

The payment of excess Federal Reserve profits to the Treasury should continue to be treated as a Federal budget receipt. But other receipts and expenditures of the Federal Reserve banks should continue to be excluded from the budget.

As indicated in Chapter 6, however, the Commission does propose certain modest steps in recognition of the interrelated nature of the budget and monetary policy. Since changes in Federal Reserve holdings of Treasury securities are a primary reflection of the operation of monetary policy, the Commission recommends that in presenting summary tabulations of means of financing for past years these changes in System holdings of Federal obligations be shown as a separate item. Federal Reserve loans outstanding (discounts, advances, and acceptances) would be shown for past years in *Special Analysis E*, as at present.

Government-sponsored enterprises

Another coverage issue concerning the boundaries of the Federal Government has to do with the five so-called Government-sponsored enterprises—the Federal home loan banks, the Federal land banks, the banks for co-operatives, the Federal intermediate credit banks, and the Federal Deposit Insurance Corporation. The Commission recommends:

◦ *The operations of the Federal land banks and the Federal home loan banks, which no longer have any Federal Government ownership, should be excluded from budget receipts and expenditures;*

◦ *At such time as all of the banks for cooperatives and the Federal intermediate credit banks are completely privately owned, they too should be excluded from budget receipts and expenditures;*

◦ *However, the budget document should contain, in a prominent place, memorandum items on the volume of outstanding loans of the excluded Government enterprises. Moreover, the Commission favors whatever steps are necessary so that the budget Appendix can contain as "annexed budgets" information about the financial transactions and position of the excluded Government-sponsored agencies.*

All five Government-sponsored enterprises clearly represent Federal Government lending or insurance programs. They are regarded by the financial community as Federal agencies rather than private institutions, and they are not subject to Federal income taxes. On the other hand, they are not subject to the annual budgetary review provisions of the Government Corporation Control Act, which does cover most other Federal corporations.

In the Commission's view, the fact of 100% private ownership argues for excluding the Federal land banks and Federal home loan banks from the budget. The transactions of these agencies are now included on a net basis, at least conceptually, in the consolidated cash budget totals. However, the