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The phenomenal growth of domestic economic and social expenditures by the Federal government in the past 25 years has inspired private and official concern in many quarters. Exactly what the government should and should not do in economic and social programs is a controversial subject now being pondered by such official bodies as the Second Hoover Commission and the Commission on Intergovernmental Relations, by Congress and by the American people themselves.

This brief study does not enter the controversy but attempts to provide a factual background for the decisions yet to be made on what the Federal government should do and what should be left to the states or to private initiative.

This review of the Federal budget for fiscal 1956 shows that one of every five dollars of proposed expenditures is for programs with economic or social objectives. These expenditures are presented in detail in six categories: aids to agriculture, to business, to labor, to veterans, to homeowners and tenants, and other programs providing general economic or social benefits. Not included are programs, such as defense or foreign aid, whose economic or social effects are merely incidental to their main purpose.

The Foundation is a private, non-profit organization engaged in research on government expenditures and taxation. Its purpose, characterized by the motto "Toward Better Government Through Citizen Understanding," is to aid in the development of more efficient government at less cost to the taxpayer. The Foundation also serves as a national information agency for organized civic and research groups throughout the nation.

THE TAX FOUNDATION
April 15, 1955
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I. INTRODUCTION

The Federal government expects to spend $12.3 billion, or about 20 percent of its budget in the fiscal year 1956, on domestic programs with economic or social objectives. The tabulation in this brief provides a short description of these programs and lists the estimated 1956 expenditures under each.

In the tabulation these expenditures are grouped in six categories as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditures (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aids to agriculture</td>
<td>$2,355</td>
</tr>
<tr>
<td>Aids to business</td>
<td>1,033</td>
</tr>
<tr>
<td>Aids to veterans</td>
<td>4,640</td>
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<tr>
<td>Net excess of receipts under aids to home owners and tenants</td>
<td>-126</td>
</tr>
<tr>
<td>Aids to labor</td>
<td>464</td>
</tr>
<tr>
<td>Programs providing general economic or social benefits</td>
<td>3,902</td>
</tr>
<tr>
<td>Total, domestic economic and social programs</td>
<td>$12,268</td>
</tr>
</tbody>
</table>

The figures include administrative costs and indirect aids, such as agricultural and other research, as well as direct aids and benefits. The benefits, of course, are not necessarily limited to the category of beneficiaries under which the expenditures are grouped. Moreover, expenditures not included above (those for national security programs, foreign aid, interest, general government and certain other purposes) may prove advantageous to business, labor and agriculture, although their primary purposes are not domestic economic and social benefits.

The major items under each category are as follows:

**Aids to Agriculture.** About a third of these expenditures are accounted for by the price support programs of the Commodity Credit Corporation. The next largest items are the activities of the Rural Electrification Administration and the Agricultural Conservation Program.

**Aids to Business.** The largest items in this category in the U.S. Budget for 1956 are provision of water navigation aids and facilities, provision of air navigation aids and subsidies, maritime subsidies for ship construction, etc., and aid for expansion of defense production facilities. If Congress should fail to pass the increase in postal rates proposed in the budget, the postal deficit will be the largest item of aid to business as it has been in past years.

**Aids to Veterans.** Veterans compensation and pensions account for about 60 percent of the total aids. The other largest items are education and training, and hospitals and medical care.

**Aids to Home Owners and Tenants.** Three programs account for the major disbursements in this category. These are the activities of the Public Housing Administration (chiefly for low-rent housing), the slum clearance and urban renewal programs, and loans for educational institutions. The net excess of receipts under other programs, including "Fannie Mae" and the Federal Housing Administration, accounts for the overall excess of receipts in this category.
Aids to Labor. A little over half of expenditures in this category are for grants to the states for administration of unemployment compensation and placement. The next largest item is the payment to the unemployment trust fund of the excess of Federal unemployment tax receipts over administrative expenses.

Programs Providing More General Economic or Social Benefits. The largest of these programs is grants to states for public assistance (old-age assistance, aid to dependent children, the blind and the permanently and totally disabled). Other large programs are those for conservation and development of natural resources, highway aid, public health, school construction, school lunches.

* * *

Note on Classification

The classification in this tabulation differs somewhat from similar classifications in the Federal budget. Aids to agriculture include all expenditures of the Department of Agriculture except those for the Forest Service and the school lunch program. The latter are included in programs providing general economic or social benefits. Relatively small budget expenditures of the Farm Credit Administration also are included under Agriculture. Aids to veterans accord with the budget functional classification. Aids to home owners and tenants consist of all activities of the Housing and Home Finance Agency. The item of conservation and development of natural resources under programs providing general economic or social benefits is the total of the budget natural resource functional classification. Aids to business, labor, and general economic or social benefits are drawn from various subgroups under the budget classifications, chiefly from commerce and manpower and welfare, health, and education.
II. DESCRIPTION OF FEDERAL DOMESTIC PROGRAMS WITH ECONOMIC OR SOCIAL OBJECTIVES, WITH ESTIMATED EXPENDITURES FOR THE FISCAL YEAR 1956

A. Aids to Agriculture

Net Cost of Price Support Programs of Commodity Credit Corporation $889,504,835

Under the Agricultural Act of 1949, price support is mandatory for six basic commodities (corn, cotton, wheat, rice, peanuts, and tobacco) and also for specified nonbasic commodities (tung nuts, honey, milk, butterfat, and the products of milk and butterfat; wool and mohair were added under the National Wool Act of 1954). Price support for other nonbasic agricultural commodities is discretionary to the Secretary of Agriculture.

Prices are supported by means of loans, purchase agreements, purchases, and, for wool and mohair, by incentive payments to producers based on marketings. The producer's commodities serve as collateral for price-support loans.

The net cost in fiscal 1956 is the difference between estimated gross outlay of $3,973 million and estimated gross repayments of loans and receipts from sales of $3,083 million. This net cost is held down by bank financing outside the budget estimated at $400 million.

Net Cost of Other Commodity Credit Corporation Programs 125,818,078

These programs include the International Wheat Agreement, under which our government pays exporters the difference between the world price and the domestic price of wheat (estimated at $84.2 million in fiscal 1956). Also included is the disposal of surplus commodities abroad--some are given away, others are sold at a loss.

The net cost of this group of programs for 1956 ($125.8 million) is actually understated by $184.2 million, which is the amount of the reimbursement of the corporation for the cost of certain of these programs in past years. Congress appropriates the funds for this reimbursement, but the reimbursement reduces the net expenditures of the corporation shown in the budget. It is thus a purely intragovernmental transaction which increases other expenditures under the Department of Agriculture while it reduces the apparent cost of CCC programs. But such reimbursement is not merely a matter of accounting, for it has the effect of restoring the power of the corporation to borrow from the Treasury without going through the appropriating process and to carry on loan and purchase programs for aid to domestic agriculture. Moreover, even though this reimbursement is by appropriation, it is virtually automatic under substantive law authorizing the programs.

Agricultural Conservation Program 212,000,000

This is the estimate of payments to farmers for compliance with specified soil-building, soil-conserving, and water-conserving practices during the 1955 crop season.
Sugar Act Program

This program is designed "to provide consumers with adequate supplies of sugar at reasonable prices and to maintain the welfare of the domestic sugar industry." Production quotas are established and, when necessary, marketing allotments are made by the Secretary of Agriculture. Most of the cost of the program consists of payments to cane and beet producers who meet specified conditions.

Treasury receipts from the sugar processing and import tax (3¢ per pound) are estimated at $80 million for fiscal 1956, or $18.8 million more than the estimated outlay under the Sugar Act program. The sugar tax, however, is not specifically earmarked for the Sugar Act program.

Removal of Surplus Agricultural Commodities

Under the Agricultural Adjustment Act of 1935, 30 percent of the revenue from customs duties is appropriated each year (plus unused balances from previous years up to $300 million) for removal of agricultural surpluses and for administration of marketing agreements and orders. These sums are used principally for purchase of perishable commodities not receiving price support. Estimated expenditures for 1956, $180 million, are $15 million more than the estimate of available new funds.

Rural Electrification Administration

This agency makes loans for rural electrification and rural telephones. The loans bear interest at 2 percent and are for periods not exceeding 35 years. With the help of the program, 92 percent of the nation's farms are now electrified, compared with 11 percent in 1935.

This program is not financed through a "revolving fund" (i.e., a fund under which receipts are available for continuing use of the program). Repayments of loans, estimated at $79 million in fiscal 1956, go to the general receipts of the Treasury.

Farmers' Home Administration

This administration makes loans for farm ownership, production and subsistence, water facilities, and soil and water conservation. Farm ownership loans are for periods up to 40 years at 4½ percent interest, and production and subsistence loans for periods up to 7 years at 5 percent interest.

The Farmers' Home Administration, like the Rural Electrification Administration, is not financed through a revolving fund. Repayments of loans going direct to the Treasury are estimated at $129 million for fiscal 1956.

Federal Crop Insurance Corporation

This corporation furnishes protection for the farmers' investment in producing crops against loss from unavoidable causes.

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programs are conducted on a limited basis "to develop the experience necessary for operation of a sound all-risk crop insurance plan on a national basis." For the crop year 1956 there will be 950 county programs furnishing coverage on barley, beans, citrus, corn, cotton, flax, multiple crops, soybeans, tobacco, and wheat; it is estimated that there will be 470,000 contracts in force.

Most of the administrative expenses are financed by a regular budget appropriation. The insurance program is financed through a revolving fund which will have an estimated $3.7 million excess of receipts in fiscal 1956; gross expenses in fiscal 1956 are estimated at $27 million. Sales and servicing of contracts at the county level are being performed by private agents under contractual agreement with the corporation.

Other Estimated Expenditures under the Department of Agriculture (except for forestry and school lunch program) $443,775,563

This total takes in the activities of such divisions of the Department of Agriculture as the Agricultural Research Service, the Extension Service, the Farmer Cooperative Service, the Soil Conservation Service, the Agricultural Marketing Service, and the Commodity Stabilization Service. The Forest Service and the school lunch program are listed elsewhere.

Net Costs of Operation of the Independent Farm Credit Administration 35,038,230

This administration provides supervision, examination, facilities and services to a system of farm credit banks and corporations. The services include assistance in financing and investments, custody of collateral for bonds and debentures, credit analysis, development of appraisal standards and policies, preparation of reports and budgets, and development and distribution of information on farm credit.

The activities of agencies under the Farm Credit Administration are largely financed outside the budget. The main item of budget expenditure is the excess of disbursements for loans over repayments by the intermediate credit banks. Administrative expenses (not included above) are paid from assessments collected from the farm credit banks and corporations.

The main agencies with which the Farm Credit Administration deals and their respective activities are as follows:

12 Federal Land Banks (wholly farmer-owned)

Provide mortgage credit to farmers through individual farm loan associations.

12 Production Credit Corporations (wholly government-owned)

Designed to make permanent short-term credit facilities available to farmers and stockmen on a cooperative basis. They organize, supervise, and provide supplemental capital for the local production credit associations, which are the lending cooperatives. Their capital stock comes from a revolving fund of $90 million in the Treasury.
13 Banks for Cooperatives (mixed ownership)

Make loans to finance the production, marketing and service operations of farmers' cooperatives. The Federal government investment in these banks is being gradually reduced.

12 Federal Intermediate Credit Banks (wholly government-owned)

Serve as banks of discount. They purchase, or accept as security, loans of farmers and stockmen from local lending institutions. They also extend credit to the banks for cooperatives and farmers' cooperatives. (Gross disbursements for loans and discounts are estimated at $2 billion for fiscal 1956)

The Federal Farm Mortgage Corporation (wholly government-owned)

In process of liquidation.

TOTAL AIDS TO AGRICULTURE $2,355,120,289

B. Aids to Business

Civil Aeronautics Administration, Department of Commerce $144,250,000

This includes establishment of air-navigation facilities, maintenance and operation of a national network of aids to air navigation and traffic control, grants-in-aid for airports, and research and experimentation in air navigation development.

Civil Aeronautics Board, Including Airmail Subsidy Payments 67,098,000

This board regulates the economic aspects of air carrier operations, both domestic and international; promulgates safety rules and standards; investigates aircraft accidents. It is also concerned with the development of international air transportation. In particular it fixes rates for the transportation of air mail, many of which include an element of subsidy. The subsidy element ($63 million in 1956) is now separately identified and paid by the board rather than by the Post Office Department (a change recommended by the first Hoover Commission).

Subsidies and Other Maritime Activities, Department of Commerce 194,901,314

These activities include ship construction ($51 million), operating-differential subsidies ($115 million), repair of reserve fleet vessels ($6 million), and other maritime activities and administration ($22.9 million). The ship construction item covers several programs for development of an American merchant marine, including construction-differential subsidies and national defense allowances. The operating-differential subsidies go to 16 privately owned companies operating 279 ships.
Miscellaneous Activities and Administrative Costs of the Department of Commerce in the Promotion of Domestic and Foreign Commerce

$ 91,451,335

These activities include those of the Census Bureau, the Bureau of Foreign Commerce, the Office of Business Economics, the Patent Office, the Business and Defense Services Administration, the Bureau of Standards, the Coast and Geodetic Survey, and the Weather Bureau. The total includes all activities of the Department of Commerce other than those listed above as business aids and those of the Bureau of Public Roads listed elsewhere.

Provision of Navigation Aids and Facilities 353,211,000

This includes construction activity (Army Engineers), operation and maintenance of navigation projects, net costs of operation of the Panama Canal, initial costs of the St. Lawrence Seaway, and operations of the Coast Guard.

Expansion of Facilities for Defense Production Under President's Fund 145,940,346

Under the Defense Production Act of 1950, a revolving fund was set up which is used for loans and other costs in financing an expansion of productive capacity for strategic metals and minerals and other materials where there is not sufficient incentive for private capital.

In the 1956 budget, the President recommended a two-year extension of the Defense Production Act. Gross outlays are estimated at $602 million and repayments at $456 million for fiscal 1956.

Postal Deficit 24,295,000

The estimated postal deficit assumes an increase of $400 million in receipts from higher rates, and a $130 million increase in salaries. Without an increase in rates the deficit would be $424 million as compared with $312 million in fiscal 1954. Since the cost of most government mail is now absorbed by the departments, the Budget Bureau views the greater part of any postal deficit as due to inadequate rates on various classes of business mail.

Net Disbursements for Exporter and Importer Credits by the Export-Import Bank 11,700,000

This covers only that part of the activities of the Export-Import Bank in which aid is given directly to American exporters and importers. Credits to foreign governments for purchase of American commodities and for development projects are excluded although they may indirectly aid American business.

TOTAL AIDS TO BUSINESS 1,032,846,995
C. Aids to Veterans

Compensation and Pensions

$2,800,000,000

Payments for compensation and pensions have been increasing and the long-run outlook is for continued large increases. There are three main reasons for the present and prospective increase.

First, World War II and the Korean War increased the veteran population about fivefold. Second, veterans of World War I are reaching age 65 and qualifying for pensions in large numbers. Third, benefits for veterans have been increased in scope and liberality; in 1954 laws were passed which will add more than $170 million to expenditures for veteran benefits in fiscal 1956, chiefly for compensation and pensions.

The President has appointed a Commission on Veterans' Pensions to study the entire structure, scope, and philosophy of present laws.

Education and Training

587,250,000

An average of 516,000 trainees is expected in the school, job and farm training courses during the fiscal year '56. Even after 1956 there will still be a large reservoir of potential enrollees. The President recently issued a proclamation ending accrual of eligibility after January 31, 1955 for Korean War veterans.

Hospitals and Medical Care

769,964,276

The average number of patients in Veterans Administration and contract hospitals is expected to be 114,500, a 4 percent increase over 1955. It is estimated that more than two-thirds of 1956 expenditures will be for non-service-connected cases.

Of the total expenditures, $60 million is for hospital construction and the remainder for current expenses.

Net Disbursements for Direct Loans to Veterans

39,396,000

This is a program of housing loans. Loans are made to veterans, under certain conditions, to finance the purchase or construction of homes, including construction or improvement of farmhouses. The program is scheduled to expire June 30, 1955, but the President has recommended its extension to July 25, 1957, the date of expiration of the veterans' loan guaranty program.

For fiscal 1956, it is estimated that disbursements for direct loans will amount to $92.2 million and repayments to $52.8 million. Administrative expenses are met by a separate appropriation under the Veterans Administration.

a. Administrative costs of all programs except hospitals and medical care are included in the last item in the category.
Unemployment Compensation, Department of Labor $150,000,000

Under the Veterans' Readjustment Assistance Act of 1952, funds are allocated to the states for payments of unemployment compensation to veterans in service on or after June 27, 1950.

Miscellaneous Services and Benefits, (chiefly under the Veterans Administration, and for VA administrative costs) 293,425,669

TOTAL AIDS TO VETERANS $4,640,035,945

D. Aids to Home Owners and Tenants

Net Cost of Activities of Public Housing Administration, Housing and Home Finance Agency $ 89,208,900

The Public Housing Administration makes loans and grants to assist local authorities in the construction of low rent housing. The loans may be temporary, being refunded by long-term bonds of the local authorities sold to private investors. The Federal government does not directly guarantee these local bonds, but makes annual contributions to cover debt service. On direct temporary Federal loans, local authorities are currently charged interest at 2-5/8 percent.

The Housing Act of 1949 authorized 810,000 housing units over a six-year period, with loans up to a total of $1.5 billion outstanding at one time, and annual grants of $336 million for 40 years. But in subsequent years, restrictions were imposed. In the 1956 budget the President recommended a 2-year authorization for an additional 35,000 housing units each year. The number of housing units in the active program at the end of fiscal 1956 is estimated at 585,762.

The net cost of this program is the excess of gross expenditures, $584 million, over receipts of $494 million.

Net Cost of Capital Grants and Loans for Slum Clearance and Urban Renewal Program 91,008,000b

Under the Housing Act of 1954, the Housing and Home Finance Administrator is authorized to make loans and grants to local public agencies for the planning and execution of slum clearance and urban renewal projects. Loans are authorized up to a total of $1 billion. In addition, contracts and appropriations totaling $500 million have been authorized for capital grants to defray up to two-thirds of net project costs, and an additional $500 million for contracts is recommended in the 1956 budget. It is estimated that at the end of fiscal 1956 there will be 251 slum clearance and 135 urban renewal projects in various stages of planning, execution, or completion.

The net cost represents the excess of gross expenditures of $143 million over receipts of $52 million in fiscal 1956.

b. Administrative costs are included in the last item in the category.
The Housing and Home Finance Administrator is authorized to make long term, low interest loans, up to a total of $300 million, to institutions of higher learning for construction of student and faculty housing. The total of authorized loans has been limited administratively to $225 million at the end of fiscal 1956. Out of total applications from 339 institutions, 137 had been approved at the end of fiscal 1954 to provide nearly 35,000 housing accommodations for single students and 700 for students and faculty families.

The net cost of this program is the excess of $32 million in expenditures over $4 million in receipts in fiscal 1956.

Total Net Cost of Three Housing Programs  
(207,821,548)

Excess of Receipts in Other Programs of the Housing and Home Finance Agency  
(-333,932,635)

The items (net) in this group are as follows:

Federal National Mortgage Association whose principal functions are to provide a secondary market for FHA and VA insured mortgages and to purchase mortgages where private financing cannot be obtained.  
-192,916,400
Federal Housing Administration whose principal function is the insurance of housing mortgages  
-67,074,600
Liquidation of various defense programs  
-58,237,735
Home Loan Bank Board (chiefly excess receipts of the Federal Savings and Loan Corporation, supervised by the board)  
-28,226,100
Public Facility Loans (for systems of water supply and distribution or sewage collection and disposal)  
952,100
Intragovernmental Funds  
-54,000
Planning and Other Administrative Costs  
11,624,100

NET EXCESS RECEIPTS OF AIDS TO HOME OWNERS AND TENANTS  
(All activities of the Housing and Home Finance Agency)  
(126,111,087)

E. Aids to Labor

Grants to States for Unemployment Compensation and Placement Administration, Department of Labor  
$245,420,000

Under the Social Security Act of 1935 (as amended) grants are made to the states for administration of unemployment compensation and for employment service activities. Receipts from the Federal unemployment tax until recently had not been earmarked although intended for

c. The excess of receipts is a result largely of the sale of certain assets to private institutions.
d. Administrative costs are included below in "Other Expenditures, including Administrative Costs, of the Department of Labor."
financing this program; over the years receipts exceeded grants by a
total of about $1 billion. In 1954 a change was made in the disposition
of these receipts as noted under the following item.

**Payment to the Unemployment Trust Fund, Treasury Department**  $ 87,095,000

Under the 1954 Employment Security Financing Act, part of
the receipts of the Federal unemployment tax is earmarked for the un-
employment trust fund (in which state unemployment tax receipts are
deposited and reserves held). The part earmarked is the excess of
receipts over Federal expenditures for administrative and other inci-
dental costs of various related programs, including the grants to the
states for unemployment compensation and placement administration
and similar expenses under the Veterans' Readjustment Assistance Act
of 1952. Amounts transferred to the trust fund are placed in a special
account, in which a balance of $200 million ultimately is to be maintained,
from which states with depleted reserve accounts may obtain interest-
free advances. Amounts transferred in the future in excess of the $200
million will be credited to the regular accounts of the states in the un-
employment trust fund.

The total fund is estimated to amount to $8.9 billion at the end
of fiscal 1956.

**Unemployment Compensation for Federal Employees**  40,000,000

Under a 1954 amendment to the Social Security Act, persons in
regular civilian employment with the Federal government after 1952 are
entitled to unemployment compensation. The payments would be made by
the states (or the District of Columbia) on the same basis as under state
laws, with reimbursement by the Federal government by appropriation
from general funds. Agreements for such action would be arranged with
the states by the Secretary of Labor.

**Employees' Compensation Claims**  46,948,000

These claims are under laws administered by the Bureau of
Employees' Compensation of the Department of Labor:

- Federal Employees' Compensation Act
- Longshoremen's and Harbor Workers Act
- War Risk Hazards Act
- District of Columbia Workmen's Compensation Act
- Certain provisions of the War Claims Act and the
  Outer Continental Shelf Lands Act

**Other Expenditures, including Administrative Costs, of the
Department of Labor (excluding special activities for veterans)**  31,849,278

These cover the Office of the Secretary, the Office of Solicitor,
the Bureau of Labor Standards, the Bureau of Apprenticeship, the Bureau

- **e.** Excludes administrative costs.
- **f.** Administrative costs are included below in "Other Expenditures, including
  Administrative Costs, of the Department of Labor."
of Veterans' Unemployment Rights, the Bureau of Employment Security, the Bureau of Labor Statistics, the Women's Bureau, and the Wage and Hour Division.

Independent Labor Agencies

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Labor Agencies</td>
<td>$12,313,860</td>
</tr>
</tbody>
</table>

These are:

- The National Labor Relations Board which has jurisdiction over representation disputes in industry and unfair labor practices by employers and unions: $7,906,000
- The Federal Mediation and Conciliation Service which provides mediation services in disputes affecting industries engaged in interstate commerce other than air and rail transportation: 3,215,860
- The National Mediation Board which provides mediation services and determines collective bargaining representatives for 700 carriers and 1,500,000 employees in the railroad and airline industries: 1,190,000

TOTAL AIDS TO LABOR: $463,626,138

F. Programs Providing General Economic or Social Benefits

Conservation and Development of Natural Resources: $952,578,413

This is the total under the natural resources functional classification in the budget. The various programs in this group have contributed to economic development in large areas. Included are power, reclamation, flood control and other resource development under the Interior Department, the Army Engineers, and the Tennessee Valley Authority; conservation and development of mineral resources under the Interior Department; conservation and development of forest resources under the Agriculture and Interior Departments; conservation and development of fish and wildlife under the Interior Department; recreational use of natural resources under the Interior Department; and general resource surveys under that department. Industries, municipalities, cooperatives and citizens in the TVA area are said to enjoy a substantial annual subsidy in lower power rates because of the absence of any requirements for interest on the government's investment. There are other instances of benefits which are termed subsidies.

Grants to the States and Other Expenditures for Highways: 725,000,000

The highway program is regarded as of great benefit to the economy as a whole, supplementing aids to agriculture, business, labor, and to citizens in general. The $725 million includes $680 million for Federal-aid highway grants and $31.7 million in other highway expenditures under the Department of Commerce and $13.3 million under the Interior Department.

The President's new 10-year highway program was not ready in time for incorporation in the 1956 budget.
Grants to the States for Public Assistance and Administrative Costs

This program, the cost of which has doubled in the last decade, is the largest one under the Department of Health, Education, and Welfare and also the largest by far of any Federal-aid grant. The total includes $1,400,000,000 in grants under existing law, $20 million additional under the President's proposal for medical services, and $1,588,820 for administrative costs. Under substantive law, the Federal government is obliged to contribute definite shares of total costs of the states in four programs for old-age assistance, and aid to dependent children, the blind, and the permanently and totally disabled. The total amount of Federal, state and local expenditures for assistance and administration of these programs in fiscal 1956 is estimated at $2,540,000,000.

Grants to the States for Maternal and Child Welfare and Administrative Costs

This is another program in which the Federal government matches state and local expenditures. The Children's Bureau, in the Social Security Administration (in which is also the Bureau of Public Assistance) of the Department of Health, Education, and Welfare, investigates and reports on the health and welfare of children and administers grants to the states for extending and improving maternal and child health services, crippled children's services, and child welfare services. The total of grants is $30 million.

Programs of the Public Health Service, Including National Health Institutes, Hospital Construction, etc.

The Public Health Service, a major unit in the Department of Health, Education, and Welfare, attends to what is regarded as the Federal interest in safeguarding the public health by providing grants and technical and consultative services to the states for the prevention and control of disease and hospital planning and construction. The programs include scientific research and investigations in biology and medicine, enforcement of foreign and interstate quarantine regulations, collection and dissemination of information on health problems, and medical and hospital care for legal beneficiaries. Grants for hospital construction under the Hill-Burton program, under which expenditures in fiscal 1956 are estimated at $100 million, form the largest item in the Public Health Service budget.

Programs of the Office of Education, Including Assistance for Maintenance and Construction of Schools in Federal Impact Areas

The Office of Education, another major unit in the Department of Health, Education, and Welfare, has as a large part of its costs the maintenance and construction of schools in Federal impact areas, estimated expenditures for which are $172,262,500, including $70,012,500 for maintenance and $102,250,000 for construction. The budget includes proposed supplemental funds for fiscal 1955 amounting to $19.2 million for maintenance and $70 million for construction. The President's new school construction program was announced after submission of the budget. The next largest item under the bureau is $23,673,261 for
promotion and further development of vocational education. Grants are made to the states for training in agriculture, home economics, trades and industry, and distributive occupations, and for training of teachers in these subjects.

Grants to States and Expenses of Office of Vocational Rehabilitation $42,537,920

The Office of Vocational Rehabilitation in the Department of Health, Education, and Welfare administers a program of grants to states and other agencies for vocational rehabilitation, the vocational rehabilitation training program, and the program of licensing the blind to operate vending stands on Federal and other properties. Estimated expenditures in fiscal 1956 are about $12 million more than in the current year. It is expected that services will be provided to about 367,000 persons in 1956 as compared with about 260,000 in 1955.

Other Programs and Administrative Costs of Department of Health, Education, and Welfare $41,361,435

Other programs under the Department of Health, Education, and Welfare include the American Printing House for the Blind, the Food and Drug Administration, Freedmen's Hospital, Gallaudet College, Howard University, St. Elizabeth's Hospital, and activities of the Office of the Secretary.

School Lunch Program of the Department of Agriculture $67,950,000

Assistance, in the form of both funds and food, is provided to the states for use in serving lunches to school children. Each state's portion of the total funds is determined by means of a statutory formula which takes into account the number of school-age children and the relationship between the per capita income of the state and the average United States per capita income. The states must contribute $1.50 for each Federal dollar. The program is operated under agreements between the Secretary of Agriculture and state educational agencies. Part of the school lunch appropriation is used by the Department of Agriculture to purchase food. Additional foods are supplied from purchases in programs for disposal of surplus farm commodities and price support.

Bureau of Indian Affairs of Interior Department $86,689,200

Expenditures of the Bureau of Indian Affairs from current and permanent appropriations, as estimated for fiscal 1956, include those for educational assistance, facilities and services, welfare and guidance services, relocation services, and for maintenance of law and order.

Assistance to State and Local Governments from the President's Fund for Disaster Relief $17,000,000

A 1950 law provides for a coordinated effort by the Federal government in assisting the states and political subdivisions affected by major disasters when the states and public bodies are unable to cope with the situation. Administration of the program is a responsibility of the Civil Defense Administration.

TOTAL, PROGRAMS PROVIDING GENERAL ECONOMIC OR SOCIAL BENEFITS $3,902,336,977
### III. TOTAL FEDERAL EXPENDITURES BY MAJOR PURPOSE,
FISCAL YEAR 1956

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic and social programs (19.7 percent of total)</td>
<td>$12,267,855,257</td>
</tr>
<tr>
<td>Major National Security (64.8 percent of total)</td>
<td>40,458,020,000</td>
</tr>
</tbody>
</table>

This is the budget functional classification and includes expenditures for the military services, foreign military aid, atomic energy, and critical materials.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Affairs and Finance (2.0 percent of total)</td>
<td>1,222,207,285</td>
</tr>
</tbody>
</table>

This total is less by $109,794,000 than the budget functional classification amount by reason of the deduction of $98,094,000 for items under the Commodity Credit Corporation and $11,700,000 for exporter and importer credits of the Export-Import Bank, which are listed respectively among aids to agriculture and business. The budget grouping includes foreign economic and technical aid, all activities of the Export-Import Bank, the domestic as well as foreign activities of the State Department, the United States Information Agency, and other related activities.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (10.2 percent of total)</td>
<td>6,378,015,161</td>
</tr>
</tbody>
</table>

This is the budget functional classification total for interest on the public debt, on refunds of receipts, and on uninvested trust funds.

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other Expenditures (3.3 percent of total)</td>
<td>2,082,081,876</td>
</tr>
</tbody>
</table>

This includes about $1.5 billion of the $1.6 billion in the budget functional classification of general government, in which appear ordinary functions of the legislative, judicial and executive branches, financial management such as the collection of taxes and customs duties, payment to employees' retirement funds, payment of claims, expenses of the District of Columbia government, etc. The $2.1 billion total also includes miscellaneous other activities, such as regulatory functions under other budget classifications, civil defense, etc., and $325 million in reserves for a classified pay increase and contingencies.

**TOTAL ESTIMATED FEDERAL BUDGET EXPENDITURES, FISCAL 1956** | $62,408,179,579

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