

*Improvements in Government accounting for loans*

Present Treasury reports also do not contain current monthly information on Federal lending within the year on an overall summary basis. Statistics on the Federal sector of the national income accounts are available quarterly, but these differ from the cash budget totals for a variety of factors other than the exclusion of loans from the national income accounts and the inclusion of loans in the cash budget.

To carry through fully the Commission's recommendation for a separate identification of loans in the budget totals it would be necessary to distinguish, preferably on a monthly basis, within the Government's accounting system, between loan principal amounts which do in fact represent loans and those elements of loans which would continue to be classified as expenditures because they are subsidies.

It may not be practicable to expect Government agency accounting systems to produce fully refined unsubsidized loan values and subsidy expenditure amounts separately in time to place the Commission's recommendation fully into effect in the 1969 budget to be transmitted by the President in January 1968 but the 1969 budget should nevertheless show a separation of loans on the basis of the best information available. It may also be possible for agency reports on a more fully refined basis to be made monthly to the Treasury beginning July 1, 1968 for purposes of internal testing as to data on subsidies vs. loan principal amounts. This might make it possible for the 1970 budget, to be transmitted in January 1969, to be presented on this basis, with Treasury reporting to the public to start July 1, 1969 on the new basis. In the meantime, a beginning could be made in the improvement and expansion of *Special Analysis E*, particularly in the direction of showing simply and clearly the relationship between the loan principal amounts presented there and the overall budget totals. The time schedule should be left to the discretion of the Bureau of the Budget and the associated agencies concerned, but the Commission urges action as soon as possible.

The Commission also wishes to emphasize that at the individual program level, the business-type accounting statements in the detailed budget *Appendix* provide a substantial amount of information on many of the subsidy elements discussed above. For example, most loan programs are funded as public enterprises, so that program costs for them reflect a difference between interest rates paid and received on an actual pay-as-you-go basis, whether the enterprise has been financed by loans from the Treasury or by borrowing from the public. However, several agencies borrow from the Treasury at subsidized interest rates below Treasury borrowing costs.

Both the Congress and the agencies are, of course, quite aware of the existence of loan subsidies and are quite willing to defend them as designed to further important national goals. The Commission's interest is not to criticize the existence or extent of the subsidies, but rather to bring them out in the open as a matter of essential budget information needed for adequate policy formulation. It does not appear necessary for the Congress to appropriate separately for the subsidy elements on the one hand and the "pure