impact and Conversion and the Labor Relations Unit to keep abreast of impending employment changes at AEC installations and, through State and local offices, minimize the impact of such changes.

(3) *Railroad Retirement Board:* Through a cooperative agreement, ES participates in efforts to help find employment for laid off railroad workers and, when needed, in filling the manpower needs of railroad employers.

(4) *Selective Service System:* BES—USES has major coordinating and implementing responsibilities for carrying out the Manpower Conservation Program which involves intensive rehabilitation efforts for persons rejected by Selective Service for such reasons as lack of education, primarily through counseling and referral to an education or training facility, and then job-finding service.

(5) *Small Business Administration:* Example: Cooperated with SBA in preparation of a management aid "How the Public Employment Service Helps Small Business."

(6) *U.S. Civil Service Commission:*

Under a formal cooperative agreement, works with CSC to further employment opportunities of special worker groups in Federal establishments.

Cooperative agreement with CSC which requires Federal agencies to use local ES offices when engaged in "positive recruitment" (i.e., seeking out applicants through publicity and personal contact).

Under an agreement, CSC permits Federal agencies to hire, without retesting, clerical applicants who have been tested by the Employment Service.

(7) *Veterans' Administration:*

ES works with VA in providing services to returning servicemen, with special attention to youth without marketable skills.

Under a formal cooperative agreement, works with VA in assisting handicapped and older veterans to find and hold employment.

Works with VA by releasing tests to VA hospitals for use in its vocational counseling programs.

(8) *President's Task Force on Community Assistance:* Through USES membership on this Task Force, the resources of the employment security system are coordinated with other Federal agencies to assist communities experiencing severe employment dislocations.

(9) *The Rural Development Committee* (established by Executive Order No. 11122): This committee, co-chaired at the working level by a representative of HEW (OE) and Labor (USES) aids in coordinating Federal government agencies serving rural America. Resources are focused on training and education needs of an area; mobile teams bring efforts of responsible agencies to bear on human resource problems.

(10) Works with the *President's Committee on Employment of the Handicapped* in promoting employment of the physically and mentally handicapped.

(11) Works with *Equal Employment Opportunity Commission* to maximize employment opportunities for minority group workers.

(12) Works with *President's Committee on Juvenile Delinquency and Youth* in the solution of problems related to youth employment.

d. With State governments or their instrumentalities.

(1) Innumerable cooperative arrangements with State Vocational Education Departments for a great variety of services which they mutually render to job seekers and youth and adults preparing for work.

(2) Cooperation with Governor's Committee on Children and Youth (followup to White House Conference, etc.).

(3) Close cooperation with State economic development commissions and other groups, especially in States with a number of heavy unemployment areas.

(4) At the State level, Employment Services cooperate closely with public assistance agencies, especially in placement of welfare recipients, and intensively in 18 States since initiation of the "Dependent-Child Program" in 1961.

(5) There is cooperative effort in connection with the approval of Neighborhood Youth Corps projects by State officials and in those instances where State facilities are utilized as training sites.

e. With local governments or communities:

Examples of cooperation follow:

(1) Works with community groups in preparation of manpower data needed for economic development plans.

(2) Works with local school boards or districts and high school officials in serving youth entering the job market—graduates, drop-outs, those seeking summer or part-time jobs—in providing job market information and counseling, testing, and placement services.

(3) Works with city governments, citizen groups, Community Action Programs, and others in planning and providing employment services to youth, especially in connection with job development for the summer youth job campaign.

f. With foreign governments or international organizations:

Consults with visitors from other governments and answers inquiries on technical problems and procedures, such as youth programs or those involving rural workers.

Participates in providing training in various aspects of operation of the ES to foreign technicians and administrators.

Exchanges technical materials with the Canadian Employment Service.

Prepares or participates in preparation of position papers for use of United States representatives at International Labour Organization meetings. Provides technical training to foreign technicians sponsored by ILO.

g. Nonprofit organizations and institutions:

(1) Examples of organizations with which the ES works to solve problems relating to youth employment:

General Federation of Women's Clubs

The American Legion

Campfire Girls

Girl Scouts

National Education Association

National Federation of Settlement Houses

National Grange

(2) A variety of nonprofit organizations which become NYC sponsors.

(3) *National Urban League*: Coordinates and provides more effective services to minority applicants in urban areas.

(4) *National Council on Aging*: Exchange pertinent information of benefit to each other and consult on how best to assist older workers in obtaining and retaining jobs.

(5) Works with the following and other organizations to expand and make more effective ES services to handicapped persons:

National Association for Retarded Children

National Society for Crippled Children and Adults

National Rehabilitation Association

The Epilepsy Foundation

American Foundation for the Blind

Lighthouses for the Blind

B'nai B'rith

Goodwill Industries
 American Personnel and Guidance Association
 American Psychological Association
 American Heart Association
 National Tuberculosis Association

(6) Works with national organizations such as: American Economic Association, American Library Association, American Pharmaceutical Association, and American Political Science Association in providing placement services, especially in connection with national (annual) conventions.

h. Business enterprises:

Continuous relationship with thousands of businesses and industrial establishments in order to (1) fill their job orders, (2) develop job openings, (3) gather information about job requirements of selected industries, occupations, and job market areas.

Works with "Plans for Progress" employers to implement programs for extending equal employment opportunity to minority workers.

Works with the American Pulpwood Association in effecting recruiting arrangements for bringing Canadian woodsmen to this country to supplement the labor supply in the Northeastern States.

Works with virtually all major national trade associations, multi-State companies, etc. to advise of ES services available to their members (or managers) and to develop and promote special programs to meet specific industry and occupational manpower needs.

i. Other:

(1) Works with a number of organizations who are also concerned about youth with special employment problems, including the National Association of Juvenile Court Judges, National Association of Training Schools and Juvenile Agencies, and the American Bar Association.

(2) *United States Chamber of Commerce:*

In the development of job opportunities among member establishments of local chambers of commerce.

8. *Laws and regulations*

The following legislation and regulations affect the program, either directly or by agreement between Federal agencies, United States Employment Service and affiliated State agencies:

a. *Legislation*

(1) Wagner-Peyser Act (June 6, 1933), as amended. 29 USC 49 et seq.

(2) Social Security Act of 1935, as amended. Specifically—

(a) Title III, 42 USC 303(a)(2).

(b) Title IX, 42 USC 1101.

(c) Title XV, 42 USC 1361.

(d) Federal Unemployment Tax Act. Internal Revenue Code—1954, Sec. 3304.

(e) Title XVII, Sections 1701-1704.

(f) Title IV, Section 407.

(g) Title II, Section 221(b).

(3) Automotive Products Trade Act, October 21, 1965. PL 89-283.

(4) Housing and Urban Development Act, August 10, 1965. PL 89-117.

(5) Immigration and Nationality Act, as amended. (1952—PL 414, amended in 1965, PL 89-236) 8 USC 1101 et seq.

(6) Public Works and Economic Development Act, August 26, 1965 PL 89-136.

(7) Appalachian Regional Development Act, March 9, 1965. PL 89-4.

(8) Farm Labor Contractor Registration Act, September 7, 1964. (PL 88-582). 7 USC 2041 et seq.

(9) Economic Opportunity Act (August 20, 1964, PL 88-452), as amended (October 9, 1965, PL 89-253). 42 USC 2701 et seq.

(10) Civil Rights Act, July 2, 1964. PL 88-352.

(11) Vocational Education Act, December 17, 1963. (PL 88-210) 20 USC 1535 et seq.

(12) Trade Expansion Act, October 11, 1962. (PL 87-794) 19 USC 1801 et seq. (and Executive Order 11075).

(13) Public Works Acceleration Act, September 14, 1962. (PL 87-658) 42 USC 2641.

(14) Manpower Development and Training Act of 1962, as amended. (1963 & 1965) 42 USC 2571 et seq.

(15) Vocational Rehabilitation Act of 1954, as amended. 29 USC 31 et seq.

(16) Vocational Rehabilitation of Disabled Veterans. (1943—PL 16 and 1950—PL 894). 38 USC 1501 et seq.

(17) Servicemen's Readjustment Act of 1944 (PL 346). 38 USC 2001.

(18) Fair Labor Standards Act of 1938, as amended. 29 CFR 5221.

b. Selected Executive and Other Orders

(1) Executive Order No. 11141, February 12, 1964. Policy against discrimination on basis of age by Federal contractors and subcontractors.

(2) U.S. Dept. of Labor, Manpower Administration Order No. 12, November 1963. Establishment and operation of Apprenticeship Information Centers.

(3) Executive Order No. 11122. October 17, 1963. Established Rural Development Committee.

(4) President's Directive, September 30, 1963. Program of service for Selective Service rejectees.

(5) Executive Order No. 11000, February 16, 1962 (et al.) Emergency preparedness.

(6) Executive Order No. 10582, December 17, 1954. Implementing the Buy American Act.

(7) Defense Manpower Policy No. 4, Revised July 6, 1960.

c. USES Arrangements With Various Federal Agencies

(1) Cooperative arrangements between the U.S. Civil Service Commission and the Public Employment Service. Federal Personnel Manual, Chapter X-1, Section 3, pages X-1-18, X-1-20.01, July 22, 1960. Federal Personnel Manual, Chapter X-1, Section 3, Page X-1-18.01, January 18, 1961. Appointment outside of registers.

(2) U.S. Department of Defense.

(a) Cooperative Program on Civilian Employment Assistance to Military Personnel Scheduled for Retirement—Apr. 1, 1964.

(b) Armed Services Procurement Regulations 12-104, Meeting Manpower Requirements. February 15, 1962.

(c) Armed Services Procurement Regulation, 8-202, Notice of Termination.

(d) Supplying Information Concerning Armed Services Recruitment (through local employment service offices).

(3) Agreement between Secretary of Labor and Director, Agency for International Development. March 1965, replaces Agreement of November 1962. Provision of technical assistance and training in manpower program developments to representatives of foreign governments.

(4) Bureau of Indian Affairs. Understanding of July 1, 1955. Services to reservation Indians.

(5) Office of Education. 1950. Service to youth and secondary schools.

(6) Railroad Retirement Board. The United States Employment Service has agreed:

(a) To cooperate with the Railroad Retirement Board to assist it in filling orders from employers covered by the Railroad Unemployment Insurance Act.

(b) To utilize the facilities of the Railroad Retirement Board in filling orders from employers not covered by the Railroad Unemployment Insurance Act.

(c) To utilize whenever possible, railroad applicants to fill railroad orders.

(d) To exchange information with the Railroad Retirement Board relative to Railroad Retirement Board claimants directed to the Employment Service.

(e) To facilitate the placement of former railroad workers.

(7) Arrangements with Apprenticeship agencies.

(a) Each State ES agency is to establish liaison with U.S. Department of Labor Apprenticeship and Training and other apprenticeship agencies, and with local joint apprenticeship committees to obtain information on kinds of apprenticeable occupations in each community.

(b) Arrangements are to be made with joint apprenticeship committee for the local offices to be the community apprenticeship centers, to be provided with job orders when apprenticeship openings exist and to be informed of apprentice entry qualifications requirements.

(c) When appropriate employment service aptitude test batteries are available, they are to be used to assist in the selection of potential apprentices.

(d) A joint committee may request a local office to test pre-selected potential apprentices but the Employment Service will also test and refer other qualified individuals registered with the local office.

(8) Arrangements with Bureau of Employees' Compensation. The BES cooperates with the BEC to provide counseling and selective placement services to handicapped persons who are disabled while working as civilian employees of the Federal Government so that they may complete their rehabilitation by becoming employed and self-sustaining.

(9) Under the terms of the joint agreement with the Veterans' Administration, the Employment Service may perform such actions as these:

(a) Refer to the Veterans' Administration for advisement and rehabilitation those disabled veterans who are not vocationally prepared to enter the job market.

(b) Supply the Veterans' Administration, upon request, with the names of employers who may be interested in accepting on-the-job trainees.

(c) Provide placement service for rehabilitated veterans, and notify the Veterans' Administration when placement has been effected.

(d) Refer to the Veterans' Administration those veterans who indicate an interest in educational and training benefits under Public Laws 346 and 550 rather than in immediate employment.

(e) Promote the interest of employers in employing veterans in on-the-job training positions.

(f) Furnish the Veterans Administration, on request, with job market data, occupational information materials, employment counseling or test summaries, and information about on-the-job training opportunities. Placement information will be furnished by the Employment Service about all disabled veteran trainees and hospital patients referred from the Veterans Administration.

(g) Obtain pertinent information available from the Veterans' Administration, such as (1) medical findings relating to work tolerance, physical condition, prognosis, etc.; (2) results of psychological tests; (3) summaries of hospital adjustment; (4) statements of personality characteristics; and (5) evaluations of counseling, such as work habits and employment objectives.

(10) Small Business Loan Program. Under Small Business Administration Regulations, small firms located in areas which have been continuously classified by the Department of Labor as "areas of substantial unemployment" since September, 1961, as well as small firms located in redevelopment areas, are eligible for special consideration under the four percent loan program. The interest rate on SBA's direct business loans in other areas is generally 5½ percent.

d. Appropriation Authorizations directly applicable to the Employment Service

(1) PL 88-31, May 29, 1963. Amends ceiling on trust fund for financing of Employment Service and Unemployment Insurance operations (State grants).

(2) PL 89-156, August 31, 1965. Provide funds from the general revenues.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

Viewed in a rather narrow sense, the ultimate effectiveness of all Employment Service activity can be measured in terms of facilitating or effecting placement of applicants in jobs. However, no definitive studies have been made which could serve as the basis for estimating, on an annual basis or otherwise, the dollar volume of income of persons who were so placed. Among other things, it would have to be determined how long each person placed held his job and at what average wage rate.

In fiscal year 1965, for example, the Employment Service made over 6.3 million nonagricultural placements—about 2 million of which were so-called “short-term” placements. During the same period, the ES made over 6 million agricultural placements, half of which were of short duration, reflecting the highly seasonal nature of farm work.

a. Notwithstanding the above-mentioned reservations, a few generalizations can be made.

Almost without exception the income of persons placed by the Employment Service rose. This includes young people who had never held a job, those who had been on work-training programs, those who were formerly engaged in literacy and/or vocational training, those who were unemployed with no support, those on unemployment insurance, and those on welfare.

To the extent that this income was of sufficient magnitude, many persons began paying income tax, which made their placement of double value—they were no longer “taking out” (in welfare, UI, etc.) but were actually “putting into” the public funds. In some instances, wages or salaries were sufficiently high to be used for purchase of things other than necessities—food, clothing, shelter, and transportation.

b. To the extent that the Employment Service, through its counseling or job market activities or its referral of applicants to some form of training or rehabilitative service, guided persons into jobs, development of better work habits or a higher level of skill development or utilization, it contributed materially to their productivity and ultimately to their higher earnings.

c. To the extent that the Employment Service is called upon by business or industrial management for services to help reduce turnover, to screen and test potential employees, or to meet staffing needs on a continuing or emergency basis, it contributes to the better functioning of the job market. Every time a work station goes untended for want of a suitable worker, the fulfillment or obtaining of an order for goods or service can be delayed or canceled.

By its extensive work in inventorying and analyzing manpower supply and current and anticipated demand, the ES contributes materially to area development plans, most of which involve bringing new firms into an area or expanding existing firms.

The ES has been especially active in working with economic development groups in the areas of heavy unemployment.

d. To the extent that Employment Service activities, especially those carried out in the 2,000 local offices (enumerated, in part, under Question 2 of Part I), result in filling employers' job needs with qualified, trained or trainable, suitably-job-oriented workers, the national economy benefits.

e. All covered in a through d above.

f. The Federal-State system of Employment Services, as described in answers to Question 2, part I, operates at four geographic levels: a national office in Washington, D.C.; 11 Regional Offices of the National Office; 50 States, 3 territorial, and District of Columbia offices; and approximately 2,000 local offices. The location of local offices is determined primarily in relation to population, labor force and industry, and the need to serve workers reasonably near their homes and convenient to the places of business of employers.

Major metropolitan areas may require a number of local offices to serve their needs; in sparsely settled areas, a single office may serve workers in several counties.

Depending on the economic complexity of the area, local offices may be designated to serve concentrations of industrial or occupational workers. Thus, in some areas, there is an office to serve the large numbers of garment workers, clerical workers, professional workers, etc.

Full-time local offices may vary in size from those which are staffed by a single worker to those which have over 260 workers. About half the 2,023 full-time local offices of the employment security system had 10 or fewer personnel on July 31, 1965. (Size data are not available for the 1,974 year-round offices nor for ES and UI offices separately.) Most of the remaining local offices fell in the 11 to 50 size group (867 or 42.9 percent), with only 116 offices (5.7 percent) in the 51 to 100 size group and 17 (0.8 percent) in the over 100 size group. The latter group was concentrated in just a few States—New York with 7, Illinois 4, Missouri 2, and one each in Kentucky, Maryland, Washington and Wisconsin.

g. Few of the activities of the Employment Service, like those of any agency which deals largely in services to individuals, lend themselves to quantitative measurement in terms of dollars and costs.

How much has the Employment Service contributed to the GNP when it counsels a school drop-out to return to school . . . when it finds productive employment for an older worker who has many useful skills to contribute to the economy but who could not find work on his own . . . when it refers a youth without marketable skills to an apprenticeship opportunity or to the Job Corps or to vocational training . . . when it develops a job opening for a physically or mentally handicapped person?

(See also introduction to answer to Question 9.)

h. None.

10. *Economic classification of program expenditures.* (See table 2.)

Program: U.S. Employment Service and affiliated State employment services.
Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In thousands of dollars]	
Federal Government:	
Purchases of goods and services:	
Wages and salaries	6,052
Other	1,328
Grants to State and local governments	166,914
Total, Federal expenditures	174,294

UNEMPLOYMENT INSURANCE PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. *Objectives*

The overall objectives of the unemployment insurance program are to provide adequate income insurance for unemployed workers when suitable jobs are not available and, through this system, to help maintain purchasing power.

The program is designed to prevent the dispersal of the employers' trained labor force, the sacrifice of skills, and the breakdown of labor standards during temporary unemployment. To accomplish these general aims, the program has the following specific objectives:

a. To cover so far as feasible all workers subject to the risk of involuntary unemployment;

b. To disperse benefits to those workers who have demonstrated a recent and substantial attachment to the covered labor force;

c. To provide to eligible claimants weekly income sufficient to meet their nondeferrable expenditures, replacing enough of wage loss so that most workers need not turn to other forms of aid, but not so much in relation to recent earnings as to weaken incentives to return to work;

d. To provide income sufficient in duration to insure protection through temporary periods of unemployment;

e. To limit the unemployment to be compensated to that due to lack of work, (1) by requiring claimants to be able to work and available for suitable work and (2) by temporarily disqualifying claimants who leave work voluntarily without good cause, who are discharged for misconduct connected with their work, who refuse suitable work without good cause, or who are unemployed because of direct participation in a stoppage of work due to a labor-management dispute at the establishment at which they were last employed, but without rigid requirements or harsh penalties;

f. To help maintain desirable labor mobility by providing benefits for unemployed individuals who have worked in more than one State or who have moved to another State in search for work through interstate arrangements for combining wages, paying benefits, and holding benefit appeals;

g. To provide financing for benefits that will yield funds sufficient to insure payment of adequate benefits, in bad years as well as good years, and to establish a tax structure that will encourage employers to stabilize employment without interfering with the overall objectives of the program;

h. To provide benefits promptly when due and through appropriate administrative procedures;

i. To assure that claimants and employers understand their rights and responsibilities, that misrepresentation by either claimants or employers is subject to suitable penalties, and that improper payments are avoided;

j. To increase opportunities for reemployment of claimants through proper coordination with the Employment Service; and

k. To provide public information on the number and characteristics of the unemployed and the contribution of the program to individuals and to the economy.

2. Operation

Unemployment Insurance operates under State laws, administered by State officials. Revenues to finance benefits to the unemployed are obtained through payroll taxes on employers in each State (and on workers in three States). Benefits are determined in accordance with the individual worker's previous employment and earnings. Claims are processed through public employment offices and claimants must

be registered for work. All costs of administration of Federally approved State laws are paid out of Federal appropriations under Title III of the Social Security Act, and funds are granted to the States by the Bureau of Employment Security. The Federal Unemployment Tax Act provides a payroll tax on employers of 3.1 percent of an employee's first \$3,000 of annual wages, but allows an offset to employers covered under Federally approved State unemployment insurance laws so that the net Federal tax is .4 percent. Proceeds are earmarked for the employment security program. Each State's unemployment funds are deposited in a separate account in the U.S. Treasury and may be withdrawn solely for payment of benefits by that State. A Federal loan fund may be drawn upon by a State whose fund is nearing exhaustion.

Benefits to unemployed Federal employees and ex-servicemen are provided out of Federal funds under Title XV of the Social Security Act. Benefits are determined for individuals on the terms provided under the respective State laws, and are administered by the States through formal agreements between the Secretary of Labor and the State governments.

3. History

The Social Security Act of 1935 established the framework for the Federal-State system of unemployment compensation. Prior to that Act only one State, Wisconsin, had enacted an unemployment insurance law. With the tax offset incentive provided in the Social Security Act, laws were quickly passed by all the remaining States and Alaska, Hawaii and the District of Columbia.

Coverage under the Federal law, initially applicable to employers with 8 or more employees in 20 weeks in a calendar year, was extended, effective for 1955 and subsequent years, to employers with 4 or more workers in 20 weeks. Effective January 1, 1961, the Federal law was extended to include Puerto Rico which had previously established an unemployment insurance system independent of the Federal-State system.

During the latter half of the 1950's, two programs of Federal benefits were added: unemployment compensation for Federal civilian employees (UCFE), effective January 1, 1955, and unemployment compensation for ex-servicemen (UCX), effective October 27, 1958. Benefits under these programs are paid in the same amount, on the same terms, and subject to the same conditions as the compensation that would be payable under the applicable State law.

The Federal-State UI organization has been utilized to administer the following temporary Federal programs of unemployment benefit payments: Servicemen's readjustment allowances, 1944-1950; reconversion unemployment benefits for seamen, 1947-1950, unemployment benefits for veterans with military service in the Korea period, 1952-1956; and temporary extended unemployment benefits during the recessions of 1958 and 1961.

The steady growth of the program can be illustrated by the following table showing some of the key statistics at 5 years intervals, beginning with 1939, the first year in which the program was fully operative in all States.

TABLE 1.—Growth of the unemployment insurance program (calendar years)

Item	1939	1944	1949	1954	1959	1964
Jobs covered under the Federal-State system (millions).....	21.4	30	31.7	35.4	44.5	48.2
Benefit payments (millions).....	\$429.3	\$62.4	\$1,736	\$2,206.9	\$2,409.8	\$2,669.8
Average weekly benefit.....	\$10.66	\$15.90	\$20.48	\$24.93	\$30.40	\$35.96
Contributions collected (millions).....	\$824.9	\$1,317	\$986.9	\$1,136.2	\$1,955.7	\$3,047.5
State reserves as of Dec. 31 (billions).....	\$1.5	\$6.1	\$7	\$8.2	\$6.9	\$7.3

¹ Includes Federal Government personnel, civilian and military.

² Includes payments under title XV of the Social Security Act.

4. Level of operations. (See table 2.)

5. Estimated magnitude of program in 1970. (See table 2.)

Program: Unemployment insurance program.

Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 2.—Level of operations or performance, fiscal years 1964-67 and 1970

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966, estimate	Fiscal year 1967, estimate	Fiscal year 1970, estimate ¹
(a) Magnitude of the program:					
1. Average monthly covered employment (total, thousands).....	48,812	49,508	50,327	41,227	56,027
State.....	43,576	44,300	45,100	46,000	50,800
Federal.....	5,236	5,208	5,227	5,227	5,227
2. Number of subject employers as of Dec. 31 (thousands).....	2,384	2,409	2,444	2,484	2,600
(b) Applicants or participants (thousands):					
Beneficiaries ² (total).....	6,057	5,297	4,952	5,152	5,752
State.....	5,754	5,042	4,700	4,900	5,500
Federal.....	303	255	252	252	252
(c) Federal finances (salaries and expenses):					
Unobligated appropriations available (thousands).....	0	\$30	0	0	0
Obligations incurred (thousands).....	\$3,671	\$3,981	\$4,643	\$4,751	\$5,034
Federal finances (State grants):					
Unobligated appropriations available (thousands).....	\$579	\$10,986	0	0	0
Obligations incurred (thousands).....	\$251,365	\$246,209	\$260,655	\$276,667	\$372,653
d) Not applicable.....					
e) Number of Federal Government employees ³	334	325	325	360	366
f) Non-Federal personnel employed in the program.....	33,513	31,424	29,667	30,436	35,174
g) State reserve funds as of June 30 (millions).....	\$6,754	\$7,643	\$8,250	\$8,400	\$9,000
h) Weeks of unemployment claimed (thousands).....	92,929	78,503	68,610	71,210	83,610
Average weeks duration of benefits.....	13.2	12.6	12.2	12.3	12.4
Benefit payments (total, millions).....	\$2,794	\$2,435	\$2,211	\$2,271	\$2,694
State.....	\$2,642	\$2,303	\$2,080	\$2,140	\$2,550
Federal.....	\$152	\$132	\$131	\$131	\$144

¹ Data estimated on the basis of existing laws.

² First payments issued.

³ (Role: Determine State compliance with requirements for Federal cooperation, determine amounts necessary for unemployment insurance administration, give technical assistance and leadership to States in program administration.)

6. Prospective changes in program orientation

(a) Recommendations for comprehensive changes in the Federal-State UI program, transmitted to the Congress with the President's labor message on May 18, 1965, were embodied in identical bills S. 1991 and H.R. 8282 introduced on May 18 and 19, 1965, respectively, and are now pending in the Congress. Hearings on H.R. 8282 were held by the House Ways and Means Committee in August 1965. The bills provide:

a. A program of Federal unemployment adjustment benefits, effective July 1, 1966, for those of the long-term unemployed who have

had a long and strong labor-force attachment, payable for 26 weeks, within a 3 year period, in the same amount, on the same terms and basically subject to the same conditions as those provided by the applicable State law. Like the UCFE and UCX programs, this program would be administered by the State employment security agencies under agreements with the Secretary of Labor.

b. Effective January 1, 1967, Federal grants to States of $\frac{2}{3}$ of State benefit costs in excess of 2 percent of total wages.

c. Financing of programs described under *a* and *b* above, by:

1. an increase of .15 percent in employer tax, beginning July 1, 1966 (to be reduced to .10 percent when the Federal adjustment account reaches a specified level); and

2. An equal amount from general revenue.

d. Increase in FUTA tax base from \$3,000 to \$5,600 for calendar years 1967-1970 and to \$6,600 (same as that provided for OASDI) for 1971 and thereafter.

e. Repeal of the Federal standards for additional credit allowance for pooled-fund systems of experience rating (the only type currently in use in the States).

f. Extension of coverage, effective January 1, 1967, to:

1. Employees of employers of one or more workers at any time;

2. Employees of nonprofit religious, charitable and educational organizations (with specified exceptions, such as handicapped workers in sheltered work shops, ministers and members of religious orders, etc.), with a provision permitting a State to finance the benefits for this group in any way determined by the legislature;

3. Agricultural workers on farms using 300 man-days of hired farm labor in any calendar quarter;

4. Certain workers in agricultural processing;

5. Certain workers not now covered because they are not employees under the common-law master-servant test (such as agent or commission drivers, salesmen, etc.)

g. Federal standards, effective July 1, 1967 that States must meet as a condition for full tax credit for their employers, as follows:

1. No more than 20 weeks of employment (or equivalent) may be required to qualify for benefits;

2. All eligible claimants must receive weekly benefits equal to at least 50 percent of their average weekly wage up to the State maximum weekly benefit;

3. The maximum weekly benefit must be at least 50 percent of the Statewide average weekly wage, effective July 1, 1967; at least 60 percent, effective July 1, 1969; and at least 66 $\frac{2}{3}$ percent, effective July 1, 1971 and thereafter;

4. Any worker who has 20 weeks of employment (or equivalent) must be entitled to not less than 26 weeks of benefits.

(For States which do not meet these requirements, the Federal tax credit would be limited to the State's 4 year average benefit cost rate or 2.7 percent, whichever is lower.)

h. Federal standards, effective July 1, 1967, that States must meet as condition for *any* tax credit:

1. Benefits may not be denied or reduced by a State solely because an individual files a claim in or resides in another State or in Canada;

2. Benefits of an otherwise eligible individual may not be denied because he is taking approved training;

3. Period of disqualification, for all causes except fraud, labor disputes, and conviction of a work-connected crime, must be limited to 6 weeks postponement, with no cancellation or reduction of rights;

4. Benefits must be denied if claimant had no work since the beginning of his previous benefit year.

i. Denial of tax credit after 1966 to maritime employers for contributions to States which do not meet the requirement of equal treatment of maritime workers.

j. Appropriations for training State staff and potential staff, to increase effectiveness and efficiency of unemployment insurance administration.

k. Specific authorization for a continuing and comprehensive research program in unemployment insurance, and publication of results of studies.

l. Special Advisory Commission to review (commencing 3 years after enactment of bill) the operations of the program, with particular reference to changes made, and report to Secretary 2 years after its review commences.

m. Change in date of certification of State laws for tax credit purposes from December 31 to October 31, effective with 1966.

(b) None.

(c) See answer for same question under MDTA, Title II, Excluding Section 241.

7. *Coordination and cooperation*

a. *Within the Bureau of Employment Security.*—Within the BES the Unemployment Insurance Service operates in close coordination with the Employment Service. (See response of Employment Service.) Further, in almost all States, the same overall State agency which administers unemployment insurance also administers the Employment Service. Each State law requires that, as a condition of eligibility for unemployment insurance, all claimants must register for work at a public employment office and continue to report in accordance with the agency's regulations. Underlying this coordination of unemployment insurance and Employment Service activities is the expectation that jobs will be found for claimants whenever possible, and moreover, the offer of a job will often serve as a crucial test of the claimant's availability for work.

Procedures for coordination of unemployment insurance and Employment Service activities are spelled out in the Bureau's *Employment Security Manual* for the States' guidance.

b. *Within the Department of Labor.*—The activities of the unemployment insurance program are coordinated with other activities of the Department of Labor through the same means which are used for coordination of Employment Service activities. (See response for the Employment Service.)

c. *With Other Federal Agencies.*—The unemployment insurance program has long been coordinated with the Old Age and Survivors Insurance program. The history of close cooperation between these two programs dates from their common origin under the Social Secu-

rity Act and their initial administration by the former Social Security Board. The basic system for identification of covered workers through the Social Security account number is maintained by the Social Security Administration but is also used by all the States in the administration of unemployment insurance. Employment and payroll information in the files of the SSA is available to the States and is frequently used by them for verification of State records on claims, special studies, and research projects.

d. *With State Agencies* (See a above).—The Secretary of Labor has entered into formal agreements under which the State employment security agency acts as an agent of the Secretary in administering MDTA training allowances mentioned previously. Procedural guidelines are spelled out by the Bureau of Employment Security in the *MDTA Handbook*, and State operation are reviewed by the Bureau.

Temporary disability insurance (TDI) systems have been established in four States, insuring against the risk of short-term unemployment due to illness or accident not covered by workmen's compensation. Coordination between unemployment insurance and temporary disability insurance on the State level, is necessary to prevent duplication of benefits through fraud or error. In three of the States, temporary disability insurance and unemployment insurance are administered by the same agency. Also, there are operating advantages in the joint administration of the two programs. For example, a single tax return from the employer can suffice for both programs; also, a single wage record file can be used for both programs. In such areas of joint activity, the Bureau must determine a fair allocation of administrative costs between the two programs, since the unemployment insurance costs are paid out of Federal appropriations and temporary disability insurance costs are paid out of State funds. The four States supply temporary disability insurance program information to the Bureau on an informal reporting arrangement. The Bureau also furnishes technical assistance when requested in drafting proposals for TDI in States which have no TDI program.

e through i. *With Other Organizations*.—The unemployment insurance program does not entail coordination with other organizations although the BES does provide information to organizations requesting data for research and similar purposes.

8. *Laws and regulations*

Laws

1. P.L. 74-271, August 14, 1935. Social Security Act of 1935 (SSA).

2. P.L. 75-353, August 24, 1937. Payments authorized to each State Trust Fund which in 1937 enacted an approved UC law.

3. P.L. 75-722, June 25, 1938. Railroad Unemployment Insurance Act, established separate UC system for railroads and provided for the transfer of funds contributed previously by RR employers under Title IX of SSA.

4. P.L. 76-1, February 10, 1939. Taxing provisions in Title IX of SSA transferred to Internal Revenue Code, identified as Federal Unemployment Tax Act (FUTA).

5. P.L. 76-379, August 10, 1939. Tax base in FUTA limited to \$3,000 and definition of "employment" amended; SSA and FUTA amended to require State personnel merit system.

6. P.L. 78-235, February 25, 1944. Temporary modification of FUTA requirements affecting offset against Federal tax.
7. P.L. 78-346, June 22, 1944. Servicemen's Readjustment Act.
8. P.L. 78-458, October 3, 1944. Added Title XII to SSA for temporary system of advances to States with inadequate unemployment funds.
9. P.L. 79-201, October 23, 1945. Enabling legislation added to FUTA for State coverage of certain services for Bonneville Power Administrator (subsequently deleted by P.L. 83-767).
10. P.L. 79-291, December 29, 1945. Excluded from FUTA definition of "employment" the salaries of officers and employees of international organizations.
11. P.L. 79-719, August 10, 1946. Added Title XIII to SSA, setting up program of reconversion unemployment benefits for seamen: amended FUTA to permit States to cover maritime workers; amended SSA and FUTA to allow withdrawal of employee contributions from State unemployment funds for the payment of benefits under a temporary disability insurance program.
12. P.L. 80-226, July 24, 1947. Amended FUTA to permit voluntary contributions for experience-rating purposes.
13. P.L. 80-379, August 6, 1947. Amended SSA to extend termination date for Title XII advances.
14. P.L. 80-492, April 20, 1948. Amended FUTA definition of "employment" to exclude certain services in delivery or distribution of newspapers or magazines.
15. P.L. 80-642, June 14, 1948. Amended FUTA definition of "employee" to exclude independent contractors and any individual not an employee under common-law rules.
16. P.L. 81-174, July 16, 1949. Amended SSA to extend for one year the reconversion unemployment benefits for seamen program.
17. P.L. 81-734, August 28, 1950. Amended SSA to extend termination date for advances to State funds under Title XII; and prescribed additional procedural requirements before a finding can be made that State law does not conform with Federal requirements.
18. P.L. 82-550, July 16, 1952. Title IV of Veterans' Readjustment Assistance Act of 1952 provided unemployment compensation for veterans of Korean conflict. (Provisions subsequently expired and were repealed by P.L. 87-675.)
19. P.L. 83-196, August 5, 1953. Amended FUTA to permit State UI coverage of seamen employed on certain vessels operated by the United States.
20. P.L. 83-567, August 5, 1954. Amended SSA and FUTA to provide that excess of Federal unemployment tax collections over employment security administrative expenses be used to establish interest-free advances to States with depleted reserves and to transfer to States' accounts any further surplus over first \$200 million.
21. P.L. 83-767, September 1, 1954. Amended FUTA to extend coverage to employers of 4 or more workers in 20 weeks and to permit States to extend experience rating to employers with one year of experience. Amended SSA to add Title XV to establish the program of unemployment insurance for Federal civilian employees (UCFE).
22. P.L. 83-591, August 16, 1954. Technical changes in FUTA incidental to adoption of Internal Revenue Code of 1954.

23. P.L. 84-56, June 1, 1955. Empowered Governor of Alaska to obtain advances from Federal unemployment fund.

24. P.L. 84-176, July 26, 1955. P.L. 82-550 amended to provide 3 year limit on payment to Korean veterans.

25. P.L. 85-441, June 4, 1958. Temporary Unemployment Compensation Act of 1958.

26. P.L. 85-457, June 13, 1958. Excepts, from the sums to be returned to the Treasury under TUC Act of 1958, administrative costs of paying TUC to exhaustees under UCFE and UCX programs.

27. P.L. 85-840, August 28, 1958. Internal Revenue Code amended to exempt unemployment benefits from income tax.

28. P.L. 85-848, August 28, 1958. Amended Title XV of SSA to establish permanent program of unemployment compensation for ex-servicemen.

29. P.L. 86-7, March 31, 1959. Extended TUC Act of 1958 for 3 months.

30. P.L. 86-70, June 25, 1959. Updated definition of "State" by deleting specific reference to "Alaska".

31. P.L. 86-442, April 22, 1960. Deleted provision in Title XV on treatment of accrued annual leave of UCFE claimants.

32. P.L. 86-624, July 12, 1960. Updated definition of "State" by deleting specific reference to "Hawaii."

33. P.L. 86-778, September 13, 1960. Narrowed the employment exclusion in FUTA to extend coverage to certain instrumentalities in which the U.S. has no ownership, employees serving on or in connection with American aircraft outside the U.S., "feeder" organizations, and certain tax-exempt organizations. Increased the net Federal tax to .4 percent and improved and tightened the provisions on advances to States. Brought Puerto Rico into the Federal-State system, effective January 1, 1961, and amended Title XV accordingly with respect to USFE and UCX claims after December 31, 1965.

34. P.L. 87-6, March 24, 1961. Temporary extended Unemployment Compensation Act of 1961.

35. P.L. 87-256, September 21, 1961. Excluded from FUTA definition of "employment" services performed by a nonresident alien while temporarily present in the U.S. as a nonimmigrant student or scholar.

36. P.L. 87-321, September 26, 1961. Amendment of Internal Revenue Code of 1954 to provide tax credit for successor employees.

37. P.L. 87-675, September 19, 1962. Repealed unemployment compensation provisions of Veterans' Readjustment Assistance Act of 1952.

38. P.L. 87-792, October 10, 1962. Amended the FUTA definition of "wages" in regard to exclusion of payments under an annuity plan or bond purchase plan.

39. P.L. 87-794, October 11, 1962. Trade Expansion Act of 1962.

40. P.L. 88-31, May 29, 1963. Extended period in which "Reed Act" credits might be used for administrative purposes; reduced TEUC tax on 1963 payrolls; set a ceiling on grants to States at 95% of net FUTA receipts.

41. P.L. 88-173, November 7, 1963. Amended TUC Act of 1958 and FUTA regarding XII loans to provide "stretch-out" of repayments.

42. P.L. 88-650, October 13, 1964. Amended FUTA definition of "wages" to exclude reimbursement of moving expenses if deductible for Federal income tax.

43. P.L. 89-283, October 21, 1965. Automotive Products Trade Act of 1965.

Regulations

1. Regulations to implement the Unemployment Compensation for Federal Civilian Employees Program under Title XV of the Social Security Act: Title 20, Chapter V, parts 609-611, CFR.

2. Regulations to implement the Temporary Unemployment Compensation Act of 1958; Responsibilities of Puerto Rico, Virgin Islands and State Agencies; Title 20, Chapter V, part 613.

3. Regulations to implement the ex-Servicemen's Unemployment Compensation Program under Title XV of the Social Security Act, as amended; Title 20, Chapter V, part 614.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The Federal-State unemployment insurance program was designed by the Congress to have a direct and important effect upon the American economy and it has largely succeeded in its purpose. Its basic purpose is simple: to maintain some income to unemployed workers during the period of time they are seeking new employment. The conditions under which an unemployed worker may collect these benefits are precisely described in the unemployment insurance laws, and in the regulations and operating procedures of the State employment security agencies. Those who qualify for benefits, however, may be assured that some of their "lost" wages will be offset by their unemployment insurance benefits.

Through the payment of unemployment insurance benefits, the purchasing power of the unemployed is maintained to some extent with resulting economic benefits to the community in which he lives and to the nation's economy.

It is impossible to measure, with any degree of accuracy, the precise effects on the economy as a whole of the operations of the unemployment insurance laws. They are, however, clearly of great effect as an "economic stabilizer." Consequently, the system is properly considered as being one of the fastest and most effective devices developed for preventing recessions from becoming depressions and for alleviating the human suffering that occurs when the wage income of an individual ceases.

The very size of the program indicates the extent of its effectiveness.

In fiscal year 1965, which was a year of widespread economic expansion and of declining unemployment, unemployment insurance benefits paid under State unemployment insurance laws totaled more than \$2.3 billion. These payments were made to over 5 million unemployed individuals.

On the average, each unemployment insurance claimant during fiscal year 1965 drew benefits for slightly over 12 weeks and, if he was

totally unemployed, he received an average weekly benefit check of \$36.56.

In addition to the State unemployment insurance programs are two Federal unemployment insurance programs established by the Congress and operated by the Labor Department through the State employment security offices. These consist of a program of unemployment insurance benefits for unemployed civilian workers of the Federal Government and a similar program for ex-servicemen.

In fiscal year 1965 nearly 255,000 such unemployed workers received benefits under the two Federal programs and their total benefit payments amounted to over \$132 million.

The effectiveness of a program which distributes some \$2.4 to \$2.5 billion a year in direct payment to unemployed workers in alleviating the hardship to these individuals and in maintaining their purchasing power and the volume of business in their communities is clear. At the same time, it should be recognized that the qualifications for drawing these benefits are strict, that the number of weeks of qualification is limited, and that the average weekly benefit check represents only about 30 to 35 percent of the weekly wage loss suffered by the claimant. This is clearly an insurance program, not a welfare program.

It should be noted that unemployment insurance benefits under the State programs are paid from a fund built up from payroll taxes (which in fiscal year 1965 amounted to something over \$3 billion). These benefits, therefore, do not represent an expenditure by the Federal Government.

Obviously, the economic effect of the benefit payments, as far as gross national product is concerned, is in the area of "personal consumption expenditures." These, in turn, are largely dependent upon disposable personal income, which includes these "transfer payments."

In fiscal year 1965, transfer payments accounted for 8.6 percent of all disposable personal income, and unemployment insurance benefit payments accounts for about 6½ percent of all the transfer payments. While these percentages are low, the volumes involved are large and the unemployment insurance benefits provide some income for such basic necessities as food, housing, medical care, and the payment of bills for other goods and services.

The "stabilizing effect" of the State unemployment insurance system is more clearly demonstrated on a national basis during a period of recession. The most recent recession was that of fiscal year 1961 which, fortunately, was both shallow and short. Nevertheless, in fiscal year 1961 over \$3½ billion was paid out in unemployment insurance benefits to 7.7 million individuals. The speed with which this program operates is one of its strengths. Benefit payments in fiscal year 1961 were up by \$1.2 billion over payments in fiscal year 1960, a rise of 40 percent.

10. Economic classification of program expenditures. (See table 3.)

Program: Unemployment insurance program.

Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 3.—*Economic classification of expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:	
Purchase of goods and services:	
Wages and salaries-----	2, 845
Other-----	625
Transfer payments to individuals and non-profit organizations..	122, 398
Grants to state and local governments-----	233, 638
<hr/>	
Total, Federal expenditures-----	359, 506
Non-Federal expenditures: From the unemployment trust fund ¹ ..	2, 303, 000
<hr/>	
Total, expenditures for program-----	2, 662, 506

¹ In national income terminology, the benefit payments withdrawn by the States from the unemployment trust fund are classified as a Federal transfer payment to individuals even though these payments are financed by State-imposed payroll taxes deposited in State unemployment trust accounts in the unemployment trust fund. These payments are also included in the concept of Federal cash payments to the public.

FARM LABOR SERVICE

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program objective of the Farm Labor Service is to provide a total manpower program for the agricultural sector of the Nation's economy. Through a wide variety of services performed in behalf of agricultural employers and workers the program seeks to:

Assist farm workers in their efforts to obtain employment, by means of a farm placement service. Efficient operation of the service provides an orderly, expeditious, seasonal movement of migrant farm workers to successive jobs through the Annual Worker Plan.

Assist growers in recruiting, on a timely basis, the numbers and types of qualified employees to fill both seasonal and year-round farm jobs, also by means of the farm placement service.

Improve the lot of agricultural workers by (a) assisting the workers individually by identifying their needs, interests and capabilities and in helping them obtain appropriate employment: frequently a wide diversity of counseling, educational vocational training, health, housing, job scheduling and transportation services are involved; (b) establishment of standards relating to housing, transportation, wages and other conditions to insure that services will be provided by the system in a fashion that will not further depress the lot of the workers; (c) keeping the Nation informed on the conditions of agricultural workers through the collection statistical data on employment and wages and through the publication of reports and the sponsorship and development of appropriate legislation.

To administer the Federal Farm Labor Contractor Act in order to eliminate the abuses found in the labor contractor system.

2. Operation

The program is operated through the nationwide Employment Service whose program is described in a separate section of the Department's response to the JEC questionnaire. In farming areas separate public employment offices are organized to serve only farm employers and workers; in other areas the services provided agriculture are provided by offices having both agricultural and non-agricultural responsibilities.

The program is for the most part financed with Federal funds obtained through the Federal Unemployment Insurance Tax Act, and then appropriated by the Congress. Some additional monies are obtained from Congressional appropriations from the general revenue for specific purposes such as the administration of the Farm Labor Contractor Registration Act.

3. History

The Federal Government has offered a program of employment services to farm workers and employers since the turn of this century, although not always under jurisdiction of the Department of Labor. The program in its present form dates from January 1948.

The employment service needs of agriculture and its workers have undergone a number of significant changes during this century, requiring changes in the direction and intensity of Federal assistance. The worker has evolved from an apprentice farmer to a day laborer to a skilled wage worker paralleling the evolution of the family farmer into the business farmer. As early as 1909, the Federal Government was considering means of obtaining annual employment for migrant agricultural workers, but the first active participation came in 1914 when Labor Department representatives furnished assistance to migrant workers, guiding them to jobs in the wheat harvest in the midwest and fruit harvest jobs in the northwest.

During the period between the two world wars, labor was abundant but jobs were less so. It was during this period, on July 1, 1933, that the Wagner-Peyser Act created the U.S. Employment Service, including a farm labor service, thus laying the groundwork for the development of a truly national program of employment services to agriculture.

The scarcity of all types of labor created by the Second World War further expanded the scope of employment services afforded agricultural employers, as the Federal Government entered negotiations with Mexico for the entry of Mexican workers to meet seasonal agricultural labor shortages in the United States.

From the International Agreement of August 4, 1942, until the termination of Public Law 78 on December 31, 1964, the Mexican supplemental labor program continued uninterrupted, rising to almost half a million workers in 1956, and changing only in the terms of the Agreement and legislation upon which it was based. During the same period smaller numbers of Bahamian and British West Indians, Canadians, Spanish Basques, Japanese and Filipinos also found temporary employment on United States farms and ranches.

Since World War II, several significant additions have been made to the farm labor service program to assure that a truly national employment service program is available to agriculture, and to assure that the farm worker, and particularly the seasonal farm worker, will share more fully in the abundance this country has to offer.

In 1954, an Annual Worker Plan was put into effect to coordinate the movement of migratory workers between crop areas, and to furnish continuous employment to such workers by scheduling them for a series of jobs prior to the start of their annual journey. The Annual Worker Plan was based upon the successful Eastern Seaboard Plan which had been developed in 1948.

The most significant actions taken by the Department of Labor to better adapt the farm labor service program to meet the needs of agricultural workers have come in the late 1950's and continued in the 1960's.

In December 1959, the Secretary of Labor sought to improve conditions for migrant agricultural workers by placing in effect a series of interstate recruitment regulations, governing the use of the public employment service facilities in recruiting migrant workers across State lines. The emphasis was upon improved wages, housing and transportation practices.

In 1958, the Secretary of Labor appointed several distinguished consultants to review the impact of the Mexican labor program upon our domestic work force and suggest whatever improvements appeared appropriate. A report by these consultants, published in October 1959, served to focus public attention upon the harmful effect of the program and resulted in significant changes in program operations and legislation. Legislative changes were made in 1961 to preclude employment of Mexican contract workers in year-round jobs and jobs operating machinery, and in 1963 the program was extended for the last time with definite termination scheduled for December 31, 1964.

Administrative changes involved an expansion and tightening of compliance responsibilities and the establishment in 1962 of wage standards required to be met as a condition for the authorization of Mexican workers. The wage standard approach was extended in 1963 to the responsibilities exercised by the Labor Department involving temporary foreign farm workers admitted under the Immigration and Nationality Act.

On the eve of the termination of Public Law 78 and the Mexican labor program, the Secretary of Labor announced new criteria for the entry of foreign agricultural workers under the Immigration and Nationality Act, further lessening the possibility of any adverse effect resulting from employment of foreign workers. The wage standards previously promulgated were substantially increased. The new levels varied from \$1.15 to \$1.40 per hour, compared to the former levels which ranged from \$0.60 to \$1.00 per hour.

During the year 1965, with foreign worker employment a fraction of what it had been a year earlier, a national program of employment services to domestic farm workers can be said to have been in operation for the first time in history. It was also in this year 1965 that the Farm Labor Contractor Registration Act went into effect, requiring that interstate crew leaders with crews of ten or more non-family workers register with the Department of Labor. The legislation was aimed at reducing abuses in the working relationship between crew members and certain crew leaders.

Pointing the way to the future of the farm labor service operation are programs begun in 1961 with the passage of the Area Redevelopment Act and in 1962 with the passage of the Manpower Development and Training Act. The need for highly trained workers in agriculture has grown and will continue to grow steadily as mechanization and other technological innovations exercise their influence.

The current farm placement program is becoming increasingly one which assesses the employment needs of farmers and workers and assists in filling those needs, where necessary recruiting labor over

large distances to meet the farmer's labor demands; and offering the worker support through counseling, training, and relocation opportunities, in addition to developing a job specifically tailored to his needs and capabilities.

4. Level of operations. (See table 1.)

Program: Farm Labor Service.

Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

[Money amounts in thousands of dollars]

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimated)	Fiscal year 1967 (estimated)
(a) Magnitude of program (placements).....	7, 124, 420	6, 098, 750	5, 500, 000	6, 000, 000
(b) Applicants or participants—Placements....	7, 124, 420	6, 098, 750	5, 500, 000	6, 000, 000
(c) Federal finances for grants to States: ¹				
Unobligated appropriations available ²	\$28	\$643		
Obligations incurred.....	\$12, 253	\$14, 053	\$17, 750	\$17, 136
(d) Matching or additional expenditures ³				
(e) Number of Federal Government employees administering, operating, or supervising the activity ³				
(f) Non-Federal personnel employed (posi- tions).....	1, 933	2, 037	2, 170	2, 107
Federal financing for Federal Government activities: ⁴				
Unobligated appropriations available.....		\$16, 847		
Obligations incurred.....	\$1, 475	\$1, 916	\$2, 353	\$2, 353
(d) Matching or additional expenditures ³				
(e) Number of Federal Government employees administering, operating, or supervising the activity (positions).....	136	205	207	204

¹ Trust fund financing.

² The unobligated balance was prorated to the Services (Employment Service, Unemployment Insurance Service, and Farm Labor Service) on the basis of expenditures. The unused contingency amount cannot be identified by Service.

³ Information not available.

⁴ Trust fund only.

5. Estimated magnitude of program in 1970

Enactment of legislative proposals affecting farm workers and farm operators (not part of the Administration legislative program) as well as the structural changes that the agricultural sector of the economy is undergoing, would require shifts in the program orientation of the Farm Labor Service. Another factor that may influence the program orientation is the war on poverty. Increased awareness and concern for the problems of the poor may require that public attention be directed more toward rural areas and not so predominantly to urban centers. As never before, the combined resources of many governmental agencies are being increasingly focused upon the task of identifying and solving the problems of economically depressed rural areas to provide for the effective utilization of the Nation's rural manpower resources.

Programs of the Farm Labor Service will be directed toward providing total manpower services to workers who are employed in agriculture, whether it be year-round or seasonal. Emphasis will be on human resource development rather than on the farm worker as an adjunct to farm production as has been the case. State employment service agencies will provide services to the individual worker, recog-

nizing that he may want to do a different kind of work and that his interests may be better served in an urban setting.

Counseling services will be made available to workers employed in agriculture, and each worker will be afforded the opportunity to realize his full potential. He will be exposed to all the jobs for which he is qualified, and he will not be limited to agricultural employment. Training programs will be developed to prepare him for higher skilled agricultural employment or for nonfarm jobs. Over 20,000 workers have been or are being trained nationwide in a wide variety of agricultural skills. Further, workers who are customarily employed in nonagricultural jobs will be exposed to farm employer requests.

A problem of continuing seriousness is the substantial number of rural youth to be absorbed by the economy. A great deal of Farm Labor Service time will be spent with the individual problems of rural and other youth who wish to work in agriculture and related industries. Again, fitting the individual to the particular job will in great measure be accomplished through appropriate training and other supporting services.

To service the worker as a human resource, it will be necessary to open additional local offices in rural areas—local offices that will serve as community manpower agencies, able to advise workers and employers alike. Available at these offices will be current information and projections of the manpower outlook for the immediate area and for the country. Some of the offices may be tied into a national automatic data processing communications network.

Rapid communication systems feeding worker availability and job inventory information to and drawing it from a central ADP storage point are now under development and should be operational by 1970. These systems will reduce many of the operational problems involved in moving large numbers of seasonal workers. Farm Labor Service personnel will thus be released from attention to seasonal worker problems and will be able to turn to worker employment problems brought on by greatly magnified skill demands in agriculture and the need for shifting much of our present agricultural work force to urban, industrial jobs.

In addition to dealing with the immediate suitability of an individual for a job, the Farm Labor Service will be increasingly involved with such peripheral but important issues as housing, transportation, health, and the mobility of individual workers.

A human resources approach to the individual worker will require program coordination between the Farm Labor Service and the employment service. This may lead to the assignment of a full-time agricultural employment advisor in each rural office, and to selected urban offices.

It will be necessary to expand the collection of data which reflect trends in employment, wages, and working conditions. The Farm Labor Service, or universities through research grants, will investigate subjects of particular interest to the agricultural community, such as productivity; farm labor costs; manpower requirements resulting from technological changes or employer innovations; economic impact of relocation; and economic effects of out-migration on rural communities.

6. Prospective changes in program orientation

a. See answers under programs for Unemployment Insurance and Minimum Wage. (The increased public interest in problems related to agricultural workers is reflected in a number of legislative proposals. These are listed here for information purposes and not as an indication of Labor Department endorsement. They include: S. 1866, 1868, 1869 and 1991, H.R. 972, 973, 2436, 2437, 7486, 8109, 8282, 8655, 9266, 9283, and 9285—all in the 89th Congress.)

b. None at present, however, see 6(c) below.

c. By 1970 American agricultural production and employment will be concentrated in fewer, larger establishments. This trend has been clearly evident in the past and is expected to continue; In 1959, commercial farms with sales in excess of \$10,000 accounted for 75 percent of total sales although these farms constituted less than 35 percent of all commercial producers. The displacement of farm operators and their families—from 1950 to 1960 the number of farms in the United States dropped from 5.4 million to 3.7 million—will continue with fewer but larger farms accounting for almost all agricultural production.

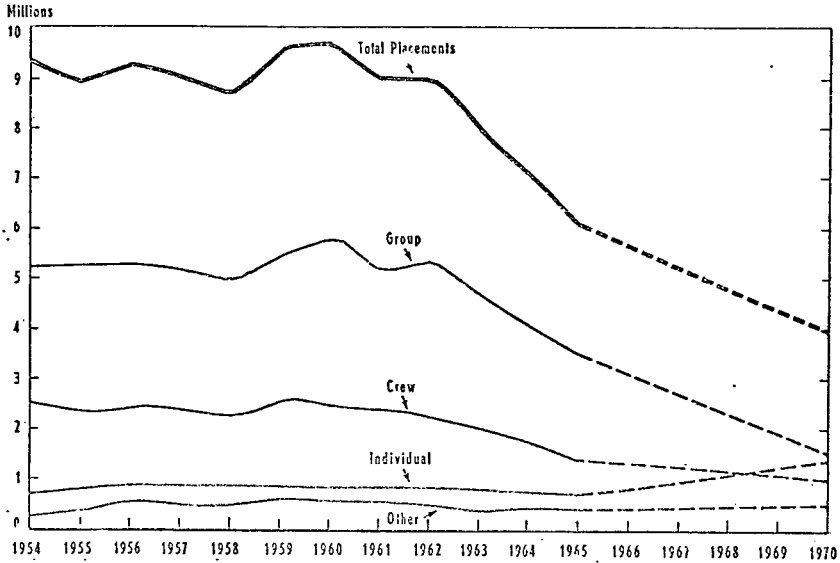
Average monthly agricultural hired worker employment will be about 1.2 million. In 1964, it was estimated at 1.6 million, a drop of about 10 percent from 1963. For the first nine months of 1965, employment averaged about 7 percent less than in 1964. The continuation of the present rate of decline would bring employment down to about one million by 1970. It is assumed that this trend will moderate so that employment in 1970 will be only about 25 percent less than in 1964.

Industrial farming—or agribusiness—built on heavy capitalization and extensive use of technological innovations is thus becoming increasingly characteristic of American agriculture. This development is bringing material changes in types and numbers of workers needed. Increasing dependence on machinery reflects only one aspect of these changes. Chemical, biological, financial, and management innovations are equally important.

At the present time, the entire cotton harvest is largely mechanized. Such other major labor-using harvest activities as tobacco, cannery tomatoes, apples, lettuce and other vegetables, and citrus are on the threshold of significant breakthroughs in mechanization. Preharvest activities are also being affected by the increased use of herbicides, improved seed, fertilizers, and cultivation techniques—all of which reduces seasonal labor demands.

Although there is, and will continue to be increased dependence on specialized and technically skilled workers, demand for seasonal workers at the peak of the harvest will not diminish significantly in some crops. Total man-months of employment for these types of workers, however, will be much less because they will be working for shorter periods.

Trend in Farm Labor Placements, by Type
Fiscal Years 1954-65 and Estimates for 1966-70



The impact of these basic social and economic changes in agriculture upon the volume of one measure of service by the public employment system, that of placements, is shown in the attached graph. This graph depicts, by fiscal year and type of placement, the volume of placements, 1954-1965 and an estimate of the placement volume in 1970. The total volume of placements by 1970 is expected to be down sharply. This change will be due to internal program orientation which will, by 1970, have been shifted from techniques devised primarily to identify and place masses of seasonal workers to that of attracting and preparing for ultimate employment workers whose individual problems are as numerous as their numbers. Seasonal placements, which account for the bulk of present activity, are inexpensive in terms of the effort required. Increased program emphasis on selection and job development for individuals is expected, however, to more than counterbalance the loss of the mass volume in terms of demands placed upon the resources of the employment security system.

By 1970, the principal role of the Farm Labor Service is expected to be that of training, recruitment and placement of greatly increased numbers of skilled agricultural workers on the one hand, and developing a dependable, stable seasonal work force with positive attachments to responsible employers on the other hand.

At the same time, the program will be one shaped to renew and make salable for agricultural or nonagricultural work the skills of the displaced rural day worker and the small marginal farmer.

7. Coordination and cooperation

The broad scope of the Farm Labor Service program involves other organizational units of the Bureau of Employment Security and many other Federal Government Departments and agencies. In most in-

stances, financing and formal cooperation and coordination of a program are not involved. Usually there is a request for technical services or information. The Farm Labor Service also represents the Department of Labor on governmental committees and at conferences concerned with agricultural problems.

In accordance with the format suggested by the questionnaire, a descriptive listing of organizational units with which the Farm Labor Service deals most frequently follows:

a. *Coordination with other units in the Bureau of Employment Security.*—The Farm Labor Service has a very close working relationship with the Employment Service. At the national office and the regional office levels there is coordination of both programs by the Administrator and Regional Administrators so as to provide total manpower services to workers.

Through joint conferences and executive staff meetings, in which all the services participate, program plans for the Bureau are developed. A specific example of intra-Bureau cooperation and coordination is the evaluation of regional and local office administration—evaluations are conducted on a team basis. Another example is the clearance by all services of United States Employment Service Program Letters which transmit information concerning Bureau programs, policies, and procedures to State agencies.

In most instances the formal coordination of programs is through the Office of the Administrator. But because the programs of Farm Labor Service and the Employment Service are so closely related, in many areas informal working arrangements have been established between staff units.

In connection with training programs for agricultural workers and occupations, the Farm Labor Service is charged with the responsibility of developing and planning such programs. Salary and expense appropriations finance preparation of training programs, recruitment and placement of trainees.

Another area of cooperation with the Employment Service which involves joint expenditure of funds is the development of human resources of rural areas—the Smaller Communities Program.

Enactment of pending legislation, which would extend unemployment insurance coverage to agricultural workers, would bring about a closer relationship between the Farm Labor Service and the Unemployment Insurance Service. A cooperative and coordinative arrangement would have to be established to insure full participation in the unemployment insurance program of farm workers recruited and placed by the Farm Labor Service.

Development of a Bureau automatic data processing system is a joint project involving all of the Services under the coordination of the Administrative and Management Service.

b. *Coordination with other Bureaus and Offices of the Department of Labor.*—

1. *Office of the Solicitor*—all proposed rules, regulations, and *ES Manual* requirements are cleared with the Solicitor. Legal opinions and interpretations are provided to the Farm Labor Service on request. All legislative proposals affecting agriculture are analyzed by the Farm Labor Service for the Solicitor's Office.

A review panel consisting of representatives of the Farm Labor Service and the Solicitor's Office prepares cases for presentation to the

Justice Department under the penalty provisions of the Farm Labor Contractor Registration Act.

2. Data on employment and wages of farm workers in the United States are reported to the *Bureau of Labor Statistics*, the *Wage and Hour and Public Contracts Divisions*, the *Bureau of Labor Standards*, and the *Office of Information*.

3. The Farm Labor Service receives periodic reports from the *Bureau of Labor Statistics* on prices of farm commodities.

4. The Farm Labor Service and the *Bureau of Labor Standards* cooperate in promoting improved working and living conditions, farm safety, and community programs for agricultural workers.

A Bureau of Labor Standards staff position is funded by the Farm Labor Contractor Registration Act appropriation for the purpose of working with State Labor Commissioners in an effort to prevent duplication of effort in those States that have crew leader registration laws and to assist other States interested in developing such laws.

5. The Office of Manpower Policy, Evaluation and Research (OMPER) and the Farm Labor Service participate in conferences on manpower research projects and coordinate research grants to finance academic studies of farm labor problems.

6. *Bureau of International Labor Affairs*—this Bureau provides policy guidance in connection with the administration of programs involving foreign nationals. Together with the Office of the Solicitor, ILAB and the Farm Labor Service have developed a program of on-the-farm work-training and institutional training for Japanese to be admitted as trainees under the Immigration and Nationality Act.

7. OMPER and BAT participate in the development and planning of farm training programs.

c. *Coordination with other Federal agencies.*—

1. *U.S. Department of Agriculture*—there is an extensive exchange of information concerned with all aspects of agriculture including: wages, employment, working and living conditions of farm workers, productivity of farm workers, crop acreage and production data, prices of farm commodities, characteristics of hired farm workers and their households, etc.

Rules and regulations providing for uniform enforcement of wage rate requirements applicable to workers employed in sugar cane and sugar beets have been developed by the Farm Labor Service and the Sugar Division of the U.S. Department of Agriculture.

Training programs for agricultural workers under MDTA are developed and planned in cooperation with the Rural Community Development Service and the Federal Extension Service.

2. *Department of Justice*

a. *Immigration and Naturalization Service*—regulations and procedures applicable to certification of employer requests for admission of foreign workers have been developed as a result of joint conferences. I&NS administrative procedures for temporary foreign farm worker programs and certain permanent immigrant programs require certifications from the Bureau of Employment Security. With the passage of the amended Immigration and Nationality Act, Department of Labor certification will be required for all permanent immigrants admitted for agricultural employment.

b. *Federal Bureau of Investigation*—a working arrangement has been established whereby the FBI receives fingerprint cards submitted

by applicants under the Farm Labor Contractor Registration Act, and the Farm Labor Service is furnished with copies of arrest records.

3. *Bureau of Indian Affairs*—there are cooperative arrangements at the national office level and throughout the country between BIA and the Farm Labor Service to coordinate the recruitment and placement of Indians residing on reservations.

4. *Office of Economic Opportunity*—the Farm Labor Service provides technical assistance in the development of programs affecting agricultural workers and their families. There is no formal arrangement or coordination of programs.

5. *U.S. Department of Health, Education, and Welfare*—extensive exchange of information and frequent consultation on programs affecting the health, education, and training of agricultural workers.

The Social Security Administration and the Farm Labor Service are cooperating in the development of a checklist of farm labor contractors to ensure payment of OASI deductions from the pay of farm workers and to identify unregistered crew leaders.

6. *Interstate Commerce Commission*—a form jointly developed by the ICC and the Farm Labor Service is used to determine whether vehicles used to transport migrant workers meet ICC standards. In addition, the ICC has cooperated with the Farm Labor Service in establishing check points for the purpose of inspecting vehicles of applicants for a certificate of registration.

d. *Coordination with State governments or their instrumentalities*.—State employment security agencies implement the program of the Farm Labor Service under a formal arrangement financed in accordance with Question 2, above. Policies and procedures are developed by the national office and transmitted to State agencies directly through Program Letters and Manual Transmittal Letters. Regional offices also provide program direction. A standing committee of State employment security officials advises the Bureau and the Farm Labor Service on agricultural labor programs and policies.

Twenty-four States have an official migratory labor committee, and ten other States have citizens advisory committees. National and regional office staff of the Farm Labor Service provide consultative assistance and technical information to such committees, and participate in the development of program plans and policies.

State universities and colleges engage in research on problems affecting farm labor under contract grants.

State employment security agencies have established cooperative arrangements with other State agencies such as the Board of Health, Department of Education, and Welfare Department, to provide services to agricultural workers.

Under the Farm Labor Contract Registration Act, applications are distributed and completed applications for a certificate of registration are filed with State employment security agencies. This has meant close cooperation to establish procedures for carrying out these responsibilities. In some States, this activity is carried out through a State Labor Commissioner's Office. In these cases, procedures have been developed to coordinate Farm Labor Service activities with State Labor Commissioners in order to avoid duplication with State Labor Commissioners who enforce State registration laws. Lists of contrac-

tors have been exchanged and meetings have been held to advance the administration of both Federal and State laws.

e. *Coordination with local governments or communities.*—At the local level the program of the Farm Labor Service is implemented by local employment service offices. Primarily in rural areas, these offices in many instances establish cooperative arrangements with county agencies which provide health, education and welfare services to agricultural workers. A specific example of such arrangements is referral by welfare agencies of able-bodied applicants to local employment service offices for farm work.

Local groups representing community interests serve as advisory committees to the Employment Service in connection with the development of farm training programs.

f. *Coordination with foreign governments or international organizations.*—No formal arrangements with foreign governments or international organizations are now in effect. There were extensive dealings and coordinated administration of the Mexican labor program operated under Public Law 78 until its termination December 31, 1964.

Technical assistance is provided, and there is periodic consultation, with representatives of other governments in connection with the admission of temporary foreign agricultural workers. Meetings have been held to discuss importation of workers from Mexico, Canada, the British West Indies and Bahamas, Japan, the Philippines, and Spain.

Most recently, the Farm Labor Service and the Bureau of International Labor Affairs assisted in the development of a special program to provide institutional training and on-the-farm work-training experience to Japanese admitted under Section 101(a) (15) of the Immigration and Nationality Act.

g. *Coordination with non-profit organizations or institutions.*—During 1965, three groups—Emergency Committee To Aid Farm Workers, National Sharecroppers' Fund, and Tennessee A&I State College—operated training projects under contract with the Office of Manpower Policy, Evaluation and Research. A cooperative arrangement was established whereby the Farm Labor Service agreed to provide farm employment to workers referred by these groups.

There are frequent contacts and exchanges of information between the Farm Labor Service and citizens' groups concerned with agricultural manpower such as the National Advisory Committee on Farm Labor, Mexican-American Political Association, American Friends' Society, National Farm Bureau Federation, Farmer's Union, National Catholic Rural Life Conference, Migrant Ministry of the National Council of Churches. Frequent conferences are held with groups such as those listed above, and full consideration is given to their views in the development of the Farm Labor Service program.

Funds for research concerning the employment and income of hired farm workers are provided to academic institutions on a contract basis. In addition, the Farm Labor Service receives and reviews scholarly works in this area.

h. *Coordination with business enterprises.*—The provisions of the Farm Labor Contractor Registration Act require registered crew leaders who transport workers to obtain insurance or to satisfy the Secretary of Labor as to their financial responsibility. In this connection, the Farm Labor Service has been working closely with the in-

insurance industry to develop an endorsement to the standard automobile policy which will make that policy conform to the requirements of the Act.

Business enterprises such as manufacturers, and distributors of agricultural machines, equipment, chemicals, and other products having a relationship to farm manpower frequently call upon the Farm Labor Service to provide current information on employment and wage levels and for explanatory material regarding different aspects of the Farm Labor Service program. Data are supplied on request to newspapers, periodicals, television and other communications media.

8. Laws and regulations

The Farm Labor Service program operates under the laws and regulations governing the United States Employment Service, with the addition of the Farm Labor Contractor Registration Act of 1963 (Public Law 88-582, September 7, 1964).

The "appropriation authorizations" for the Office of Farm Labor Service are included in the appropriation for the Bureau of Employment Security.

The additional legislation referred to above—the Farm Labor Contractor Registration Act of 1963, which became effective January 1, 1965—requires the Secretary of Labor to issue certificates of registration to farm labor contractors and identification to regular or full-time employees who meet specified requirements. Authority to administer the Act was delegated by the Secretary to the Manpower Administrator. Operational responsibilities are assigned to the Bureau of Employment Security. Pursuant to Section 14 of the Act, on December 22, the Secretary issued regulations establishing requirements for obtaining certificates of registration (29 CFR, Part 40). On March 6, 1965, the Secretary issued a new Part 41 of Title 29 CFR which sets forth interpretations adopted by the Department for the guidance of those who are or may become subject to the Act and the regulations established to implement its provisions.

The appropriation authorization to carry out the Crew Leader Registration Act in fiscal 1965 amounted to \$350,000. Appropriations for operations under the Act in fiscal 1966 are \$458,000.

For fiscal 1966, supplementary appropriations in the amount of \$1,615,900 were made for implementing the Secretary's Regulations (Title 20 CFR 602.10) relating to the admission and employment in agriculture of nonimmigrant aliens under the Immigration and Nationality Act, as amended.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

Assigning quantitative values to the economic effects resulting from operation of the Farm Labor Service's program is not possible.

A complex industrial organization has developed to produce and market farm products. At the levels concerned with the actual production of food and fiber, as well as processing many of these products, the program of the Farm Labor Service functions to provide employers with qualified workers at the time they are needed. Producers depend on the Farm Labor Service to meet their needs for farm

workers. Because of the seasonality which characterizes most employment in the agricultural sector of the economy, the program of the Farm Labor Service is vital to the economic activity and growth of this sector.

Growers heavily dependent upon large numbers of seasonal workers to meet their peak needs must, in effect, reconstruct the bulk of their labor force from time to time. In the aggregate, for the Nation as a whole, this involves the expansion in seasonal employment of over one million workers, many of whom will work in many different jobs for many different employers. The resources of farm employers are such that they could not themselves provide for any semblance of a rational, orderly recruitment program of this magnitude, although the recruitment and placement of seasonal farm workers is by no means an orderly process; what order it does have is the result of activities of the public employment service.

Referral to and placement of workers in farm jobs, the primary function of the Farm Labor Service, is an integral part of the farm economy. The number of farm workers and employers who look to the Employment Service for assistance each year is an indication of the value of the services provided. In fiscal year 1965, six million placements were made.

The big cotton producing States in the south-central section of the country accounted for over one-third of total placements by Farm Labor Service in 1964. Mississippi led the area and the country with its 1,071,900 placements. Tennessee placed 528,000 farm workers; Texas, 354,800; Missouri, 135,900; and Oklahoma, 112,000.

Placement activities of the Farm Labor Service are conducted in all 50 States plus Puerto Rico and the Virgin Islands. In calendar year 1964, placements ranged from a total of five in the Virgin Islands to 1,071,900 in Mississippi. States having 100,000 or more placements in 1964 were concentrated on the east coast, the west coast, and in the south-central section of the country.

On the east coast, the leading States in placements were North Carolina (445,800), Pennsylvania (327,900), Florida (166,500). Other important States were New York, Maryland, and New Jersey.

Arizona topped the western States with 883,000 placements in 1964. Oregon had 310,000; California, 250,700; Washington, 195,600; and Idaho, 129,500.

There are approximately 3.6 million farms in the United States, of which about 1.7 million use some hired farm labor. In 1964, average monthly hired farm worker employment was less than 1.6 million, approximately ten percent below the comparable figure for 1963, a trend which is expected to continue. About 3.4 million individuals did some farm work during 1964. However, 1.4 million were employed for less than 25 days of farm wage work. Over half of the farm labor force, primarily housewives and students, were not in the labor force most of the year. Earnings of hired farm workers averaged about \$7.15 a day. As a group, hired farm workers averaged 80 days of farm employment and earned \$578 per year. Seasonal farm workers, those employed 25 to 149 days per year, averaged 64 days of work and earned approximately \$400 from farm employment. There were approximately 300,000 workers who were employed from 150 to 249 days, and these regular workers averaged 198 days and

earned \$1,432. Year-round farm workers, those with more than 250 days of farm employment, earned \$2,560 for an average of 321 days of work, and in 1964 there were about 300,000 such workers. One other significant group was made up of migratory farm workers. Numbering approximately 386,000, they had average daily earnings of \$8.95, and yearly earnings of \$782 for 87 days work. Significantly, of the total farm labor force of 3.4 million, about 40 percent did both farm and nonfarm work, averaging 98 days of nonfarm wage work, 49 days of farm wage work, and total earnings of \$1,379. Those workers who did farm work only were employed about 100 days and earned \$698.

This capsule summary of the hired farm work force describes a very heterogeneous group which has varying degrees of affiliation with the agricultural sector of the economy. The data listed above also clearly indicate the extremely low income of farm workers.

Each placement made by the Farm Labor Service has a direct effect on the personal income of the persons served. Migratory farm workers, a group that has been described as *the forgotten people*, are aided directly by Farm Labor Service programs. In addition to the Annual Worker Plan, which is primarily concerned with providing continuity of employment, the Farm Labor Service, through regulations issued by the Secretary of Labor, provides some assurance that the jobs in which workers are placed through the interstate clearance process of the Employment Service meet certain minimum standards. These workers receive almost no protection under the social welfare legislation applicable to nonfarm workers. But they are not referred to jobs unless farm employers offer wage rates at least as high as those prevailing in the area of employment. And employers are required to provide decent housing, and free transportation if this is the prevailing practice in the area. The interstate clearance regulations issued by the Secretary of Labor are one of the few Government programs that afford some protection to migratory workers, and indirectly the wages and working conditions of all hired farm workers are improved.

During the summer months the Farm Labor Service operates special job programs for youth on school vacations. This is a service of extreme importance to these young people because farm employment in many instances is the only possible source of income in the local area for them. Some out-of-area youth programs are also administered by the Farm Labor Service. High school juniors and seniors and college youth are recruited for employment away from home, for jobs that meet certain minimal standards.

Farm training programs that upgrade the job skills of agricultural workers have a significant effect on both their personal incomes and the overall distribution of personal income. Increasingly, agriculture is becoming more mechanized. Entire crops in some States are harvested by machines and the use of herbicides, improved seeds and fertilizers have intensified the demand for skilled workers, although in smaller numbers. Training programs provide farm workers with the skills that will be increasingly in demand in future years.

The policy of the Department to cut back employment of foreign farm laborers (a policy originating in the Congressional action to terminate the Mexican labor importation program) has had the very

direct effect of expanding seasonal domestic employment and increasing wage rates through creation of a competitive labor market.

Employers as well as workers benefit from the programs of the Farm Labor Service. Availability of a stable productive labor force is a factor that enters into decisions about levels of production, location, expansion, etc., made by entrepreneurs. Information about farm labor supply and demand that is furnished to businessmen assists them in making management decisions. This is particularly important in rural communities that are attempting to stabilize or if possible reverse out-migration by attracting new industries to the area. The Farm Labor Service and other elements of the Employment Service cooperate fully in these efforts. In addition to providing information about the labor force and supplementing it with workers from other areas, the Employment Service facilitates the establishment of training programs which will develop workers with job skills in short supply. The net effect of these activities is a more viable economic atmosphere.

10. *Economic classification of program expenditure.* (See table 2.)

Program: Farm Labor Service.

Department or agency, and office or bureau: Department of Labor; Bureau of Employment Security.

TABLE 2.—*Economic classification of expenditures for fiscal year 1965*

[In thousands of dollars]

Federal Government:

Purchases of goods and services:

Wages and salaries.....	1,316
Other.....	415

Grants to state and local governments.....	13,335
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Total, Federal expenditures.....	15,066
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Bureau of Labor Standards

FAIR LABOR STANDARDS

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

To safeguard the health, safety and welfare of workers through the development and promotion of sound labor standards.

2. Operation

The Bureau provides, through its national and regional offices, technical assistance to State labor agencies, State legislative committees, management and labor organizations, civic and church groups, colleges, and other interested groups in developing better labor laws and working conditions in such areas as occupational safety and health, workmen's compensation, agricultural labor, child labor and youth employment standards, wages and hours, and discrimination in employment. One of the Bureau's techniques of operation is to sponsor, in cooperation with interested groups, Statewide seminars on protective labor legislation. Regional and national conferences on labor legislation are also sponsored. A number of major technical bulletins

on labor laws and programs, together with fact sheets and leaflets, are issued by the Bureau as part of its promotional program.

To assist States in strengthening and improving the administration of their labor laws, the Bureau sponsors regional workshops for key personnel of State labor agencies, conducts training courses for State safety inspectors and general labor law inspectors, and develops inspection manuals as a guide for use by the States.

3. History

The Bureau was established in 1934 by the Secretary of Labor as a service agency for the States. One of the major interests of the Bureau from the beginning was the problem of occupational safety and occupational diseases. Wages and hours, workmen's compensation, strengthening of State labor agencies, and protective laws for migratory farmworkers were other major areas of concern to the Bureau. Later the child labor and youth employment standards functions of the Industrial Division of the Children's Bureau were transferred to the Bureau of Labor Standards. During World War II, the Bureau gave special emphasis to safeguarding sound labor standards and exercised leadership in developing and promoting acceptance of recommended wartime labor standards. In 1950 the Bureau expanded its safety services to cover longshoring and harbor work.

Over the years, the Bureau has concentrated its efforts on developing sound Federal-State relationships and on giving technical assistance in labor legislation to all who ask. From Bureau experience in promoting labor standards has emerged a pattern of conference, field consultation, technical assistance, training in occupational safety and labor law administration, and publications, which has broadened over the years into a trademark of service.

4. Level of operations. (See table 1.)

Program: Fair Labor Standards.

Department or agency, and office or bureau: Department of Labor; Bureau of Labor Standards.

TABLE 1.—Level of operations or performance, fiscal years 1965, 1966, and 1967¹

Measure ^{2,3}	Fiscal year 1965	Fiscal year 1966 (estimates)	Fiscal year 1967 (estimates)
(a) and (b) Magnitude and participants:			
State safety program:			
Engineering and programing services.....	170	165	160
Training courses.....	62	57	50
Training sessions.....	11	9	6
Meetings.....	42	39	30
Training aids issued.....	68,500	68,000	65,000
Students trained.....	2,835	2,775	2,100
States serviced.....	25	23	23
Federal safety program:			
Engineering and programing services.....	174	190	200
Training courses.....	136	148	170
Training sessions.....	8	12	20
Training aids issued.....	102,900	104,000	112,000
Students trained.....	3,795	4,175	5,900
Meetings.....	172	225	285
Field councils services.....	92	95	120
Number agencies serviced.....	39	42	50
Union safety program:			
Engineering and programing services.....	30	30	35
Training courses.....	41	41	43
Training sessions.....	15	15	17
Meetings.....	13	13	15
Students trained.....	1,964	1,964	2,100
Training aids issued.....	23,528	23,528	24,000

See footnotes at end of table, p. 443.

TABLE 1.—Level of operations or performance, fiscal years 1965, 1966, and 1967¹—Continued

Measure ^{2,3}	Fiscal year 1965	Fiscal year 1966 (estimates)	Fiscal year 1967 (estimates)
(a) and (b) Magnitude and participants—Continued			
Maritime safety program:			
Regulatory activities:			
Inspections.....	20,788	21,000	21,000
Violations.....	2,905	2,945	2,945
Investigations.....	840	855	900
Legal actions instituted.....	15	20	30
Gear certification:			
Certificates issued.....	5	21	10
Certificates in force.....	32	32	35
Certificates examined.....	5,300	5,380	5,500
Engineering and programing services.....	12,961	13,500	14,000
Research and development:			
Regulations developed.....	36	36	38
Public hearings held.....	27	30	35
Technical publications developed.....	108	121	130
Training:			
Courses.....	101	110	115
Sessions.....	850	875	910
Students.....	21,118	21,293	25,000
Training aids issued.....	71,787	71,900	75,000
Meetings.....	752	775	780
Programing and research:			
Standards developed.....	3	3	3
Codes developed.....	4	4	4
Code comparison studies.....	2	3	4
Technical bulletins developed.....	6	6	8
Standards boards and committees served.....	55	57	57
Abstracts.....	133	120	(⁴)
Training material developed.....	1,871	1,900	2,000
Technical assistance specialized training (new).....		3	4
Improvement of working conditions:			
Technical services given ⁵	2,523	2,615	2,500
State bills and laws:			
Bills reviewed.....	4,500	2,300	4,500
Bills summarized.....	600	400	600
Laws reviewed.....	350	140	350
Laws summarized.....	300	100	300
Federal bills and laws reviewed.....	40	20	20
Informational material prepared.....	267	309	300
Foreign visitors serviced.....	29	39	25
Conferences serviced or organized.....	289	319	300
States given personal consultations ⁶	43	45	45
State farm labor committees serviced ⁷	36	30	30
State legislative backgrounds developed.....	12	9	10
Research projects or reports prepared or reviewed.....	14	17	10
Hazardous occupations investigations.....	4	8	8
Number of States reporting on employment certificates issued.....	50	50	50
Number of States reporting work injuries to minors under 18.....	28	15	15
(c) Federal finances:			
Unobligated.....			(⁴)
Obligations incurred.....	⁸ \$3,280,000	\$3,270,000	\$3,349,000
Allotments.....	⁹ \$3,675,000	\$3,282,000	(⁴)
(d) Matching or additional expenditures.....	(⁴)	(⁴)	(⁴)
(e) Number of Federal employees.....	¹⁰ 274	265	¹¹ 264
(f) Non-Federal personnel.....	(⁴)	(⁴)	(⁴)
(g) Other.....	(⁴)	(⁴)	(⁴)

¹ Because of changes in the data collection process, data for 1964 are not readily available in the categories shown in this table.

² For a more coherent presentation of LSB activities, data are grouped according to "subprogram".

³ The unit is embodied in the measure for all the "subprograms."

⁴ Information not available.

⁵ To State and Federal agencies, international organizations, State and national labor organizations, management associations, Council of State Governments, civic, and other interested groups and individuals.

⁶ Covers number of States given personal consultations through field visits to States or participation in regional conferences. Groups or organizations given such consultation would include those listed under footnote 5.

⁷ Includes number of Governor's or official and unofficial State committees on seasonal agricultural labor given technical assistance.

⁸ For fiscal year 1964: \$3,176,000.

⁹ For fiscal year 1964: \$3,470,000.

¹⁰ For fiscal year 1964: 282.

¹¹ In man-years: 275. Prior fiscal year man-years are: 1964, 263; 1965, 252; 1966, 250.

5. *Estimated magnitude of program in 1970*

Meaningful estimates for 1970 cannot be made at this time. In general, our current plans are to maintain present level of performance as indicated for Question No. 4.

6. *Prospective changes in program orientation*

a. None

b. None

c. See reply to this question in section "MDTA Title II, Excluding Section 241" for a general description of the changing program environment. In addition, it is possible that such factors as the renewed emphasis on joint Federal-State cooperation, the importance of the role of labor standards in the war on poverty, and the growing use of atomic energy for peaceful purposes will lead to program changes of emphasis in 1970.

7. *Coordination and cooperation*

a. *Within the Bureau of Labor Standards.*—Internal coordination of the Bureau is accomplished through meetings, circulation of correspondence and literature, and the normal day-to-day contact which Bureau employees maintain with one another.

b. *Within the Department of Labor.*—The LSB takes part in both formal and informal meetings with representatives of other Bureaus.

c. *With Other Federal Agencies.*—The LSB works informally with a variety of other agencies on safety matters, such as with the Atomic Energy Commission concerning peaceful uses of atomic energy.

d. *With State Agencies.*—One of the major functions of the Bureau is to promote close working relationships between the State labor agencies and the Federal Department of Labor in order to avoid duplication of activities and to strengthen and supplement the State and Federal program. Specific examples of such cooperation are the agreements negotiated by the Bureau with 45 States whereby the State employment certificates are accepted as proof of age under the Fair Labor Standards Act.

e through i. *With Other Groups.*—The LSB cooperates with a variety of organizations including the following: Labor unions, management groups, universities, civic and church groups, and the International Labor Organization.

8. *Laws and regulations*

The appropriation authorization for the Bureau's program in fiscal 1966 is P.L. 89-156, approved August 23, 1965.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. *Economic effects*

A program of this nature does have positive effect on the economy of the nation but it cannot be traced and broken down according to the categories requested. The economic effects of the Bureau's program are to provide a more adequate income for the wage earner under safer working conditions and to enable him to maintain a decent standard of living for himself and his family. These benefits are outcomes of the Bureau's promotion of adequate standards relating to minimum wages, wage payment and wage collection, workmen's compensation,

occupational safety, and the coverage of agricultural labor under protective labor legislation. They also stem from the Bureau's efforts to increase protection against injuries on the job and secure adequate income maintenance and rehabilitation for workers when injured.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Fair labor standards.

Department or agency, and office or bureau: Department of Labor; Bureau of Labor Standards.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

[In millions of dollars]

Federal Government:	
Purchases of goods and services:	
Wages and salaries.....	2.4
Other.....	1.1
Total, Federal expenditures.....	3.5
Non-Federal expenditures.....	(¹)

¹ Not available.

Women's Bureau

WOMANPOWER DEVELOPMENT PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The primary objective of the womanpower development program is to improve women's economic status and opportunities for full participation and utilization in the woman work force. By stimulating greater community understanding of the special problems women face, particularly in relation to training and employment opportunities, and by strengthening labor standards and practices, the aim of the program is to remove all types of discrimination against women workers and enable them to increase their contribution to the national economy and to attain greater personal fulfillment.

2. Operation

The womanpower development program is administered by the Women's Bureau of the U.S. Department of Labor. It is conducted in Washington, D.C. and five regional offices, with headquarters supervision in Washington, D.C. The Women's Bureau staff assembles and makes available to the public up-to-date information about major aspects of women's employment, and provides coordination and leadership in the collection and dissemination of pertinent information relating to women workers and in the adoption of policies and practices designed to achieve greater realization of their potentialities. Groups and organizations with which the Women's Bureau works toward its objectives include other Federal and State agencies, universities and colleges, professional associations, private organizations, employers, unions, individuals, and Governors' Commissions on the Status of Women, which have been established in 45 States.

3. History

The Women's Bureau was established by the U.S. Congress in 1920 with widespread support from many women's, civic, and labor organi-

zations. While there has been no legislative change in its enabling act, the focus of its concern and activities has changed somewhat over the years. Early emphasis was on means for improving the working conditions, wages, and hours of work of women factory workers. This continuing goal has been further expanded and intensified to stimulate the fuller development of women's skills and to enlarge the contribution of women to the economy. The rapidly changing role of women in modern society also requires greater emphasis on guidance and counseling to prepare young women for the dual role of homemaker and paid worker and on expanding training and employment opportunities for all women.

In December 1961 President Kennedy created the President's Commission on the Status of Women, requesting a depth study of women's status in every aspect of national life and recommendations of ways to improve their status. After the Commission presented its report in October 1963, the Interdepartmental Committee and the Citizens' Advisory Council on the Status of Women were set up to follow through on implementation of the Commission's recommendations.

Implementation of the Commission's goals is also being carried on at the State and local level by the Governors' Commissions on the Status of Women established in 45 States and by the field service operations of the Women's Bureau.

4. Level of operations. (See table 1.)

Program: Womanpower development program.

Department or agency, and office or bureau: Department of Labor; Women's Bureau.

TABLE 1.—Level of operations or performance, fiscal years 1964-67

[Thousands of dollars]

Measure and unit ¹	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimated)	Fiscal year 1967 (estimated)
(c) Federal finances:				
Unobligated appropriation available.....	\$5	\$8	-----	-----
Obligations incurred.....	\$778	\$791	\$871	\$888
(e) Number of Federal Government employees, man-years.....	72	72	72	72

¹ (a, b, d, f, and g): not pertinent or none.

5. Estimated magnitude of program in 1970

There is evidence of increasing need through 1970 for an expanded program of womanpower development. Such evidence assumes that there will be a continuation of the upward trend in labor-force participation by the rising number of women in the population; an acceleration of economic growth, with many new job opportunities emerging for women as well as men; further impact on women's employment caused by technological advances; intensified efforts to improve the economic and social status of disadvantaged women in the work force; and continuing efforts to eliminate job discrimination based on sex. The forecast is that the number of women workers will increase 17 percent between 1964 and 1970, as compared with a 9 percent increase for men.

6. Prospective changes in program orientation

a. None by the Department of Labor. (Proposed changes in Federal minimum-wage legislation [see answer for 6(a) in section on the Minimum Wage Program] and anticipated enactments and improvements in State protective labor laws could have particular pertinence to Women's Bureau program emphasis because of the long-standing concern of the Bureau about low-wage disadvantaged groups and the long-range goal of developing programs to improve their wages and working conditions. The Bureau will intensify its program of providing consultative and technical services to organizations seeking to raise labor standards through legislative enactments.)

b. No pending or proposed changes.

c. With the rising need and demand for information about the expanding woman work force, the program emphasis of the Women's Bureau has been directed increasingly toward providing coordination and leadership for other agencies, organizations, and individuals in encouraging the collection of pertinent information and the adoption of employment practices which prohibit sex discrimination, strengthen labor standards, and advance women's economic position. Interest in the activities and problems of women workers has been stimulated immensely by the recommendations of the President's Commission on the Status of Women, the followup activities of the State Commissions on the Status of Women, passage of the Equal Pay Act of 1963, and the prohibition of job discrimination based on sex by Title VII of the Civil Rights Act of 1964. It is anticipated that by 1970 the Women's Bureau will primarily exercise a leadership and coordination role and provide consultative and technical services. (See answer for question 6(c) in section on MDTA, Title II, Excluding Section 241.)

7. Coordination and cooperation

a. Internal coordination is achieved through staff meetings, circulation of correspondence, etc.

b. The Women's Bureau is represented on and participates in numerous interbureau committees operating within the Department of Labor.

c. The President established on November 1, 1963 the Interdepartmental Committee on the Status of Women in order to stimulate pertinent programs, exchange information, and evaluate progress of Federal departments and agencies in advancing the status of women. Chaired by the Secretary of Labor, the Interdepartmental Committee is composed of cabinet officers and agency heads specifically designated because of their agencies' major responsibilities and interests in areas of special concern to women. The Director of the Women's Bureau serves as Executive Vice-Chairman of the Committee and is an ex-officio member thereof.

d. In order to help advance the status of women at State and local levels, 45 States have established a Commission on the Status of Women. These Commissions and their subsidiary committees are studying and working to improve the status of women of their State in relation to such aspects as employment, education, labor legislation, civil and political rights, and home and community services. The Women's Bureau cooperates with the State Commissions by providing background information on the economic and legal status of women and also technical and consultative assistance.

f. International organizations concerned with the importance of attaining equality of rights for women throughout the world include the United Nations Commission on the Status of Women, the Inter-American Commission of Women, the International Labor Organization, and the ILO Panel of Consultants on Problems of Women Workers. Cooperation by the Women's Bureau with these organizations has included participation in international meetings, exchange of background information, and consultative services on a mutually advantageous basis.

e. g. h. and i. The Citizens' Advisory Council on the Status of Women, established by Executive Order in November 1963, serves as the primary means for stimulating action with private institutions, organizations, and individuals working for improvement of conditions of special concern to women workers. The regional staff of the Women's Bureau also work directly with many groups, such as women's organizations, employer groups, unions, educational and vocational institutions, and individuals. The regional staff provide information, technical assistance, and consultative services at the State and local level to further the mutual goal of improved status for women.

8. Laws and regulations

a. Women's Bureau enabling act, P.L. 259 (66th Congress).

b. Executive Order establishing the President's Commission on the Status of Women, E.O. 10980.

c. Executive Order establishing a committee and a council relating to the status of women, E.O. 11126.

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The program promotes the better use of the Nation's labor force, thus contributing to increased productivity and higher levels of consumption. By helping to motivate and enable each woman to develop her maximum potential, the program seeks to give her an opportunity to use this potential fully in her own and the national interest. Women's current contribution to our economy is exceedingly important. For example, in 1964 women earned \$57,700,000,000 in wages and salaries—almost one-fifth of the national total. Further development of the fullest possible opportunities for and utilization of the women work force are essential to continued economic growth.

10. Economic classification of program expenditures. (See table 2.)

Program: Womanpower development program.

Department or agency, and office or bureau: Department of Labor; Women's Bureau.

TABLE 2.—Economic classification of program expenditures for fiscal year 1965

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$614, 890
Other	189, 100
Total, Federal expenditures.....	804, 000

Wage and Hour and Public Contracts Divisions

MINIMUM WAGE PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The purpose of the program of the Wage and Hour and Public Contracts Divisions (WHPC) is to alleviate sub-standard working conditions as prescribed by the Fair Labor Standards Act, the Walsh-Healey Public Contracts Act, and the Service Contract Act of 1965.¹ These statutes are directed towards elimination of sub-minimum wages, excessive hours, discrimination in rates of pay among men and women doing equal work, unsafe or hazardous employment conditions, the use of child labor, and other conditions which are detrimental to the maintenance of a minimum standard of living necessary for the health, efficiency and general well-being of workers.

In accordance with their responsibilities under the above Acts, the WHPC Divisions seek to—

a. Obtain through education and investigation, compliance with standards respecting wages, hours, child labor, and other conditions of employment regulated by statute.

b. Plan and conduct economic research and analyses of the wage, hour and other provisions of the Acts it administers and make recommendations for further legislation in connection with matters covered by the Acts.

c. Provide for the employment of learners, apprentices, full-time students and handicapped workers at special minimum wages authorized by certificate to prevent curtailment of employment opportunities.

d. Enforce statutory provisions relating to the age and occupations in which minors may be employed.

2. Operation

A major part of the bureau's program involves investigations for compliance which are carried out in regional and field offices with national office supervision. In addition to providing supervision and administrative support, the national office fulfills a major role involving economic research and analysis and regulation and wage determination activities.

3. History

Cornerstone of the program is the Fair Labor Standards Act of 1938 which for the first time provided national minimum wage and maximum hours standards and prohibited oppressive child labor. Effective October 24, 1938 the Act required payment to employees engaged in interstate commerce or the production of goods for interstate commerce a minimum wage of 25¢ per hour and overtime wages at time and one-half the regular rate of pay for hours of work in excess of 44 per week. The original legislation provided for increase of the minimum wage to 40¢ per hour and reduction of the weekly

¹ Also, all responsibilities of the Secretary of Labor as provided in Section 5(j) of the National Foundation on the Arts and Humanities Act of 1965. This statute establishes minimum wage standards applicable to all professional performers and related or supporting professional personnel employed on projects or productions financed in whole or in part through grants of funds under the Act and provides that such projects and productions must be performed under safe and sanitary conditions.

hours standard to 40 in steps over several ensuing years. Initially the Act applied to 12 to 14 million workers, but as the result of an expanding workforce and extension of coverage to employees in certain large enterprises by the 1961 amendments to the Act there are now 29.6 million workers subject to the Act's provisions. The 40¢ per hour minimum wage was increased to 75¢ effective January 25, 1950 and to \$1.00 per hour March 1, 1956. The 1961 amendments increased the minimum wage by steps to \$1.25 per hour and that rate is currently applicable to all covered employment. The statutory non-overtime workweek is 40 hours. The most recent amendment to the FLSA was enactment of the Equal Pay Act which prohibits wage discrimination on the basis of sex. This provision was generally effective on June 11, 1964.

Another important part of the program is based on the Walsh-Healey Public Contracts Act enacted in 1936 which establishes minimum wage, hours of work, child labor, safety and health standards and forbids convict labor. Application of this act is limited to workers on Government supply contracts amounting to more than \$10,000.

Also included in the program is the Service Contract Act of 1965 which, effective January 20, 1966, requires payment of the minimum wage provided in section 6(a)(1) of the Fair Labor Standards Act to employees working on all Government service contracts and where such contracts are in excess of \$2,500 the minimum wage determined by the Secretary of Labor to be prevailing for such employees in the locality, fringe benefits found by the Secretary to be prevailing for such employees in the locality, and compliance by contractors with statutory safety and health provisions.

Since the inception of the program there has been great emphasis on obtaining voluntary compliance through the issuance of comprehensive interpretative bulletins and regulations, where rule making authority was granted in the statute. These publications plus the issuance of informational pamphlets in non-technical language and intensive use of the mass media of communication have resulted in an informed business community and a high level of compliance which makes possible an enforcement program geared to reach annually only a small fraction of the 1.1 million establishments in the country to which the Fair Labor Standards Act applies. In investigations emphasis has been given to obtaining voluntary agreement for future compliance and correction of past violations through payment of back wages found due employees.

Litigation has been necessary in only slightly over 2% of the cases investigated. Such litigation includes criminal actions where willful violations are found, civil actions to restrain employers from future violation and from further withholding of wages due employees, and actions on behalf of employees to recover unpaid wages to which they are legally entitled.

With the expansion and diversification of industry over the years and the extension of coverage by amendments to the Act it has been necessary to develop improved investigative techniques and better methods of directing the enforcement effort to those areas and industries in which violations are occurring. At present wide dispersal of field staff stationed in approximately 300 towns and cities across the country contributes largely to the latter objective and makes it possible for the public to easily obtain answers to specific inquiries.

Historically, the goal in administering the program has been to obtain the maximum in benefits to the workers of the nation with the least possible expenditure of public funds. This will continue to be the guiding principle of the program in future operations.

4. *Level of operations.* (See table 1.)

Program: Minimum Wage Program.

Department or agency, and office or bureau: Department of Labor; Wage and Hour and Public Contracts Divisions.

TABLE 1.—*Level of operations or performance, fiscal years 1964-67*

Measure and unit	Fiscal year 1964	Fiscal year 1965	Fiscal year 1966 (estimate)	Fiscal year 1967 (estimate)
(a) Magnitude of program: ¹				
Investigations—Establishments.....	56,370	59,625	57,000	57,000
Investigations—Covered employees in investigated establishments.....	1,710,850	2,998,913	1,800,000	1,800,000
Amount of underpayments (millions) ..	\$59.7	\$74.5	\$75.0	\$75.0
Minimum wages (millions).....	\$24.2	\$28.1	\$28.5	\$28.5
Overtime (millions).....	\$35.5	\$46.2	\$46.5	\$46.5
Amount of payment agreed to (mil- lions).....	\$22.7	\$24.0	\$24.5	\$24.5
Employees underpaid (number).....	364,000	400,333	410,000	410,000
Employees whom employers agreed to pay (number).....	189,048	195,882	200,000	210,000
Safety and health inspections (number of establishments).....	2,243	1,577	1,600	1,625
Safety and health violations (number of establishments).....	1,963	1,480	1,500	1,500
Minors illegally employed (number).....	21,006	18,605	19,000	19,000
Agriculture (number).....	7,972	7,076	7,000	7,000
Nonagriculture (number).....	13,034	11,529	12,000	12,000
Complaints (number received).....	23,120	21,173	23,000	23,000
Litigation filed (cases).....	1,642	1,462	1,675	1,675
(b) Not applicable.				
(c) Federal finances:				
Unobligated appropriation available (thousands).....	\$19,279	\$20,952	² \$21,594	22,972
Obligations incurred (thousands).....	\$19,143	\$20,444	² \$21,594	22,972
(d) Matching or additional expenditures ³				
(e) Federal government personnel operating the program (number employees).....	1,774	1,768	³ 1,828	1,992
(f) and (g) None.				

¹ No workload data available on the newly enacted Service Contract Act, or Arts and Humanities Act.

² Covers only partial year of operations under Service Contract Act, and contains no estimates for Arts and Humanities Act.

³ Information not available.

5. *Estimated magnitude of program in 1970*

The probable level of the bureau's programs in 1970 will depend upon the extent of legislative changes with regard to coverage, minimum wage, overtime and other standards. It is estimated that with the changes which are anticipated, a total of approximately 2,950 personnel and \$36 million will be required.

6. *Prospective changes in program orientation*

a. None at present. During fiscal year 1965, however, the Administration proposed that coverage under the Fair Labor Standards Act be extended to an additional 4.6 million workers primarily in hotel, restaurant, laundry, hospital and agricultural processing and that the \$1.25 minimum wage be applied to these workers. The Administration proposal also included a provision that double-time pay be required for all overtime work beyond 48 hours in a week for employees covered by the law prior to September 1961, being gradually reduced to 45 hours a week, over a three-year period. The proposal

also eliminated various exemptions now contained in the act and modified others. No amendments to the FLSA were enacted in FY 1965.

(A number of bills to amend the Fair Labor Standards Act were submitted in the previous session of the 89th Congress; their mention in this response should not be interpreted as reflecting endorsement by the Department of Labor. They include: S. 1864 and 1865; H.R. 8109, 9283, and 9284.)

b. None

c. See answer for 6(c) under MDTA, "Title II, Excluding Section 241."

7. Coordination and cooperation

a. The Wage and Hour and Public Contracts Divisions under the Administrator is organized into four offices, each directed by an Assistant Administrator. The four offices are Compliance and Enforcement, Wage Determinations and Regulations, Research and Legislative Analysis, and Planning and Management. The field organization reports to the Administrator through Regional Directors in eleven regional areas in the continental United States and one at Santurce, Puerto Rico. Coordination and cooperation between the four major offices and between these offices and the field is on a continuing hour-by-hour and day-by-day basis with frequent meetings with the Administrator providing overall guidance. Also field contact is maintained through frequent visits by national office personnel to attend conferences in the regions, by regularly scheduled visits by four Administrator's Field Representatives and a constant flow of correspondence and reports between the national office and the regions. Administration and enforcement are decentralized to the maximum degree and this fact places a premium on maintaining coordination and cooperation at all times.

b. As an integral part of the Department of Labor WHPC, maintains coordination and cooperates with all other Administrations, Bureaus and Offices of the Department. The Administrator reports to the Secretary through the Assistant Secretary for Labor Management Relations and must insure adherence to departmental policy. The Office of the Solicitor executes litigation actions under the FLSA and PCA, provides legal interpretations, opinions and advice and works closely with the staff of WHPC on legislation in the labor standards area. Both at the national office and in the regions there is continuous coordination and cooperation with the Solicitor's attorneys at all staff levels. There is constant contact with the Office of the Assistant Secretary for Administration with reference to budgetary and fiscal matters, personnel operations, management improvement and management services. The Bureau of Labor Statistics furnishes much data used in research and study carried on by the Office of Research and Legislative Analysis. The Bureau of Labor Standards makes studies on the basis of which the Secretary declares certain occupations hazardous for the employment of persons under 18 years of age, prohibited under Section 12 of the FLSA.

c. The Department of Justice executes criminal prosecutions under the FLSA. Consultation with respect to such cases is carried out at the national level and through the offices of the U.S. Attorneys through-

out the country. There is a constant exchange of information and data between WHPC and other Federal departments and agencies, particularly with Census, Agriculture, HEW, Commerce and numerous other Federal agencies with respect to matters of mutual interest.

d. Field personnel maintain a continuing liaison with State Labor Commissioners and officials occupying equivalent positions. There is a constant referral of inquiries from State agencies with respect to applicable Federal standards in order that Federal action may be taken when appropriate. Similarly, WHPC makes referrals to the States where certain employment subject to State law is not covered or exempt under the FLSA. In a number of States copies of employment permits issued to minors are furnished to WHPC for review for indicated violations of the child labor provisions of the FLSA. This interchange of information within the framework of any State or Federal statutory limitation is encouraged in all possible ways for mutual benefit in executing State or Federal responsibilities.

e. None.

f. None.

g. None.

h. All informational programs are designed to provide maximum information to employers subject to the provisions of the various statutes which form the basis for the program.

i. Trade associations and labor unions are brought within the framework of all informational activities in order to encourage opportunities for voluntary compliance. By invitation, national office and field personnel of WHPC regularly participate in meetings of labor leaders of business and professional groups.

8. *Laws and regulations*

1. P.L. 74-846, June 30, 1936. Public Contracts Act, as amended.

2. P.L. 75-718, June 25, 1938. Fair Labor Standards Act of 1938.

3. P.L. 76-344, Act of August 9, 1939. Provided a minimum wage and overtime exemption for switchboard operators in telephone exchanges having less than 500 stations.

4. Public Res. 88, Act of June 26, 1940. Provided for appointment of special industry committees for Puerto Rico and the Virgin Islands and power to set lower rates by wage order pursuant to their recommendations.

5. P.L. 77-283, Act of October 29, 1941. Broadened the overtime exemption in cases of employment on an annual basis.

6. P.L. 80-49, May 14, 1947. The Portal-to-Portal Act of 1947.

7. P.L. 81-177, Act of July 20, 1949. Provided a clearer definition of "regular rate" for purposes of computing overtime.

8. P.L. 81-393, October 26, 1949. Fair Labor Standards Amendments of 1949. Provided an increase in minimum wage rate to \$0.75 an hour, extension of child labor coverage, clarification of basic definitions, authorization to sue for back wages and added many new exemptions.

9. P.L. 84-381, August 12, 1955. Fair Labor Standards Amendments of 1955. Provided an increase in minimum wage rate to \$1.00 an hour effective March 1, 1956, changed the procedures for determining minimum wages in Puerto Rico and the Virgin Islands, and added the 4(d) report requirement.

10. P.L. 84-1023, August 8, 1956. American Samoa Labor Standards Amendments of 1956. Provided the same industry committee procedure for American Samoa as for the Virgin Islands and Puerto Rico.

11. P.L. 85-23, Act of August 30, 1957. Removed various overseas bases and possessions from coverage.

12. P.L. 85-750, Act of August 25, 1958. Provided that minimum wage rates in Puerto Rico, the Virgin Islands and American Samoa be reviewed by an industry committee at least once every 2 years.

13. P.L. 85-791, Act of August 28, 1958. Modified court review procedures of minimum wage rates established by industry committees.

14. P.L. 87-30, May 5, 1961. Fair Labor Standards Amendments of 1961. Provided a gradual increase in minimum wage to \$1.25 and brought additional workers under the Act especially in retail trade and service enterprises.

15. P.L. 88-38, June 10, 1963. Equal Pay Act of 1963.

16. (a) P.L. 89-286, October 22, 1965. Service Contract Act of 1965.

(b) P.L. 89-209, September 29, 1965. National Foundation on the Arts and Humanities Act of 1965.

17. Appropriation Authorization: For FY 1965, P.L. 88-605 (\$20,378,000); for FY 1966, P.L. 89-156 (\$20,905,000).

PART II. DATA BEARING ON ECONOMIC ASPECTS AND IMPACTS OF THE PROGRAM

9. Economic effects

The Fair Labor Standards Act requires that the Secretary of Labor submit annually in January a report to the Congress including an evaluation and appraisal of the minimum wages established by the act together with recommendations for changes in the Act. The Act specifies that in making the evaluation and appraisal changes in cost of living, productivity, the level of wages in manufacturing, ability of employers to absorb wage increases, and other factors be taken into account.

This provision was added to the FLSA in 1955. However, even prior to that time studies were carried through each time a significant change in the Act was made in order to measure the economic effects of the change and to determine the feasibility of further improvement in the act.

The first report on the effects of minimum wage legislation related to the increase in the minimum wage from 40 cents to 75 cents an hour in January 1950. More comprehensive reports have measured the economic effects of the increase to \$1.00 an hour in 1956 and to \$1.15 and \$1.25 in 1961 and 1963. The reports have also evaluated the first major extension of coverage (1961) which brought under the act large enterprises, predominantly in retail trade. These reports include analyses of the effects of changes in the law measured in terms of increases in wages, employment, prices, productivity, etc. In addition to the "effects" studies, feasibility studies are sent to the Congress. These evaluate the feasibility of extending minimum wage and overtime coverage to nonprotected employees in various low wage segments of the economy who constitute the "working poor."

The report submitted to the Congress in January 1965 included an evaluation of the 1961 amendments to the FLSA and a preliminary evaluation of the 1963 amendment to the act which broadened the act to include a provision to prohibit discrimination in pay because of sex.

Most recently the feasibility studies have been completed for the restaurant, hotel, laundry industries, as well as for hospitals, small logging establishments and hired farm workers.

In 1965 reports were sent to the Congress indicating in detail the wage structure in manufacturing and wholesale trade. These studies made it possible to evaluate the effects of proposed increases in the minimum wage in industries and areas throughout the country and to insure that changes will be proposed which will eliminate substandard conditions as rapidly as possible "without substantially curtailing employment or earning power."

Attached are a series of tables which show (1) the estimated number of employees covered under the FLSA by industry division and type of activity, (2) the extent to which employees who are not covered by the Fair Labor Standards Act are covered by State minimum wage laws, and (3) the extent to which employees under the Act were required to receive wage increases each time that the minimum wage has been adjusted and the magnitude of these increases. There is also attached a bibliography of the various effects and feasibility reports, issued since 1960.

10. *Economic classification of program expenditures.* (See table 2.)

Program: Minimum Wage Program.

Department or agency, and office or bureau: Department of Labor; Wage and Hours and Public Contracts Divisions.

TABLE 2.—*Economic classification of program expenditures for fiscal year 1965*

Federal Government:

Purchases of goods and services:

Wages and salaries.....	\$15, 731, 401
Other	4, 712, 827

Total, Federal expenditures.....	20, 444, 228
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Non-Federal expenditures.....	(¹)
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¹ Not available.

[Attachment 1]

Estimated distribution of nonsupervisory employees in private industry according to status under the Fair Labor Standards Act, as amended, 1964¹

[In thousands]

Category	All non-supervisory employees	Employees subject to minimum wage provisions of the FLSA	Employees not subject to minimum wage provisions of the FLSA
All nonsupervisory employees.....	47,260	29,593	17,667
Employees in categories in which minimum wage exemptions apply.....	² 15,791	2,910	12,881
Outside salesmen 13(a)(1).....	1,757		1,757
Retail trade 13(a)(2), 13(a)(4), (19), (20).....	6,153	2,586	3,567
Restaurants 13(a)(2).....	1,760	7	1,753
Hotels 13(a).....	549		549
Motion picture theaters 13(a)(2).....	114		114
Hospitals 13(a)(2).....	826		826
Nonprofit.....	759		759
Proprietary.....	67		67
Miscellaneous services 13(a)(2).....	³ 1,827	299	1,528
Laundries and cleaning plants 13(a)(3).....	523	18	505
Fisheries 13(a)(5).....	420		20
Agriculture 13(a)(6).....	1,895		1,895
Small newspapers 13(a)(8).....	16		16
Transit systems 13(a)(9).....	15		15
Processing within area of production 13(a)(10).....	90		90
Small telephone companies 13(a)(11).....	3		3
Taxicabs 13(a)(12).....	122		122
Small logging operations 13(a)(15).....	87		87
Cotton ginning 13(a)(18).....	34		34
All other employees classified by industry division.....	31,469	26,683	4,786
Manufacturing.....	15,270	15,207	63
Mining.....	559	554	5
Wholesale trade.....	2,262	2,092	170
Contract construction.....	2,994	2,413	581
Finance, insurance, real estate.....	2,020	1,889	151
Transportation, communication, utilities.....	3,516	3,474	42
Business services.....	742	600	142
Nonprofit organizations, NEC.....	1,134	246	888
Professional and educational services.....	468	228	240
Domestic service.....	2,504		2,504

¹ Estimates represent employment in September 1964 except retail trade and restaurants which relate to June 1964. Estimates are for the 50 States and the District of Columbia. All employees are included except executive, administrative and professional employees, and government workers.

² For purposes of this table employees who fall into more than 1 category are classified under the 1st category shown.

³ Includes agricultural services, personal services, repair services, amusements and recreation, and medical and health services.

⁴ Excludes fishermen paid on a "share of the catch" basis.

[Attachment 2]

Estimated number of nonsupervisory employees covered under the Fair Labor Standards Act, as amended, and under State minimum wage laws or orders, by industry—1964¹

[In thousands]

Industry	Total number of employees	Number of employees covered by FLSA	Number of employees not covered or exempt from FLSA	Number of employees covered by State laws only	Number of employees not covered by FLSA or State law
Total.....	47,260	29,593	17,667	4,937	12,730
Agriculture and fisheries.....	1,882	1,882	56	1,826	4
Mining.....	559	554	5	1	4
Contract construction.....	3,029	2,413	616	168	448
Manufacturing.....	15,851	15,207	644	106	638
Transportation, communications, utilities.....	3,664	3,474	190	34	156
Wholesale trade.....	3,015	2,092	923	105	818
Retail trade.....	7,988	2,593	5,395	2,256	3,139
Finance, insurance, real estate.....	2,515	1,869	646	94	552
Services (excluding domestic service).....	6,253	1,391	4,862	2,117	2,745
Domestic service ²	2,504	2,504	(³)	(³)	2,504

¹ Estimates represent employment in September 1964 except for retail trade, which relates to June 1964. Estimates are for the 50 States and the District of Columbia. Estimates for employees covered only under State minimum wage laws or orders reflect only such laws or orders enacted or revised from 1955 and through Jan. 1, 1965. All employees are included except executive, administrative, and professional employees and government workers.

² Coverage of domestic workers is provided by very few State laws, and the language of these laws is such that virtually all domestic workers are excluded from the coverage provisions.

[Attachment 3]

Estimated number and percent distribution of employees earning less than specified rates and estimated amounts and percent increases in wage bills to raise minimum rates to specified levels under the FLSA and amendments thereto from 1938 to 1965

Year and minimum wage rate	Estimated number of employees earning less than specified rates		Estimated annual wage bill increase	
	Number (thousands)	Percent	Amount (millions)	Percent
1938: To 25 cents.....	300	2.7	(⁴)	(⁴)
1939: To 30 cents.....	650	5.2	(⁴)	(⁴)
1949: To 75 cents.....	1,500	6.6	(⁴)	(⁴)
1955: To \$1.....	2,100	8.7	\$560	0.9
1961: To—				.7
\$1 ¹	663	18.3	200	1.5
\$1.15 ¹	1,093	30.2	460	3.6
\$1.25 ¹	1,330	36.7	700	5.5
\$1.15 ²	1,906	8.0	336	.3
\$1.25 ²	3,021	12.7	836	.8
1965: To \$1.25: ³				
Cash wages.....	1,572	34.0	809	5.1
With allowance for tips.....	1,406	31.0	656	4.1

¹ New coverage as of September 1961.

² Old coverage as of September 1961.

³ Proposed coverage.

⁴ Not available.

Source: Wage and Hour and Public Contracts Divisions, Office of Research and Legislative Analysis, June 10, 1965.

[Attachment 4]

Bibliography

WHPC effects and feasibility studies	Year	Page
Effects studies:		
In Puerto Rico.....	1960	76
Of extending coverage and raising the minimum wage.....	1960	37
In shellfish processing.....	1962	80
In retail trade and selected areas, United States.....	1963	198
In retail trade, United States and Puerto Rico.....	1963	150
In retail trade and selected areas.....	1964	23
In manufacturing and wholesale trade.....	1965	122
Feasibility of extending minimum wage to—		
Handling and processing of agricultural products.....	1962	420
Hotels and motels.....	1964	127
Laundry and cleaning services.....	1964	71
Restaurant and other food service enterprises.....	1964	93
Small logging operations.....	1964	34
Hired farmworkers.....	1964	48
Nongovernment hospitals.....	1965	67
Manufacturing industries.....	1965	14
Wholesale trade.....	1965	12
Hours standards: Overtime by covered employees.....	1963	44

