

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 programing 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 ² (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	267,970	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 ³ (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 MAGNITUDE¹ (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
----------------------------------	------

Non-Federal expenditures.....	(1)
-------------------------------	-----

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.

HUMAN RESOURCES PROGRAMS

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	1,453,400,000
(b) Applicants or participants:	Number of individuals	8,513,541	8,676,700	9,110,500	9,815,100
Individuals or families	do.	2,690,677	2,666,300	2,811,550	3,093,100
Active military members (direct)	do.	2,464,500	2,521,000	2,573,000	2,627,000
Retired military members (indirect)	do.	3,975,000	3,971,000	4,061,000	4,273,000
Dependents of active duty (indirect)	do.	1,374,364	1,515,400	1,665,000	1,820,000
(c) Federal finances:	Dollars	None	None	40,000,000	None
Unobligated appropriations available	do.	1,020,600,000	1,066,300,000	1,235,200,000	1,290,000,000
Obligations incurred	do.	None	None	40,000,000	None
Allocations or commitments made	do.	5,400,000	5,400,000	5,400,000	5,800,000
(d) Matching or additional expenditures for program: Amount in dollars paid by military personnel as share of cost of care of dependents.	Total man-years	118,500	117,850	125,750	140,850
(e) Number of Federal Government employees administering, operating, or supervising the activity.	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:	do.	32,531	33,413	40,099	52,820
1. Average daily number of individuals hospitalized	Number of visits	43,967,089	44,106,835	47,250,000	55,000,000
2. Number of outpatient visits					

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

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 programming 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 programming 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
----------------------------------	-------

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 phasedown 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.....	\$173 million.....	\$109 million.
	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.....	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 administering, 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).

(c) *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
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	² 5,500
(b) Participants (no data available of types of agencies) (law enforcement officers).....	117,275	149,290	³ 165,000
(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	20.3	23.0
(f) Non-Federal personnel employed in the program.....	(⁶)	(⁶)	(⁶)
(g) Other measures of level or magnitude of performance.....	(⁷)	(⁷)	(⁷)

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 1st 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 (e), (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
PROGRAM9. *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
--	---------------

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) ^{1,3}	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, 53,875; 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	\$650,000
Obligations incurred.....	\$495,580	\$685,297	\$694,000	\$650,000
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

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
Allolements or commitments made (specify).....				
(c) 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
----------------------------------	----------

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.....	\$9.16	\$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 earmarked.....	2,400	3,100	4,000	5,000
5. Houses completed or under construction.....	320	670	1,100	2,000
(c) Federal finances.....	(1)	(1)	(1)	(1)
(d) Additional Federal expenditures (BIA personnel employed to assist tribes to organize, 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
----------------------------------	-----------------------

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 or 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 (spec- ify).....				
(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	23	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) ¹ -----	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	1,071.1
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 stinted 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	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 expenditures¹, fiscal years 1962-65 and 1966 estimate*

[In thousands of dollars]

Appropriations and expenditures		Fiscal 1962	Fiscal 1963	Fiscal 1964	Fiscal 1965	Fiscal 1966 estimate
Total appropriation.....		40,511.4	13,044.0	12,270.0	5,524.8	4,083.0
Less direct appropriation not expended ²		-98.5	-27.5	-55.0		
I. Net appropriation.....		40,412.9	13,016.5	12,221.0	5,524.8	4,083.0
II. Operating expenditures, total.....		20,972.5	4,432.8	5,093.3	5,524.8	8,103.5
A. Program activities, total.....		20,081.5	3,301.6	5,461.1	7,106.6	7,784.4
1. Education ³		6,948.8	877.6	2,063.7	2,897.6	3,383.5
2. Medical services.....		3,638.0	702.2	998.2	1,118.7	1,324.2
3. Protection, persons and property ⁴		691.5	140.0	169.4	237.9	298.5
4. Resources development.....		1,113.3	273.6	297.2	400.2	429.8
5. Operations, maintenance, Public works, transportation and utilities.....		5,666.8	909.4	1,332.8	2,069.8	1,803.1
6. General administration.....		2,053.1	655.0	459.8	442.4	595.3
B. Territorial government ⁵		891.0	220.6	235.2	265.4	319.1
7. Governor's office.....		484.2	117.3	128.3	142.8	170.0
8. Chief justice and high court.....		237.9	61.5	60.4	76.0	91.0
9. Local judicial and public defender.....		17.2	11.3	10.2	9.3	21.1
10. Legislative expense.....		13.2	0.0	0.0	27.3	31.0
III. Less estimated local revenues required for operating expenditures.....		-7,949.8	-1,104.0	-2,372.1	-3,157.4	-7,400.5
IV. Total appropriations available for construction adjusted ⁶		13,030.7	3,220.5	3,224.2	4,204.6	4,083.0
V. Balance appropriations available.....		21,382.2				
VI. Less appropriations expected to be reprogrammed ⁷		1,338.5				
VII. Appropriations available for construction adjusted ⁸		26,053.7	9,082.4	8,705.2	9,147.3	
VIII. Construction expenditures, total.....		16,976.8	2,818.8	11,073.0	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 \$900,000 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 ³	-----	214.0	2,970.0	-----	3,184.0	2,734.4	449.6
3. Resources development ⁴	-----	-----	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.....	835.0	2,002.6	1,000.0	7,1,063.0	9,490.6	404.9	4,555.7
(b) Transportation (jet airport).....	2,350.0	600.0	-----	-----	2,950.0	-----	2,950.0
(c) Communications.....	-----	159.5	691.0	7,254.0	1,101.5	513.1	591.4
(d) Other ⁵	923.9	744.0	2,000.0	7,784.0	11,450.9	1,634.4	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	13,19,430.1

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 bridges.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.

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.....	86.5	68.2	18.3	
4. Public affairs ²	350.7	331.7	19.0	150.0
5. Resources development ³	25.0		25.0	
6. Protection, persons and property.....	450.1	396.5	53.6	65.0
7. Administration ⁴				
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 ⁵	(1,308.5)	(1,278.8)	(29.7)	(300.0)
(c) Communications.....	(181.3)	(95.1)	(86.2)	
(d) Other public works ⁶	(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	5,582.5	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.....	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	\$6,800	\$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 1965-67*¹—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, demon- stration, 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 pro- gram:				
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:	<i>Man-years</i>	<i>Man-years</i>	<i>Man-years</i>	<i>Man-years</i>
Research, fellowship, demonstration, and train- ing grants (administer)	22	24	28	30
State control programs, (included in technical assistance)	(⁶)	(⁶)	(⁶)	(⁶)
Comprehensive programs (administer, super- vise, operate)	337	410	471	738
Enforcement (administer, supervise)	235	255	297	375
Research and development (administer, super- vise)	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 cooperation*¹

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
Total Federal expenditures-----	100, 824
Non-Federal expenditures financed by:	
State and local governments-----	641, 600
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	-----
Obligations incurred.....	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
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 esti- mate	Fiscal year 1967 budget esti- mate	Fiscal year 1970 esti- mate 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 govern- ments.....						
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 for the program.....	(2).....	(2)	(2)	(2)	(2)	(2)
(d) Matching or additional expenditures for the program.....						
(e) Number of Federal Government em- ployees 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 on 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]		Federal Government expenditures R.C. & D.
Category		
Purchases of goods and services:		
Wages and salaries.....		\$0.7
Other.....		.2
Aid to State and local governments.....		2.1
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	1,500,000	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	(2)	(2)
(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.....	Not available.....	(2)				
(d) Matching or additional expenditures for the program.....	Man-years.....	171	151	170	170	(2)
(e) Number of Federal Government employees administering, operating, or supervising the activity (estimated).....						
(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 esti- mate)	Fiscal year 1970 estimate
(a) Magnitude of the program (millions of $\frac{1}{2}$ 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).....	91,890	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 2, 000, 000
(b) Applicants or participants:					
State government agencies.....	State.....	22	29	41	46
Local communities or govern- ments.	Area.....	43	110	2 348	3 600
(c) Federal finances:					
Appropriations available.....	Thousand dollars.	4 44, 625	5 55, 650	99, 992	6 150, 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.....	¹ 32.5
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 ²					
(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)-----	484.9	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.....	\$113,245,000	\$100,808,000	\$101,400,000	\$85,400,000	(1)
Funds available.....	Loans.....	\$89,953,000	\$96,974,000	\$101,000,000	\$85,000,000	(2)
Obligations incurred.....	Dollars.....	\$5,109,000	\$5,512,000	\$5,529,000	\$5,529,000	(1)
Salaries and expenses:	do.....	\$3,096,675	\$3,510,517	(1)	(1)	(1)
Appropriations available ³	Man-years.....	13.7	13.7	13.6	13.6	13.6
Obligations incurred.....	do.....	431.3	441.0	437.7	430.2	430.2
(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).						
(2) Supporting personnel (engineers, accountants, loans and operations analysts, field representatives, clerical and stenographic).						

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 to \$175,000. 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

Total, Federal expenditures..... 86, 000, 000

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) Obligations incurred ²	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. ²		\$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.		(3)	(3)	(3)	(3)	-----
(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 1970*¹

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).....	4	1	200	225
State government agencies.....	37	19	4,050	4,525
Local communities or governments.....				
(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 (estimated).....	\$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

Office of Manpower Policy, Evaluation, and Research:	Page
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 1964–67*¹

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 ³			
(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 became 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	2 275,000	2 250,000
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	2 \$438,953	2 \$443,591
Obligations incurred.....	141,158	397,387	2 438,953	2 443,591
Total allotments.....	143,834	401,447	438,953	(3)
(d) Matching expenditures.....	(2)	(2)	(3)	
(e) Federal employees, man-years.....	537	2 639	2 836	2 4 899
(f) Non-Federal personnel in OJT program, man-years.....		17.4	30	
Non-Federal personnel, estimates of direct staff (E. & D. program).....	780	119	850	

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

Area Redevelopment Act (P.L. 87-27, May 1, 1961) (\$14,500,000 appropriation authorization, terminated June 30, 1965).

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.

Amendment to MDTA (P.L. 88-214, December 19, 1963. Authorization for \$411 million for 1965 and \$285 million for 1966 (State matching).

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.

Trade Expansion Act (P.L. 87-794, October 11, 1962).

NATURE OF LEGISLATION

First specific statutory attack on unemployment in economically distressed areas.

Extended the training concept to all areas and provided for an extensive program of research.

Amendments to the 1962 Act providing for basic literacy training, expanded youth training liberalized allowances, and labor mobility studies.

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.

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	2,470	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.....	3,041	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).....	180	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	(2) (3)
Obligations incurred.....	\$8,262,000	\$8,158,000	(2) (3)
Allotments made.....	\$8,500,000	\$8,500,000	(2) (3)
(d) Matching expenditures.....	(4)	(4)	(4)
(e) Federal Government employees administering, operating, or supervising the activities.....	53	(3)	(3)
(f) Non-Federal personnel employed.....	(4)	(4)	(4)
(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 $2\frac{1}{2}$ 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	(²)
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	(²)
Other State government ³				
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