



REPORT TO SUBCOMMITTEE ON
ECONOMY IN GOVERNMENT OF
THE JOINT ECONOMIC COMMITTEE

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Financing Agency Programs
Other Than By
Direct Appropriation--
Revolving Funds B-140389

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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MARCH 6, 1970



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-140389

Dear Mr. Chairman:

In its July 1967 report on economy in Government, the Subcommittee on Economy in Government of the Joint Economic Committee requested that we provide the Congress, from time to time, with a summary of methods of financing Government programs other than those financed through direct appropriations. We made an interim report to the Subcommittee on this subject in May 1968 and promised a further report as of the close of the Ninetieth Congress.

The accompanying report discusses various aspects of revolving funds--a principal means of financing Government programs.

We trust that this information will be helpful to your Subcommittee.

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Stacks".

Comptroller General
of the United States

The Honorable William Proxmire, Chairman
Subcommittee on Economy in Government
Joint Economic Committee
Congress of the United States

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COMPTROLLER GENERAL'S REPORT TO
THE SUBCOMMITTEE ON ECONOMY IN
GOVERNMENT, JOINT ECONOMIC
COMMITTEE

FINANCING AGENCY PROGRAMS BY
OTHER THAN DIRECT APPROPRIATION--
REVOLVING FUNDS B-140389

D I G E S T

WHY THE REVIEW WAS MADE

At the request of Congressman Thomas B. Curtis, the General Accounting Office (GAO) reported on various methods of financing Government programs (B-140389, May 8, 1967). In July 1967 the Subcommittee on Economy in Government, Joint Economic Committee, requested GAO to provide the Congress, from time to time, with a summary of methods for financing governmental programs other than through direct appropriations.

GAO issued a report on revolving funds to the Subcommittee on May 7, 1968 (B-140389). The report described 11 revolving funds authorized (or established) by the Eighty-ninth Congress and by the Ninetieth Congress in the first session.

This report includes information on revolving funds as of June 30, 1968, with reference to additional revolving funds authorized by the Ninetieth Congress in the second session.

FINDINGS AND CONCLUSIONS

The use of revolving funds has certain advantages, such as the flexibility to more readily meet unforeseen conditions and the systematic disclosure of the relationship between revenue and expense.

GAO discusses the characteristics of revolving funds, their legislative authority, methods of financing the funds, and fund accounting and budgeting.

GAO believes that the public interest is best served when congressional control over activities is exercised through annual reviews and affirmative action on planned programs and financing requirements through the appropriation processes. GAO has therefore advocated that a program be financed through direct appropriation or that legislation authorizing financing through other means provide for adequate and continuing congressional control. GAO believes that, to maintain congressional control, proposed legislation to authorize program financing by

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means other than through the appropriation process should include provisions for annual review by the Congress, coupled with such limitations and allowances for flexibility as are deemed appropriate. (See pp. 32 to 34.)

CHAPTER I

INTRODUCTION

In its July 1967 report on economy in Government, the Subcommittee on Economy in Government of the Joint Economic Committee requested that the General Accounting Office provide the Congress, from time to time, with a summary of methods of financing Government programs other than through direct appropriations.

We had previously prepared a report at the request of Congressman Thomas B. Curtis on the various methods of program financing (B-140389, May 8, 1967), which was made available to the Subcommittee. After its hearings in May 1967, the Subcommittee in its July 1967 report on economy in Government discussed receipts from sales of surplus properties becoming available for expenditure without further action by the Congress. The report stated that this was an example of flexible financing and cited the use of revolving funds as a specific illustration of such financing. With this in mind we have directed our attention herein to the subject of revolving funds.

The principal characteristic of revolving funds is that, through their operation, receipts are generated that are earmarked for further use in carrying on the cycle of operations. In most cases the revolving funds are intended to be self-sustaining but there are some exceptions (the postal fund, the Commodity Credit Corporation fund, the service disabled veterans insurance fund, and others). Our May 1967 report pointed out that there were 117 revolving funds reported by the Treasury Department as of June 30, 1966.

We made an interim report to the Subcommittee (B-140389, May 7, 1968) for the purpose of supplementing some of the information included in the May 1967 report. The interim report described 11 revolving funds authorized or established by the Eighty-ninth Congress and by the Ninetieth Congress in the first session. Further changes as of the close of the Ninetieth Congress are referred to herein.

CHAPTER 2

REVOLVING FUNDS

AND

BUDGET AUTHORITY

Government agencies are permitted to enter into obligations, requiring either immediate or future payment of money, only when they have been granted authority to do so by law. There are two methods of accounting for authorizations to Government agencies to enter into obligations.

1. In the case of special funds and trust funds and un-earmarked receipts of the general fund, including borrowing, the authorization is referred to as "budget authority."
2. In the case of revolving funds, the authorization to use earmarked receipts is handled by treating the receipts as an offset to expenditures.

Most budget authority, but not all, is enacted in appropriation acts annually after consideration by the appropriations committees of the Congress; some budget authority is enacted on a permanent basis; and some is enacted annually after consideration by other committees of the Congress.

Although, in most cases, revolving funds are intended to be self-sustaining, budget authority for revolving funds is granted (1) to provide initial or additional capital, representing the corpus of the fund, or (2) to make up losses, representing a subsidy to the program involved. In some cases, disbursements for grant programs are made through revolving funds and budget authority is provided to the fund in advance to finance these programs. Budget authority which provides capital may be in the form of appropriations or of authorizations to borrow from the Treasury or from the public. (See pp. 18 to 20.) Budget authority which provides subsidies is usually in the form of appropriations.

In overall perspective, the budget for operation of the Government during fiscal year 1968 included budget authority of \$190.6 billion, of which not all required current action by the Congress. The budget authority for fiscal year 1968, including that for revolving funds, is shown in the following chart.

Actual Budget Authority
Fiscal Year 1968
(From Budget of the United States
Fiscal Year 1970)

	Amount (billions)
Available through current action by the Congress	\$134.4 ^a
Available without current action by the Congress:	
Trust funds (existing law)	\$47.8
Interest on the public debt	14.6
Other	<u>5.4</u>
Total	<u>67.8</u>
Deductions for offsetting receipts:	
Interfund and intragovernmental transactions	6.9
Proprietary receipts from the public (note b)	<u>4.7</u>
Total	<u>11.6</u>
Total available without current action by the Congress	<u>56.2</u>
Total budget authority	<u>\$190.6</u>

^aThe 1969 Budget included a summary estimate of about \$12 billion as budget authority for revolving funds for fiscal year 1968. The 1970 Budget did not include a total amount as actual budget authority for 1968, but an analysis of the detailed data for the public enterprise funds contained in the 1970 Budget indicates that the actual amount of budget authority for revolving funds was less than \$12 billion.

^bThese receipts do not include collections credited to revolving funds.

CHAPTER 3

REVOLVING FUNDS

AND

PROGRAM FINANCING

TYPES OF REVOLVING FUNDS

Revolving funds discussed in this report include (1) public enterprise funds which derive their receipts primarily from sources outside the Government and (2) intragovernmental funds which derive their receipts primarily from operations within and between Government agencies. Also, there are some trust revolving funds among the various trust funds administered in a fiduciary capacity by the Government. A discussion of trust revolving funds is not included in this report.

NUMBER OF FUNDS

The latest edition of the Treasury Department's combined statement of receipts, expenditures, and balances of the U.S. Government (hereinafter referred to as the Treasury Combined Statement) covers the fiscal year ended June 30, 1968, and lists 127 revolving fund accounts. Included in the list are 89 public enterprise funds and 38 intragovernmental funds. The Treasury Combined Statement for the preceding fiscal year listed 88 public enterprise funds and 33 intragovernmental funds.¹

An analysis of recent legislation shows that 10 new public enterprise funds were created by various laws enacted after June 30, 1968, through the close of the Ninetieth Congress. (See app. I, pp. 1 and 2.)

¹The Treasury Combined Statement does not distinguish between the types of funds. Our classification is based on designations in the Budget of the United States for fiscal year 1970.

PUBLIC ENTERPRISE REVOLVING FUNDS

Gross outlay¹ of public enterprise funds was about \$26.5 billion in fiscal year 1968. Receipts such as fees, charges, repayments of loans, and proceeds from sales for the same period amounted to about \$17.9 billion.

Public enterprise funds include a great variety of enterprises with a wide range of complexity. The variety of programs is illustrated by the following selected examples. Each of the examples used herein includes a reference to the pertinent page or pages of the Appendix to the Budget of the United States for fiscal year 1970 (hereinafter referred to as "Budget Appendix").

Vessel Operations Revolving Fund Maritime Administration Department of Commerce

This fund finances the operation, reactivation, deactivation, and charter of Government owned or controlled cargo-type vessels (46 U.S.C. 1241a). Cargo vessels are operated by private operators as agents of the Maritime Administration to carry shipments for the Military Sea Transportation Service and for other agencies.

The fund is also used to finance the operation of Government-owned experimental vessels (46 U.S.C. 1205). Operations of the Nuclear Ship "Savannah," which in August 1968 completed 3 years of experimental commercial operation, is financed under this program.

Expenses are financed principally by reimbursements from the Military Sea Transportation Service and other agencies. During fiscal year 1968, gross outlay of the fund was about \$165 million and receipts totaled about \$184 million. (Budget Appendix, fiscal year 1970, p. 254.)

1

Liquidation of obligations.

Federal Home Loan Bank Board
Revolving Fund

The Federal Home Loan Bank Board supervises the Federal home loan bank system, the system of Federal savings and loan associations, and the Federal Savings and Loan Insurance Corporation (12 U.S.C. 1421 et seq., 1461 et seq., and 1464 et seq.). Net administrative expenses of the Board are paid from assessments against the 12 Federal home loan banks and the Federal Savings and Loan Insurance Corporation.

The Board's budget is based on nine activities, namely (1) examination and supervision of Federal home loan banks, (2) supervision of Federal and State-chartered institutions, (3) chartering Federal and insuring savings and loan associations, (4) examining savings and loan associations, (5) executive direction and staff services, (6) analysis of operations, (7) administrative services, (8) special studies of the savings and loan industry, and (9) acquisition and construction of a building in the District of Columbia.

During fiscal year 1968, gross outlay of the fund was about \$24 million and receipts totaled about \$19 million. (Budget Appendix, fiscal year 1970, pp. 921 and 922.)

Revolving Fund for Certification and other Services
Food and Drug Administration, Consumer Protection
and Environmental Health Service
Department of Health, Education, and Welfare

The Food and Drug Administration certifies batches of antibiotics, insulin, and color additives for use in food, drugs, or cosmetics; it also establishes tolerances for residues of pesticide chemicals in or on raw agricultural products and for color additives in foods, drugs, and cosmetics (21 U.S.C. 346, 356, 357). Fees received from the industries for such services are deposited into the revolving fund established for certification and other services (77 Stat. 229).

During fiscal year 1968, total reported operating costs were \$3.2 million. Also there was capital outlay for purchase of equipment amounting to \$424,000. During fiscal

year 1968, gross outlay was about \$4 million and receipts totaled about \$3 million. (Budget Appendix, fiscal year 1970, pp. 377 and 378.)

Postal Fund--Post Office Department

Revenue from mail and other services of the Post Office Department is placed in the Postal Fund (39 U.S.C. 2202). In addition to being used for the obligations and expenditures under limitations enacted in annual appropriations acts, the fund is used for the purchase of stamp-embossed envelopes and for the payment of certain indemnities, claims, and judgments.

Postal revenue comes primarily from private postal patrons. There are also receipts from Federal agencies for the handling of official mail and the payment by the Congress for franked mail. Also reimbursements received for nonpostal services and other recoveries are deposited into the postal fund.

The aggregate of postal revenues is less than the obligations authorized for payment from the postal fund. An indefinite appropriation is made annually from the general fund of the Treasury to make up the difference. For fiscal year 1968, gross outlay was about \$6.8 billion and receipts totaled about \$5.7 billion. (Budget Appendix, fiscal year 1970, pp. 701 and 702.)

Federal Crop Insurance Corporation Fund--
Department of Agriculture

The Federal Crop Insurance Corporation, a wholly owned Government Corporation, was created to carry out the provisions of the Federal Crop Insurance Act (7 U.S.C. 1501). The purpose of this act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and by providing the means for the research and experience helpful in devising and establishing such insurance.

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by four area offices and 24 State offices.

Sales and servicing of insurance contracts at the county level are performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time, or "when actually employed" basis. Detailed administrative and program accounting and statistical functions are performed by the National Service Office in Kansas City, Missouri.

Capital stock of \$100 million is authorized in the original act, of which \$40 million has been issued.

Funds from the issuance of capital stock provide working capital for the Corporation. Receipts which are for deposit into this fund come mainly from premiums paid by farmers for crop insurance. The principal payments from this fund are for indemnities to insured farmers, direct cost of adjusting crop losses, and part of the administrative and operating expenses.

For fiscal year 1968, gross outlay was about \$59 million and receipts totaled about \$44 million. (Budget Appendix, fiscal year 1970, pp. 166 and 167.)

College Housing Fund--Department of Housing and Urban Development

Title IV of the Housing Act of 1950, as amended (12 U.S.C. 1749), authorizes financial assistance to colleges and eligible hospitals for the construction or acquisition of housing and of essential housing-related facilities such as student centers and infirmaries at colleges. The law authorizes such assistance in two forms--as partial debt service grants to reduce the cost of borrowing on the private market or as direct Federal loans.

Debt service grants to colleges and eligible hospitals for loans obtained on the private market for the construction or acquisition of housing and of certain housing-related facilities are authorized by the Housing and Urban Development Act of 1968.

The direct Federal long-term-loan program is available primarily as backup to the debt service grant program in those cases in which eligible applicants are not able to

borrow on the private market at reasonable interest rates. Funds for the direct loan program have come primarily through the use of a Treasury borrowing authorization and from the sale of certificates of participation against the college housing loans as authorized in appropriation acts.

The Treasury borrowing authorization increased by \$300 million on July 1, 1968, to a total of about \$3.8 billion. Sales of certificates of participation amounted to \$1 billion in 1968. In order to pay the interest on the participation certificates, appropriations are authorized to make up the insufficiencies between the interest due on the participation certificates and interest collections on the loans underlying the certificates. However, the fund must pay interest on the participation certificates whether or not the appropriation is provided.

For fiscal year 1968, gross outlay of the fund was about \$414 million, and receipts totaled about \$125 million. (Budget Appendix, fiscal year 1970, pp. 501 to 504.)

Laundry Service, Naval Academy
Department of Defense

The Naval Academy laundry is operated for the benefit of midshipmen and other military personnel of the Naval Academy. The charges collected for laundry service are available for operating expenses (10 U.S.C. 6971(b)).

For fiscal year 1968, gross outlay was almost \$1 million with receipts about the same. (Budget Appendix, fiscal year 1970, pp. 315 and 316.)

Defense Production Guarantees
Department of Defense

Guarantees are given by the Departments of the Army, Navy, and Air Force and by the Defense Supply Agency on loans made by public and private financing institutions to facilitate performance of defense production contracts. When necessary, loans may be purchased by the Government. Administrative expenses are financed from guarantee fees and interest on loans receivable. Net earnings are retained to purchase loans when required under guarantee

commitments and to cover possible future losses (50 U.S.C. app. 2091). Funds in excess of guaranteed loan program requirements may be transferred to miscellaneous receipts of the Treasury.

For fiscal year 1968, gross outlay of the funds (there are separate funds for the Army, Navy, and Air Force and the Defense Supply Agency, see app. II, p. 2) was about \$9 million and receipts totaled about \$15 million. (Budget Appendix, fiscal year 1970, p. 314.)

INTRAGOVERNMENTAL REVOLVING FUNDS

The 38 intragovernmental revolving funds included in the Treasury Combined Statement as of June 30, 1968, incurred obligations during fiscal year 1968 totaling about \$20 billion. Because there are no substantial receipts from the public generated by the programs financed by intragovernmental funds, financial activity is expressed herein on the basis of obligations incurred rather than outlay and receipts. Obligations refer to orders placed, contracts awarded, loan agreements made, and recurring services (such as rent, utilities, and personal services) received during the year, regardless of the time of payment.

Some selected examples of intragovernmental revolving funds are discussed below.

Government Printing Office Revolving Fund

The Government Printing Office executes orders for printing, binding, and blankbook work placed by the Congress and the various agencies of the Federal Government and, on order, furnishes blank paper, inks, and similar supplies. Operations are subject to the authority of the Joint Committee on Printing (44 U.S.C. 63).

All printing and binding work for the Congress and Federal agencies is financed through the Government Printing Office revolving fund. The fund is reimbursed by the customer agencies, and net operating income is retained for use by the fund.

Total obligations in fiscal year 1968 for printing and binding were about \$195 million.

The sale of publications program of the Superintendent of Documents also is financed through the revolving fund, and receipts from sales of publications are deposited therein. All profits from these transactions are transferred to the general fund of the Treasury (44 U.S.C. 63).

Total revenue for fiscal year 1968 for the program of the Superintendent of Documents was \$16.9 million with net

earnings of \$2.4 million. (Budget Appendix, fiscal year 1970, pp. 33 to 35.)

Bureau of Engraving and Printing Fund
Treasury Department

The Bureau of Engraving and Printing designs, manufactures, and supplies most of the major items of a financial character issued by the United States. It is the sole source of U.S. Currency and Federal Reserve notes; various public debt instruments; as well as most of the minor evidences of a financial character, such as food coupons, postage, internal revenue, customs, and savings stamps, issued by the United States. In addition, the Bureau prints a wide variety of miscellaneous commissions, certificates, etc., and executes certain printings for various territories administered by the United States, particularly postage and revenue stamps. Authority for the Bureau of Engraving and Printing Fund is contained in 31 U.S.C. 181a.

Total obligations during fiscal year 1968 were about \$39 million. (Budget Appendix, fiscal year 1970, pp. 794 to 796.)

General Supply Fund--General Services
Administration

The General Supply Fund finances, on a reimbursable basis, a national supply depot system and a system of ordering supplies for direct delivery to agencies. Supplies or services are sold, at cost, from the fund to other agencies and to the District of Columbia. Also financed by the fund and reimbursed by using agencies are the operations of inter-agency motor vehicle pools and the rehabilitation and repair of furniture and equipment. Authority for the General Supply Fund is contained in 40 U.S.C. 756.

Total obligations in fiscal year 1968 were about \$806 million. (Budget Appendix, fiscal year 1970, pp. 829 and 830.)

Department of Defense stock funds

The Department of Defense through its stock funds finances the acquisition of material and supplies (10 U.S.C. 2208). There are five separate stock funds (Army, Navy, Marine Corps, Air Force, and Defense). At the close of fiscal year 1968, the total value of inventories for all the funds was reported to be about \$7.8 billion.

The stock funds are authorized by law to incur obligations in anticipation of future years' business (10 U.S.C. 2210 (b)), generally because of procurement lead-time problems. The budget shows that, pursuant to this authority, contract authorization of about \$1,664 million was available at the end of 1968 which, according to the Budget Appendix, fiscal year 1970, would decrease to \$1,516 million in 1970.

Obligations incurred by the various stock funds, totaling \$11,285 million in fiscal year 1968, were distributed as follows:

	Fiscal year 1968 (000,000 omitted)
Army Stock Fund	\$3,790
Navy Stock Fund	1,874
Marine Corps Stock Fund	237
Air Force Stock Fund	2,065
Defense Stock Fund	3,319

(Budget Appendix, fiscal year 1970, pp. 316 to 324.)

Department of Defense industrial funds

Department of Defense industrial funds finance industrial- and commercial-type activities on a reimbursable basis (10 U.S.C. 2208).

The Army Industrial Fund finances 30 activities engaged in research; development; test; engineering; transportation and traffic management; and limited-quantity production and major overhaul of weapons, munitions, missiles, and other military equipment.

The Navy Industrial Fund finances nine shipyards, 34 printing plants, six ordnance plants, seven aircraft overhaul and repair facilities, nine public works centers, four research activities, 10 naval weapons facilities and ammunition depots, two Polaris missile facilities, and the Military Sea Transportation Service.

The Marine Corps Industrial Fund was established effective July 1, 1968, and two depot maintenance activities were chartered under it as of that date.

The Air Force Industrial Fund finances nine printing plants, 33 laundries, the Alaska Communication Service, the Military Airlift Command, the six Air Force depot activities, and the Arnold Engineering Development Center.

The Defense Industrial Fund finances the Defense Clothing and Textile Supply Center and leased communication services procured by the Defense Commercial Communications Office.

Obligations incurred by the industrial funds, which in fiscal year 1968 totaled \$6,232 million, were distributed as follows:

	Fiscal year 1968 (000,000 omitted)
Army Industrial Fund	\$1,094
Navy Industrial Fund	3,744
Marine Corps Industrial Fund	-
Air Force Industrial Fund	1,099
Defense Industrial Fund	295

(Budget Appendix, fiscal year 1970, pp. 324 to 330.)

Working capital fund
Department of the Interior

The working capital fund of the Department of the Interior finances central reproduction, communications, supply, automatic data processing, and health services and such other services as may be performed advantageously on a reimburseable basis (5 U.S.C. 502).

Total obligations in fiscal year 1968 were about \$7 million. (Budget Appendix, fiscal year 1970, p. 645.)

CHAPTER 4

FINANCING REVOLVING FUNDS

EARMARKED RECEIPTS

A characteristic of revolving funds is the availability of receipts earmarked for use within the scope of the authorized program and generally without further action by the Congress. Since intragovernmental revolving funds generally operate on payments from other accounts for goods and services provided to other accounts (in the same agency or other agencies), receipts as discussed in this section are those of public enterprise funds only.

The dollar amount of the receipts of public enterprise funds are included in the expenditures section of the budget as offsets to expenditures. Receipts resulting from transactions of public enterprise funds during fiscal year 1968 totaled about \$17.9 billion.

Following are examples of various sources of receipts earmarked for use by public enterprise funds with the name of at least one of the funds to which such receipts are deposited.

1. Sale of electric energy and water--Upper Colorado River Basin Fund.
2. Sale of power--Tennessee Valley Authority Fund.
3. Rail line operations--Alaska Railroad Revolving Fund.
4. Sales of merchandise to hospitalized veterans--Canteen Service Revolving Fund (Veterans Administration).
5. Mortgage loan repayments and interest--Government National Mortgage Association Funds.¹

¹More than one revolving fund.

6. Assessments for services and facilities--Federal Home Loan Bank Board Fund.
7. Postage and fees for postal services--Postal Fund.
8. Sales of real property--Community Disposal Operations Fund, Federal Housing Administration.
9. Fees for certification and antibiotics, insulin, and color additives--Revolving Fund for Certification and other Services, Food and Drug Administration, Public Health Service.
10. Insurance premiums--Veterans Special Term Insurance Fund, Federal Housing Administration Fund, and Federal Crop Insurance Corporation.
11. Repayments of loans--Business Loan and Investment Fund, Small Business Administration, and other programs in the field of credit.
12. Sale of loans--Rural Housing Insurance Fund and Agriculture Credit Insurance Fund.

Generally congressional action is not required for use of earmarked receipts. The Government Corporation Control Act (31 U.S.C. 849), however, contemplates that, for the revolving funds of wholly owned corporations, congressional consideration of the budgets will be followed by the enactment of authorizations annually, making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine.

APPROPRIATIONS

Capital requirements of revolving funds are, in many cases, supplied through budget authority (either appropriations or some other form of such authority) from the general fund. In addition, enabling legislation provides authority to enact appropriations for credit to revolving funds in various other instances. Following are some examples.

1. Appropriations to make up for losses in operations (Commodity Credit Corporation, the Post Office Department, Special Risk Insurance Fund--Housing and Urban Development Act of 1968).
2. Appropriations to pay for insufficiencies on account of outstanding beneficial interests or participations authorized to be issued pursuant to section 302(c) of the Federal National Mortgage Association¹ Charter Act, as amended--Participation Sales Act of 1966 (12 U.S.C. 1717).
3. Appropriations to liquidate contract authorizations (Urban Renewal--grant program).

AUTHORITY TO BORROW FROM THE TREASURY

In a number of cases, public enterprise revolving funds obtain capital by borrowing from the Treasury, which is usually directed by law to use the proceeds of public debt receipts (that is, its borrowing) to supply the needs of the enterprise.

Authorizations to borrow from the Treasury usually remain available for an indefinite period. The undrawn authorizations available as of June 30, 1968, to certain of the public enterprise funds are shown below:

	Amount (billions)
Commodity Credit Corporation	\$2.5
Federal National Mortgage Association	5.8
Export-Import Bank of the United States	5.6
College Housing Loans (Dept. of Housing and Urban Development)	2.1

AUTHORITY TO BORROW FROM THE PUBLIC

Some Government agencies have been authorized by law to issue their own debt instruments to the public or to other

¹Now the Government National Mortgage Association (12 U.S.C. 1717 (a) (2)).

Federal agencies and funds. Such agency borrowing, along with borrowing by the Treasury, constitutes the "Gross Federal debt" as the term is used in the summary tables of the Budget of the United States. Since the disbursement of such borrowed money is a part of budget outlays, the authorizations to use borrowed money constitute "budget authority." The repayment of agency borrowing, like the Treasury's repayment of the public debt, is not counted as a budget outlay.

For several years the Export-Import Bank and the Federal National Mortgage Association, as trustee for five departments and agencies have been pooling blocks of direct loans and selling certificates of participation in such pools. Receipts from these sales have provided financing for specific programs.

The following data extracted from Special Analyses, Budget of the United States, fiscal year 1970 shows the public enterprise funds which borrowed more than \$100 million from the public or from Federal agency funds in fiscal year 1968 and the amounts of such borrowings. The table also shows the amounts which it is estimated will be outstanding at the end of fiscal year 1970.

	<u>From the public</u>		<u>From other funds</u>	
	<u>FY 1968</u>	<u>Estimated outstanding end FY 1970</u>	<u>FY 1968</u>	<u>Estimated outstanding end FY 1970</u>
	(000,000 omitted)			
Agriculture:				
Farmers Home Administration (note a)	\$332	\$ 485	\$193	\$403
Housing and Urban Development:				
College housing loans (note a)	635	1,540	365	589
Government National Mortgage Association (note a)	225	1,271	190	482
Veterans Administration (note a)	337	1,428	193	331
Export-Import Bank (note b)	407	2,904	-	-
Small Business Administration (note a)	325	528	-	-
Tennessee Valley Authority	110	985	-	-

^aCertificates of participation in loans.

^bIncludes certificates of participations in loans of \$19 million in 1968 and \$1,372 million outstanding at the end of fiscal year 1970.

CONTRACT AUTHORIZATION

When contract authority is made available to a revolving fund, it represents either (1) financing for grant programs for which appropriations to liquidate the obligations will subsequently be provided or (2) authority to incur obligations in excess of amounts available in the fund, in anticipation of future receipts.

Contract authority has been granted to the Commodity Credit Corporation, the Urban Renewal Fund of the Department of Housing and Urban Development, and the Helium Fund of the Department of the Interior, among the public enterprise funds. With regard to intragovernmental funds, this authority has been provided for some of the Department of Defense funds. The Treasury Combined Statement for fiscal year 1968 shows unfunded contract authorization available to the above-mentioned funds as of June 30, 1968, as follows:

	Approximate amount (000,000 omitted)
Commodity Credit Corporation	\$1,006
Urban Renewal Fund (grant program)	3,006
Helium Fund	4
Navy Stock Fund	249
Marine Corps Stock Fund	19
Air Force Stock Fund	181
Army Stock Fund	531
Defense Stock Fund	683

CHAPTER 5

AUTHORITY AND CRITERIA

FOR ESTABLISHING

REVOLVING FUNDS

ENABLING LEGISLATION

Section 9, clause 7, of article 1 of the Constitution of the United States, provides that:

"No money shall be drawn from the Treasury, but in consequence of appropriations made by law; and a regular statement and account of receipts and expenditures of all public money shall be published from time to time."

The meaning of this clause was explained by the first Secretary of the Treasury, Alexander Hamilton, as follows:

"The design of the Constitution in this provision was, as I conceive, to secure these important ends, - that the purpose, the limit, and the fund of every expenditure should be ascertained by a previous law. The public security is complete in this particular, if no money can be expended, but for an object, to an extent, and out of a fund, which the laws have prescribed."

All revolving funds are authorized by law, but there is variation in the language of such laws as shown in the examples of laws contained in appendix III.

Proposals by agencies and departments for legislation authorizing the use of revolving funds are considered by the Bureau of the Budget (BOB) through its responsibilities for reviewing requests or recommendations for legislation.

CRITERIA FOR ESTABLISHMENT OF REVOLVING FUNDS

The staff of BOB advises informally that each proposal to establish a public enterprise fund is considered on its

own merits but that their experience indicates that those which have been recommended usually meet the criteria shown below.

- "1. There is a continuing cycle of operations in which expenditures generate receipts.
- "2. The fund is substantially self-sustaining. Ordinarily, a revolving fund is not a good device for carrying out a loss or subsidy program (except as noted in paragraphs 3 or 4 below).
- "3. The program involves many transactions of a business nature. When this criterion is applicable, the enterprise may qualify for a revolving fund even though it is not self-sustaining. For example, the Commodity Credit Corporation has many transactions involving loans, purchases, sales, etc. Even though this corporation is not self-sustaining, the necessity for flexibility in its transactions makes a revolving fund desirable. Similarly, a program for loan guarantees may properly be handled as a revolving fund even if not self-sustaining, because it involves transactions such as the forfeiture of collateral, the management of properties, and sales of property.
- "4. A systematic disclosure of the relationship between revenue and expense and the subsidy, if any, supplied by the Government is desirable. Although cost-type budgets do provide significant cost data under ordinary appropriation accounts, the relationship of expenses to revenues is not displayed as systematically as in revolving funds. The operation of the National Capital Airports is an example of a significant revenue-expense

relationship.[1] Establishment of a revolving fund to finance the airport activities would systematically disclose whether the airports are operating at a profit or a loss. Under appropriation funding, special effort is necessary to establish similar facts. This criterion is applicable only when revenues are substantial in relation to expenses. Where revenues generate expenses only incidentally or vice versa, there is usually no need for refined data on the relationship between revenues and expenses.

- "5. There is substantial need for flexibility to meet unforeseen requirements. A significant advantage of a revolving fund is its flexibility since an unforeseen and necessary increase in expenses is related to business volume and the related revenue increase ordinarily can finance the increased workload without going back to Congress for a deficiency appropriation. Since there are other devices to provide flexibility under appropriation funding, such as conditional or contingent appropriations, the need for flexibility is not a sufficient reason in itself to create a revolving fund."

Intragovernmental funds, unlike public enterprise funds, have no receipts from the public or, if there are such receipts, they are incidental. Therefore the following criteria for considering proposals for intragovernmental funds differ somewhat from those applicable to public enterprise funds.

- "1. Accurate distribution of the costs of a common operation among two or more appropriations is

¹The operation of the National Capital Airports is not financed by a revolving fund. Bills have been introduced to create a revolving fund for this purpose but authorizing legislation has not been enacted.

desirable and significant. Most intragovernmental revolving funds involve the joint use of inventory or common services, such as printing or duplicating, that can be administered more economically and effectively by one unit for an entire department or several functions, with the costs charged to the respective benefiting appropriations or organization units. Intragovernmental revolving funds ordinarily should not be established where there is only one appropriation with which the fund will deal. The use of a revolving fund often is a preferable method for charging costs to the right appropriations, rather than the alternative method of making reimbursements or refunds between appropriations.

- "2. It is important to place responsibility for justifying costs on the officials who benefit therefrom. Sometimes costs are financed by appropriations to the performing organization rather than to the benefiting organization. Consideration should be given to the respective responsibilities of the officials who conduct the operation and those who benefit from it, particularly with respect to the responsibility for seeking appropriations from Congress and justifying the proposed operating volume. The creation of the Bureau of Engraving and Printing fund, for example, moved the responsibility for justifying the volume of engraving and printing work from the Bureau of Engraving and Printing to certain other Treasury bureaus which requisition and use the products of the Bureau of Engraving and Printing.
- "3. It is desirable to indicate clearly whether the pricing policies used for interagency charges are on a cost or profit basis. The use of appropriation reimbursements cannot do this as a routine. An intragovernmental

revolving fund, with a systematic display of its profit or loss, does disclose overpricing or underpricing.

- "4. Flexibility in the time purchases are made is desirable. A revolving fund on a no-year basis provides slightly more flexibility than annual appropriations, and removes the inducement to unnecessary June buying. Although a change from one-year to no-year appropriations also would accomplish flexibility, a revolving fund permits more economical procurement through use of the fund's working capital to purchase in volume and at a time when prices are favorable. The use of a revolving fund also tends to minimize the cost of year-end requisitioning by the using office, since the materials presumably would be purchased or produced through the revolving fund under more economical circumstances."

- - - -

Qualifying for revolving fund status in accordance with the foregoing criteria does not, however, automatically mean that such proposed funds will be authorized by the Congress. For example some of the governmental operations for which revolving funds have been proposed but not enacted into law are (1) National Capital Airports, (2) the Rural Electrification Administration, (3) the Southeastern Power Administration, (4) the Southwestern Power Administration, and (5) the Bureau of Reclamation.

CHAPTER 6

ACCOUNTING AND BUDGETING

FOR

REVOLVING FUNDS

The use of a revolving fund for financing a Government program does not relieve the fund managers of the necessity of applying (1) budgeting, accounting, and reporting principles, standards, and related requirements prescribed pursuant to the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66) and (2) the fund control provisions of the Anti-Deficiency Act (31 U.S.C. 665).

ACCOUNTING PRINCIPLES AND STANDARDS

Title 2 of the GAO Manual for Guidance of Federal Agencies, chapter 2, which concerns accounting principles and standards applicable to each executive agency, states, in part, as follows:

"Section 5--Authority

"This statement is issued pursuant to section 112(a) of the Budget and Accounting Procedures Act of 1950 which directs the Comptroller General of the United States, after consulting with the Secretary of the Treasury and the Director of the Bureau of the Budget concerning their accounting, financial reporting, and budgetary needs, and considering the needs of other executive agencies, to prescribe the principles, standards, and related requirements for accounting to be observed by each executive agency (64 Stat. 835; 31 U.S.C. 66) ***."

* * * * *

"Section 6--Purposes and Objectives of Federal Agency Accounting."

* * * * *

"The fundamental purposes which underlie the accounting of each Federal agency are:

- "(1) To provide information necessary for effective and economical management of its operations and the resources entrusted to it.
- "(2) To enable the management to report on the discharge of its responsibilities for the resources and operations for which it is accountable.

"This duty requires the maintenance of a suitable system of financial and related records from which needed information on resources, liabilities and obligations, expenditures, revenues, and costs can be obtained and reported for the information and control use by appropriate levels of internal management; other agencies and authorities having control responsibilities; the Congress; and ultimately, the public.

"The objectives which are applicable to Federal agency accounting are set forth in the Budget and Accounting Procedures Act of 1950, as follows:

- "(1) Full disclosure of the financial results of agency activities.
- "(2) Production of adequate financial information needed for agency management purposes.
- "(3) Effective control over and accountability for all funds, property, and other assets for which each agency is responsible.
- "(4) Reliable accounting results to serve as the basis for preparation and support to agency budget requests, for controlling the execution of

the budgets, and for providing financial information required by the Bureau of the Budget.

"(5) Suitable integration of agency accounting with the central accounting and reporting operations of the Treasury Department."

BUDGET STATEMENTS

For corporate funds, there are specific statutory requirements in the Government Corporation Control Act (31 U.S.C. 841) for preparation and submission of budgets to the Congress. Legislation establishing some noncorporate funds contain language making budgetary provisions of the Government Corporation Control Act (31 U.S.C. 847, 848, and 849) applicable to the noncorporate funds. (See app. III, p. 8.)

Pertinent portions of the budgetary provisions of the Government Corporation Control Act are quoted below, keyed to sections of title 31 of the United States Code.

"847. Preparation of annual business-type budget; form, content, and manner of submission

"Each wholly owned Government corporation shall cause to be prepared annually a business-type budget which shall be submitted to the Bureau of the Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented. The budget program shall be a business-type budget, or plan of operations, with due allowance given to the need for flexibility, including provision for emergencies and contingencies, in order that the corporation may properly carry out its activities as authorized by law ***.

"848. Transmission of budget programs to Congress; amendments; effective date.

"The budget programs of the corporations as modified, amended, or revised by the President shall be transmitted to the Congress as a part of the annual Budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget programs may be submitted from time to time ***.

"849. Consideration of programs by Congress; enactment of necessary legislation; effect of section on certain existing authority of corporations.

"The Budget programs transmitted by the President to the Congress shall be considered and legislation shall be enacted making necessary appropriations, as may be authorized by law, making available for expenditure for operating and administrative expenses such corporate funds or other financial resources or limiting the use thereof as the Congress may determine and providing for repayment of capital funds and the payment of dividends. The provisions of this section shall not be construed as preventing Government corporations from carrying out and financing their activities as authorized by existing law ***. The provisions of this section shall not be construed as affecting the existing authority of any Government corporation to make contracts or other commitments without reference to fiscal year limitations."

BOB also requires that budget submissions for revolving funds like those for appropriations include schedules showing programs by activities, financing, relation of obligations to expenditures, and classification of expenditures by object class. In addition, BOB requires revolving fund budgets to include statements of financial condition and of revenue and expense; these are for analysis by BOB in every case and for printing in the budget documents in selected cases.

In its Circular A-11 (June 1969), BOB requires that:

"Business-type budget statements will be submitted for all enterprises which are specifically required by the Government Corporation Control Act or similar legislation to submit such budgets, and for all other revolving and trust revolving funds; except that they shall not be submitted for funds which are solely in the nature of 'feeder accounts' for making advances to other funds or accounts. They will be submitted for other trust funds in special cases where applicable."

The full text of the above portion of BOB Circular A-11 is in appendix IV.

FUND CONTROL

Section 3679 of the Revised Statutes, as amended (31 U.S.C. 665), provides, in part, that:

"all appropriations or funds not limited to a definite period of time, and all authorizations to create obligations by contract in advance of appropriations, shall be so apportioned as to achieve the most effective and economical use thereof."

Authority to apportion as required in the Revised Statutes is vested in the Director, BOB, and applies to public enterprise funds (corporate and noncorporate) with few exceptions.

The Revised Statutes confer on the Director the exercise of discretion regarding apportionment of other funds, such as trust funds and working funds, expenditures from which have no significant effect on the financial operations of the Government; working capital and revolving funds established for intragovernmental operations; and some others. Most intragovernmental funds are exempted by the Director from apportionment.

CHAPTER 7

VIEWS OF THE GENERAL ACCOUNTING OFFICE

ON REVOLVING FUNDS

Any opinions, suggestions, or objections expressed by the GAO on the use of revolving funds are usually related to the question of whether the Congress would in effect weaken its control over activities of a program in authorizing the use of a particular fund.

The choice of a revolving fund does not relieve management of the requirement to comply with budgeting, accounting, and reporting principles, standards and related requirements prescribed pursuant to the Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66); and the fund control provisions of the Anti-Deficiency Act (31 U.S.C. 665).

In addition, revolving funds are generally subject to audit by internal auditors of the departments and agencies managing the programs financed by revolving funds and by GAO pursuant to the provisions of the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). Also, audits by GAO of wholly owned and mixed-ownership corporations are required by provisions of the Government Corporation Control Act (1945) (31 U.S.C. 850, 857). Also, we make annual audits of some noncorporate funds as required by specific provisions of law.

Over the years, we have applied the standard that the public interest is best served when congressional control over activities is exercised through annual reviews and affirmative action on planned programs and financing requirements through the appropriation processes.

It has been our opinion that departure from the above standard should be permitted only on a clear showing that an activity cannot be successfully operated in the public interest within the congressional appropriation process. In the absence of special circumstances, changes in organizational structure, authority, and financing methods that lessen congressional control should be made only when the demonstrable merits of such changes in terms of more

efficient operation of the activity clearly outweigh the disadvantages of reduced congressional control.

We have therefore advocated that a program be financed through direct appropriation or that legislation authorizing financing through other means provide for adequate and continuing congressional control.

For example, in commenting on proposed legislation to establish a National Capital Airports Corporation to operate the Washington National and Dulles International Airports, we expressed our concern that establishment of corporations tends to diminish congressional control over public expenditures.

In respect of a claim that a corporation would make it easier for the Federal Aviation Agency, the President, and the Congress to review and evaluate the effectiveness of airport operations and management, we pointed out that, under the Budget and Accounting Procedures Act of 1950, budgeting, accounting, and reporting may be designed to suit the individual and particular needs of any activity under any method of financing.

In comments made in July 1967 on continued proposals to establish the National Capital Airports Corporation, we stated our belief that the establishment of a corporation might be appropriate for the operation of the Washington National Airport and Dulles International Airport so that these essentially commercial operations could be run on a business-type basis similar to other public airports. We suggested that, to achieve congressional control, the Congress might wish to make an annual review and take affirmative action on the planned programs and financing requirements and retain specific oversight over major (exceeding \$200,000) acquisitions of real property; construction or improvement programs; and contracts or leases, including corporative agreements, involving alterations or improvements.

Also, in commenting on legislation proposing that public buildings activities of the General Services Administration be financed under a revolving fund, we pointed out that congressional control would be diminished with respect to both authorization and funding of public buildings activities

unless specific limits were included in annual appropriation acts. We stated that the proposed legislation should be modified to make the fund available only in such amounts as may be specified annually in appropriation acts.

In other proposed legislation, for example, to establish a separate revolving fund for loans, we accepted language which would require that a business-type budget for the fund be prepared, transmitted to the Congress, considered, and enacted in a manner prescribed by law for wholly owned Government corporations. This language has been included in the act of May 24, 1966 (20 U.S.C. 745), which established a revolving fund for higher education facility loans and the act of November 3, 1966 (42 U.S.C. 294(d)), which established a health professions education revolving fund.

In summary, we believe that, to maintain congressional control, proposed legislation to authorize program financing by means other than through the appropriations process should include provisions for annual review by the Congress, coupled with such limitations and allowances for flexibility as are deemed appropriate.

APPENDIXES

SELECTED FINANCIAL DATA
CONCERNING REVOLVING FUNDS

PUBLIC ENTERPRISE FUNDS:

Number of funds listed in Treasury Combined Statement, June 30, 1968 89
Legislative changes subsequent to June 30, 1968, through close of the Ninetieth Congress:

A. Additions 10

1. Special Risk Insurance Fund (Public Law 90-448, sec. 104)
2. Low and Moderate Income Sponsor fund (Public Law 90-448, sec. 106)
3. New Communities Guarantee Fund (Public Law 90-448, sec. 407)
4. Guarantees of Mortgage Backed Securities (Public Law 90-448, sec. 804)
5. Self-Help Housing Land Development Fund (Public Law 90-448, sec. 1005)
6. National Insurance Development Fund (Public Law 90-448, sec. 1233)
7. National Flood Insurance Fund (Public Law 90-448, sec. 1310)

Note: All the above-listed funds, except the Self-Help Housing Land Development Fund which is in the Department of Agriculture, are in the Department of Housing and Urban Development.

8. William Langer Jewel Bearing Plant Revolving Fund (Public Law 90-469)
(General Services Administration)

SELECTED FINANCIAL DATA
CONCERNING REVOLVING FUNDS (continued)

PUBLIC ENTERPRISE FUNDS (continued):

Legislative changes subsequent to June 30, 1968,
through close of the Ninetieth Congress (con-
tinued):

A. Additions (continued)

9. Fishermen's Protective Fund (Public Law
90-482)
(Department of the Interior)
10. Lower Colorado River Basin Development Fund
(Public Law 90-537)
(Department of the Interior)

(In billions)

Gross outlay during fiscal year 1968		\$26.5
Applicable receipts during fiscal year 1968		
From the public	\$14.2	
From Government agencies	3.7	17.9
Cash and fund balances, June 30, 1968		11.1
Undrawn authority to spend agency debt receipts, June 30, 1968		3.8
Undrawn authority to spend public debt receipts, June 30, 1968		20.6
Unfunded contract authorization, June 30, 1968		4.0

INTRAGOVERNMENTAL FUNDS:

Number of funds listed in Treasury Combined State- ment, June 30, 1968		38
Legislative changes subsequent to June 30, 1968, through close of the Ninetieth Congress		

SELECTED FINANCIAL DATA
CONCERNING REVOLVING FUNDS (continued)

INTRAGOVERNMENTAL FUNDS (continued):

	(In billions)
Obligations, fiscal year 1968	\$20.0
Cash and fund balances, June 30, 1968	1.0
Unfunded contract authorization, June 30, 1968	1.7

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LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS
(AS OF JUNE 30, 1968)

<u>Agency and fund title</u>	<u>Function</u>	<u>Fiscal year 1968</u>		
		<u>Gross outlays</u>	<u>Re- cepts</u>	<u>Govern- ment equity</u>
—(000,000 omitted)—				
FUNDS APPROPRIATED TO THE PRESIDENT:				
Appalachian Housing Fund	Provides funds for making loans and grants up to 80% of the preliminary cost of planning a project and obtaining an insured loan under section 221 of the National Housing Acts.	-	-	1
Revolving Fund, Defense Production Act	Finances through designated agencies the expanded production of critical material essential to the national defense.	81	30	760
Office of Economic Opportunity: Economic Opportunity Loan Fund	Makes loans to certain rural residents and families to acquire or improve real estate, purchase operating supplies and equipment, and/or participate in cooperative associations and to finance small nonagricultural enterprises.	32	13	82
Military Assistance: Liquidation of Foreign Military Sales Fund	Provides funds for discharging outstanding liabilities and obligations arising from credit agreements and guarantees issued prior to June 30, 1968, through the Foreign Military Sales Fund.	184	201	381
Economic Assistance: Agency for International Development: Alliance for Progress Loan Fund	Finances cooperative effort of the United States and Latin American countries to promote the economic and social development of Latin America.	329	16	2,699
Development Loan Fund	Finances development loans to promote economic progress in developing countries.	642	36	5,121
Development Loan Fund Liquidation Account	Liquidates outstanding obligations of the Development Loan Corporation.	143	150	1,385
Foreign Investment Guarantee Fund	Finances programs to encourage and facilitate private U.S. investments abroad which further the economic progress of developing countries.	-	13	109
DEPARTMENT OF AGRICULTURE:				
Commodity Credit Corporation Fund	Stabilizes, supports, and protects farm income and prices; helps maintain balanced and adequate supplies of agricultural commodities, their products, foods, and fibers; and helps in their orderly distribution.	7,697	4,386	2,130
Federal Crop Insurance Corporation Fund	Improves the economic stability of agriculture through a system of crop insurance.	59	44	21
Farmers Home Administration: Direct Loan Account	Provides real estate and operating loans to farmers and ranchers and to associations unable to obtain credit from other sources at reasonable rates.	428	360	1,202
Rural Housing Insurance Fund	Insures rural and farm labor housing loans and loans for rural rental housing.	585	537	123
Emergency Credit Revolving Fund	Finances emergency loans in areas where agricultural credit is not readily available because of natural disasters.	114	92	150
Agricultural Credit Insurance Fund	Insures farm ownership loans, soil and water loans, and recreation and association loans.	598	589	191
Rural Housing Direct Loan Account	Provides direct loans for rural housing in certain areas.	37	75	810
DEPARTMENT OF COMMERCE:				
Economic Development Administration: Economic Development Revolving Fund	Makes long-term, low-interest-rate loans from the development facilities and			

LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS

(AS OF JUNE 30, 1968) (continued)

Agency and fund title	Function	fiscal year 1968		
		Gross outlays	Re- ceipts	Govern- ment equity
(000,000 omitted)				
DEPARTMENT OF COMMERCE (continued):				
Economic Development Administration (continued):				
Economic Development Revolving Fund (continued)	industrial development loans and guarantees appropriations. Revenues and principal repayments from loans made under the Area Redevelopment Act and the Public Works and Economic Development Act are deposited into the fund.	2	17	276
Maritime Administration:				
Federal Ship Mortgage Insurance Revolving Fund	Insures construction loans and mortgages on vessels engaged in the foreign and domestic commerce of the United States.	-	5	19
War Risk Insurance Revolving Fund	Insures against loss or damage from marine war risks when commercial insurance cannot be obtained on reasonable terms and conditions.	-	-	4
Vessel Operations Revolving Fund	Provides funds to finance operation, reactivation, deactivation, and charter of Government owned or controlled cargo-type vessels. It is also used for financing the operation of Government-owned experimental vessels	165	194	-
DEPARTMENT OF DEFENSE:				
Military functions:				
Defense Production Guarantees,) Army)	Guarantees loans made by the private sector to facilitate performance of defense production contracts.	9	15	32
Defense Production Guarantees,) Navy)				
Defense Production Guarantees,) Air Force)				
Defense Production Guarantees,) Defense Supply Agency)				
Laundry Service, Naval Academy				
Civil Defense Procurement Fund	Used for revenue and expense resulting from operator of the Naval Academy laundry. As a result of the lack of usage of the fund in recent years, the remaining unobligated balance was transferred in 1959 to Operation and Maintenance, Civil Defense.	1	1	-
Homeowners Assistance Fund (note a)	Reduces the losses of military and civilian personnel incident to disposition of their dwellings when military installations are closed.	-	-	19
Civil functions:				
Panama Canal Company Fund	Finances maintenance and operation of the interoceanic canal at the Isthmus of Panama.	146	161	500
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE:				
Food and Drug Administration:				
Revolving Fund for Certification and Other Services	Finances certification of batches of antibiotics, insulin, and color additives for use in food, drugs, or cosmetics.	4	3	-
Office of Education:				
Student Loan Insurance Fund	Insures loans to certain college and vocational students who do not have reasonable access to State or private nonprofit programs of student loan insurance.	-	-	4
Higher Education Facilities Loan Fund	Makes loans for construction of academic facilities in higher education institutions.	72	9	364
Public Health Service:				
Nurse Training Fund	Provides loans to nursing students.	7	5	14
Operation of Commissaries, Narcotic Hospital	Provides canteen items for sale to patients.	-	-	-

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LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS
(AS OF JUNE 30, 1968) (continued)

Agency and fund title	Function	Fiscal year 1968		
		Gross outlays	Re- ceipts	Govern- ment equity
(000,000 omitted)				
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (continued):				
Public Health Service (continued): Health Professions Education Fund	Provides loans to health professions students.	12	3	15
Social Security Administration: Operating Fund, Bureau of Federal Credit Unions	Finances activities of chartering, supervising, examining, and servicing member institutions.	5	6	-
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:				
College Housing Fund	Provides financial assistance to colleges and eligible hospitals for construction or acquisition of housing and related facilities.	414	125	1,373
Public Facility Loans	Makes loans to municipalities and other subdivisions and instrumentalities of States and Indian tribes for construction of public facilities and to private nonprofit corporations for construction of water or sewer facilities in certain communities.	63	15	156
Public Works Planning Advances Fund	Advances funds to States and local public agencies and Indian tribes to finance the preparation of feasibility studies and project plans.	11	7	53
Revolving Fund, Liquidating Programs	Liquidates the assets acquired under a number of housing and urban development programs.	-	1	12
Urban Renewal Fund	Provides assistance to local agencies for rehabilitation or acquisition, clearance, and redevelopment of slums and blighted areas.	778	341	1,907
Rehabilitation Loan Fund	Finances rehabilitation required to make property conform to public standards.	17	1	48
Housing for the Elderly or Handicapped	Makes direct loans to assist in providing rental housing for the elderly and the handicapped.	85	9	442
Urban Mass Transportation Fund	Makes loans and grants to public bodies for urban transportation facilities, needs, and training. This fund was transferred to the Department of Transportation July 1, 1968.	66	-	341
Federal National Mortgage Association:				
Loans for Secondary Market Operations	The association purchases, manages and sells residential mortgages and makes short-term, bank-type loans and manages and sells certain noninsured or non-guaranteed mortgages and sells to private investors beneficial interests, or participations, in mortgages or other types of obligation in which certain departments or agencies of the Federal Government have a financial interest.	-	-	-
Special Assistance Functions Fund		705	158	1,021
Management and Liquidating Functions Fund (note b)		587	237	1,103
Participation Sales Fund		261	178	-
Federal Housing Administration:				
Community Disposal Operations Fund	Used in connection with disposal of federally owned properties at specific locations in accordance with the Atomic Energy Act of 1955.	1	3	-
Federal Housing Administration Fund	Finances insurance programs to improve home financing practices, to encourage improved housing standards and conditions, to further home ownership and to stabilize the mortgage market.	831	945	1,270
Low Rent Public Housing Fund	Makes loans and grants for financing the low-rent housing program.	466	176	92

LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS
(AS OF JUNE 30, 1968) (continued)

Agency and fund title	Function	Fiscal year 1968		
		Gross outlays	Re- ceipts	Govern- ment equity
——(000,000 omitted)——				
DEPARTMENT OF THE INTERIOR:				
Liquidation of Hoonah Housing Project Revolving Fund for Loans	Liquidation of the Hoonah Housing Project. Makes loans to Indian tribes and organizations for various purposes.	-	-	-
Bureau of Mines--Helium Fund	Used for the production, conservation, purchase, and sale of helium and for related purposes.	3	2	25
Fisheries Loan Fund	Provides funds for making loans to certain segments of the fishing industry.	51	21	250
Federal Ship Mortgage Insurance Fund Fishing Vessels	Collects under the Fishing Vessel Mortgage Insurance Program deposits of premiums and fees for use in case of defaults.	4	2	12
Upper Colorado River Basin Fund	Defrays the cost of advance planning, construction, operation, and maintenance of the Colorado River storage project and participating projects.	-	-	-
Continuing Funds for Emergency Expenses, Fort Peck Project, Montana	Defrays the expense of operating power facilities at the Fort Peck Project.	55	18	739
Virgin Islands Corporation Operating Fund	Note: The Budget Appendix for fiscal year 1970 stated that in 1969, the Corporation would liquidate through GSA, its remaining properties.	1	5	-
		2	1	11
DEPARTMENT OF LABOR:				
Bureau of Employment Security: Advances to Employment Security Administration Account, Unemployment Trust Fund	Finances the Federal and State administrative costs of the unemployment security program, on a repayable basis.	265	268	312
POST OFFICE DEPARTMENT:				
Postal Fund	Finances administration and operation of the Post Office Department and the postal service.	6,761	5,682	1,007
DEPARTMENT OF TRANSPORTATION:				
Federal Aviation Administration: Aviation War Risk Insurance Revolving Fund	Provides premium Aviation War Risk Insurance in case of war.	-	-	-
Federal Railroad Administration: Alaska Railroad Revolving Fund	Provides funds for the operation of the Alaska Railroad.	15	15	128
Saint Lawrence Seaway Development Corporation	Finances construction, operation, and maintenance of that part of the St. Lawrence Seaway within the territorial limits of the United States.	10	6	121
DEPARTMENT OF THE TREASURY:				
Office of the Secretary: Federal Farm Mortgage Corporation Liquidation Fund	Note: The Federal Farm Mortgage Corporation was abolished October 4, 1961, by Public Law 87-353, and its remaining assets were transferred to the Secretary of the Treasury.	-	-	-
Internal Revenue Service: Federal Tax Lien Revolving Fund	Finances redemption of real property on which the Government has a tax lien.	-	-	1
Office of the Treasurer: Check Forgery Insurance Fund	Provides funds for making settlement in cases of checks drawn on the Treasurer which had been paid on forged endorsements.	1	1	-
GENERAL SERVICES ADMINISTRATION:				
Reconstruction Finance Corporation Liquidation Fund	Note: Under the provisions of Reorganization Plan No. 1 of 1957, the Reconstruction Finance Corporation was abolished and the remaining functions of the Smaller War Plants Corporation and the			

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LISTING OF REVOLVING FUNDS
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SHOWING FUNCTION, VOLUME OF BUSINESS
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(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS
(AS OF JUNE 30, 1968) (continued)

Agency and fund title	Function	Fiscal year 1968		
		Gross outlays	Re-ceipts	Government equity
—(000,000 omitted)—				
GENERAL SERVICES ADMINISTRATION (continued):				
Reconstruction Finance Corporation Liquidation Fund (continued)	World War II assets program were transferred to GSA for liquidation.	-	-	1
Defense Production Act, Loan Guarantee Activities	Guarantees loans made by public or private financing institutions to facilitate performance of defense production contracts.	-	-	-
VETERANS ADMINISTRATION:				
Canteen Service Revolving Fund	Furnishes merchandise and services to veterans in hospitals and domiciliaries operated by VA.	61	62	11
Direct Loans to Veterans and Reserves	Makes GI home loans in rural areas, small cities, and towns where private credit has been generally unavailable.	209	167	1,282
Loan Guaranty Revolving Fund	Provides for expenses and revenues of property and loan transactions resulting from settlement of guaranty claims.	307	126	1,047
Rental, Maintenance, and Repair of Quarters	Uses income derived from rental of quarters to Federal employees at the VA hospital, Perry Point, Md., for modernization, maintenance, and repair.	-	-	-
Service-disabled Veterans Insurance Fund	Makes possible the payment of claims on nonparticipating insurance policies of some disabled veterans.	12	10	-43
Servicemen's Group Life Insurance Fund	Finances the payment of group life insurance premiums and administrative expenses under the Servicemen's Group Life Insurance Act of 1965.	135	135	-
Soldiers' and Sailors' Civil Relief	Covers claims arising from the guarantee of premiums due on commercial life insurance policies held by servicemen.	-	-	-
Veterans Special Term Insurance Fund	Reimburses claims on nonparticipating insurance policies issued to certain veterans.	17	44	2
Veterans Reopened Insurance Fund	Finances the payment of claims and administrative costs on certain nonparticipating insurance policies.	10	44	6
Vocational Rehabilitation Revolving Fund	Makes small loans to disabled veterans who are eligible for vocational rehabilitation.	-	-	-
OTHER INDEPENDENT AGENCIES:				
Export-Import Bank of the United States	Makes loans and guarantees as aids in financing and to facilitate exports and imports.	1,769	980	2,542
Farm Credit Administration: Revolving Fund for Administrative Expenses	Collects assessments from agencies in the farm credit system on the basis of estimated administrative expenses and makes funds available for such expenses.	3	3	-
Bank for Cooperatives Investment Fund	This fund is available to the Governor of the Farm Credit Administration for investments in Class A capital stock of the Banks for Cooperatives. Under Public Law 90-582, enacted October 17, 1968, the banks will be privately owned.	3	10	150
Short-term Credit Investment Fund	Same as above in respect to the capital stock of the Federal intermediate credit banks.	-	-	130
Federal Home Loan Bank Board: Revolving Fund	Finances supervision of the Federal home loan bank system, the system of Federal savings and loan associations, and the Federal Savings and Loan Insurance Corporation.	24	19	1
Federal Savings and Loan Insurance Corporation Fund	Insures savings in all Federal savings and loan associations and in State-chartered institutions of the savings and loan type which apply and qualify for insurance.	128	394	2,300

LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

PUBLIC ENTERPRISE FUNDS
(AS OF JUNE 30, 1968) (continued)

<u>Agency and fund title</u>	<u>Function</u>	<u>Fiscal year 1968</u>		
		<u>Gross outlays</u>	<u>Re- ceipts</u>	<u>Government equity</u>
—(000,000 omitted)—				
OTHER INDEPENDENT AGENCIES (continued):				
Federal Home Loan Bank Board (continued):				
Home Owners' Loan Corporation Fund	Provides credit facilities to refinance the mortgages of destitute urban home owners. Its lending authority expired on June 12, 1936, and since that time the corporation has been dissolved.	-	-	-
Small Business Administration:				
Lease Guarantee Revolving Fund	A financial program of insurance to guarantee payments on leases of small business concerns.	-	-	5
Disaster Loan Fund	Finances natural disaster loans.	122	41	336
Business Loan and Investment Fund	Finances all loan programs other than natural disaster loans.	470	277	1,094
Tennessee Valley Authority:				
Tennessee Valley Authority Fund	Finances activities and programs of the Corporation.	460	389	2,440
UNITED STATES INFORMATION AGENCY:				
Informational Media Guarantee Fund	Provides funds for the purchase and sale of foreign currency in connection with the export of U.S. books, periodicals, films, and other informational media to foreign countries with serious dollar exchange problems. Program was terminated with U.S. Information Agency's 1967, appropriation.	1	1	-

^a Shown in 1970 budget as a general or special fund. The fund, however, as described in the budget appendix, has the essential aspects of a public enterprise fund. Also see Public Law 89-754, sec. 1013(d) (42 U.S.C. 3374).

^b These funds, by provisions of Public Law 90-448, approved August 1, 1968, are now included in the Government National Mortgage Association. Also included in the Government National Mortgage Association is a public enterprise fund entitled "Loans to Federal National Mortgage Association," used in emergency situations.

APPENDIX II

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LISTING OF REVOLVING FUNDS
 BY AGENCY
 SHOWING FUNCTION, VOLUME OF BUSINESS
 AND GOVERNMENT EQUITY
 (FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
 BUDGET APPENDIX, FISCAL YEAR 1970)

INTRAGOVERNMENTAL FUNDS
 (AS OF JUNE 30, 1968)

Agency and fund title	Function	Fiscal year 1968	
		Obliga- tions	Govern- ment equity
(000,000 omitted)			
LEGISLATIVE BRANCH: Government Printing Office Revolving Fund	Operates various printing-related activities.	195	88
FUNDS APPROPRIATED TO THE PRESIDENT: Advance Acquisition of Property Re- volving Fund	Acquires Government personal property in for- eign assistance programs for rehabilitation and use in domestic programs.	4	-
DEPARTMENT OF AGRICULTURE: Agricultural Research Service-Working Capital Fund	Finances central facilities and services fur- nished to agencies at the Agricultural Re- search Center.	5	-
General Administration-Working Capital Fund	Finances certain central services in the De- partment of Agriculture.	9	1
Forest Service-Working Capital Fund	Finances services to national forests, expe- rimental stations, and others when neces- sary.	30	-
DEPARTMENT OF COMMERCE: General Administration-Working Capital Fund	Finances duplicating, communications, supply, and other administrative-type services on a centralized basis.	7	1
National Bureau of Standards-Working Capital Fund	Finances all functions of the Bureau of Stan- dards, except major construction.	63	-
DEPARTMENT OF DEFENSE: Military functions: Defense Stock Fund	Finances the acquisition of inventories of material and supplies for resale and mobil- ization. Inventories are stocked and sold at designated defense activities worldwide. (Explanation applies to all stock funds.)	3,319	2,972
Defense Industrial Fund	Finances industrial- and commercial-type ac- tivities. (Explanation applies to all in- dustrial funds.)	295	36
Army Stock Fund		3,790	3,611
Army Industrial Fund		1,094	70
Navy Stock Fund		1,874	1,072
Navy Industrial Fund		3,744	150
Marine Corps Stock Fund		237	247
Marine Corps Industrial Fund		-	5
Air Force Stock Fund		2,065	377
Air Force Industrial Fund		1,099	147
Civil functions: Department of the Army: Revolving Fund, Corps of Engi- neers	Supplies funds for the acquisition, opera- tion, and maintenance of floating and land- based plant and equipment used in civil works functions and for other purposes.	457	155
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE: Public Health Service: Working Capital Fund, Narcotic Hospitals	Finances programs to provide patients with occupational outlets as a part of their therapeutic rehabilitation.	1	1
Service and Supply Fund: Public Health Service) National Institutes of Health)	Finances medical supply and service opera- tions and the consolidation of business- type activities involving the sale of ser- vices and commodities.	3	-
Office of the Secretary: Working Capital Fund	Supplies funds for services, which are pro- vided on a centralized basis, for various department activities.	13	2
		12	2

LISTING OF REVOLVING FUNDS
BY AGENCY
SHOWING FUNCTION, VOLUME OF BUSINESS
AND GOVERNMENT EQUITY
(FROM TREASURY COMBINED STATEMENT, FISCAL YEAR 1968 AND
BUDGET APPENDIX, FISCAL YEAR 1970)

INTRAGOVERNMENTAL FUNDS
(AS OF JUNE 30, 1968) (continued)

<u>Agency and fund title</u>	<u>Function</u>	<u>Fiscal year 1968</u> <u>Obliga-</u> <u>tions</u>	<u>Govern-</u> <u>ment</u> <u>equity</u>
(000,000 omitted)			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Working Capital Fund	Supplies funds for administrative-type services performed on a centralized basis.	-	1
DEPARTMENT OF THE INTERIOR: Office of the Secretary: Working Capital Fund	Finances administrative-type services performed on a centralized basis.	7	-
DEPARTMENT OF JUSTICE: Federal Prison Industries Fund	Establishes and operates industries in Federal, penal, and correctional institutions and disciplinary barracks. Products made by inmates are sold only to the penal institutions and to the Government agencies.	42	53
DEPARTMENT OF LABOR: Office of the Secretary: Working Capital Fund	Finances administrative-type services performed on a centralized basis.	6	-
DEPARTMENT OF STATE: Working Capital Fund	Finances administrative-type services performed on a centralized basis.	7	-
DEPARTMENT OF TRANSPORTATION: Coast Guard: Supply Fund	Provides funds for the procurement of uniform clothing, commissary provisions, general stores, and technical material	24	-
Yard Fund	Finances industrial operations at the Coast Guard Yard, Curtis Bay, Maryland.	16	-
Working Capital Fund	Finances administrative-type services on a centralized basis.	3	-
DEPARTMENT OF THE TREASURY: Bureau of Engraving and Printing Fund	Finances the design, manufacture, and supplying of most of the major evidences of a financial character issued by the United States.	39	25
GENERAL SERVICES ADMINISTRATION: Automatic Data Processing Fund	Provides funds for a Government-wide automatic data processing operation, including the procurement by lease, purchase, transfer, or otherwise of ADP equipment, maintenance of equipment, and operation of service centers and related functions.	14	-
Buildings Management Fund	Finances various management activities for Government owned and leased space.	421	-
Construction Services, Public Buildings	Finances various construction services in respect of Federal buildings.	18	-
General Supply Fund	Provides funds for a national supply depot system and a system of ordering supplies for direct delivery to agencies.	806	-
Federal Telecommunications Fund	Finances a telecommunications system for the Federal Government, which is operationally compatible with military communications systems.	98	-
Working Capital Fund	Finances administrative-type services performed on a centralized basis.	7	-
VETERANS ADMINISTRATION: Supply Fund	Supplies funds for warehouse inventories and procurement of recurring need supplies and centrally acquired equipment throughout VA	122	39
OTHER INDEPENDENT AGENCIES: Civil Service Commission: Investigations	Finances full field security investigations performed at the request of other departments and agencies of the Government.	12	-

EXAMPLES OF LEGISLATIVE PROVISIONS

FOR

REVOLVING FUNDS

A. College Housing Fund--Department of Housing and Urban Development Authority: The Housing Act of 1950, as amended (12 U.S.C. 1749)

SUBCHAPTER IX--HOUSING FOR EDUCATIONAL INSTITUTIONS

§ 1749. Federal loans or grants.

(a) Authority to make; conditions.

To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided*, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this subchapter, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials

(b) Prior contracts for housing or other educational facilities.

Any educational institution which prior to August 20, 1950, has contracted for housing or other educational facilities may, in connection therewith receive loans authorized under this subchapter, as the Secretary may determine: *Provided* That no such loan shall be made for any housing or other educational facilities, the construction of which was begun prior to August 20, 1950, or completed prior to the filing of an application under this subchapter

(c) Amount of loan; maximum term; interest rate.

(1) A loan to an educational institution may be in an amount not exceeding the total development cost of the facility, as determined by the Secretary; shall be secured in such manner and be repaid within such period, not exceeding fifty years, as may be determined by him; and with respect to loan contracts under which loan funds have not been fully disbursed prior to August 11, 1955, shall bear interest at a rate determined by the Secretary which shall be not more than the lower of (A) 3 per centum per annum, or (B) the total of one-quarter of 1 per centum per annum added to the rate of interest paid

by the Secretary on funds obtained from the Secretary of the Treasury as provided in subsection (c) of this section.

(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1). *Provided*, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities

(d) Issuance of notes and obligations by Secretary; amount; authorization of appropriations for payments.

(1) To obtain funds for loans under subsection (a) of this section, the Secretary may issue and have outstanding at any one time notes and obligations for purchase by the Secretary of the Treasury in an amount not to exceed \$1,675,000,000, which amount shall be increased by \$300,000,000 on July 1 in each of the years 1961 through 1965, and 1967 and 1968. *Provided*, That the amount outstanding for other educational facilities, as defined herein, shall not exceed \$175,000,000, which limit shall be increased by \$30,000,000 on July 1 in each of the years 1961 through 1963; *Provided further*, That the amount outstanding for hospitals, referred to in clause (2) of section 1749c(b) of this title, shall not exceed \$100,000,000, which limit shall be increased by \$30,000,000 on July 1 in each of the years 1961 through 1968 and, notwithstanding the first proviso of this subsection, the amount of this annual increase which is not utilized for loans for hospitals may be utilized for loans for other educational facilities, as defined herein

(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary,

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together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section.

(e) Same; form; denominations, maturities, terms and interest rate; purchase and sale by Secretary of the Treasury.

Notes or other obligations issued by the Secretary under this subchapter shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Secretary, with the approval of the Secretary of the Treasury. Such notes or other obligations issued to obtain funds for loan contracts entered into after August 11, 1955, shall bear interest at a rate determined by the Secretary of the Treasury which shall be not more than the lower of (1) 2 $\frac{1}{2}$ per centum per annum, or (2) the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Secretary and adjusted to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations

of the Secretary issued under this subchapter and for such purpose is authorized to use as a public-debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public-debt transactions of the United States.

(f) Authorization of appropriations for annual grants; aggregate amount of contracts; limitation on amount of annual grants.

(1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts, and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed \$10,000,000, which amount shall be increased by \$10,000,000 on July 1, 1959.

(g) Nonprofit student housing cooperative corporations; co-signature of notes; vesting of title to housing upon dissolution.

Except as otherwise provided in the second paragraph of section 1749c(b) of this title, in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 1743c(b) of this title, or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be assigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution. (As amended Aug. 10, 1965, Pub. L. 89-117, title VI, §§ 601, 602, 604(b), 79 Stat. 489; May 24, 1966, Pub. L. 89-429 § 3(b), 80 Stat. 166; Nov. 3, 1966, Pub. L. 89-754, title X, § 1014(b), 80 Stat. 1292; May 25, 1967, Pub. L. 90-19, § 8(a), 81 Stat. 22; Aug. 1, 1968, Pub. L. 90-488, title XVII, § 1705(b)---(e), (g)(1), 82 Stat. 694, 695.)

§ 1749a. Powers and duties of Secretary.

(a) Preparation and submission of budget; maintenance of accounts.

In the performance of, and with respect to, the functions, powers, and duties vested in him by this subchapter, the Secretary, notwithstanding the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended; and

(2) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Secretary as the making of loans and vouchers approved by the Secretary in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

(b) Disposition of funds; administrative expenses.

Funds made available to the Secretary pursuant to the provisions of this subchapter shall be deposited in a checking account or accounts with the Treasurer of the United States. Receipts and assets obtained or held by the Secretary in connection with the performance of his functions under

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this subchapter, and all funds available for carrying out the functions of the Secretary under this subchapter (including appropriations therefor, which are authorized), shall be available, in such amounts as may from year to year be authorized by the Congress, for the administrative expenses of the Secretary in connection with the performance of such functions.

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B. Laundry Service, Naval Academy, Department of Defense

Authority: Title 10, United States Code, 6971(b).

"(b) Funds collected from the operation of the Academy laundry shall be accounted for as public funds and are available for the maintenance of necessary laundry service for academy activities and personnel."

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C. Postal Fund--Post Office Department

Authority: Title 39, 2202, United States Code

§ 2202. Post Office Department fund.

(a) The Secretary of the Treasury shall maintain a revolving fund, known as the Post Office Department fund. He shall deposit in the fund, subject to withdrawal by check by the Postmaster General—

(1) amounts requisitioned by the Postmaster General against appropriations available to the Department out of the general fund of the Treasury; and

(2) amounts from the revenue of the Department, including any excess of funds accrued because of money orders remaining unpaid, that the Postmaster General may pay into the fund.

(b) The Postmaster General may, within limits of appropriations and subject to provisions of appropriation or other laws limiting expenditures or authorizing appropriations, use the funds of the Department, from whatever source derived, in the exercise of any power or function vested in him.

(c) The Postmaster General may use any appropriation of the Department for the payment of expenses for attendance at meetings of technical, scientific, professional, or similar organizations concerned with the function or activity for which the appropriation is made (Pub. L. 86-682, Sept. 2, 1960, 74 Stat. 594.)

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D. Agricultural Credit Insurance Fund--Department of Agriculture

Authority: Title 7, 1929, United States Code

§ 1929. Agricultural Credit Insurance Fund.

(a) Revolving fund.

The fund established pursuant to section 11(a) of the Bankhead-Jones Farm Tenant Act, as amended, shall hereafter be called the Agricultural Credit Insurance Fund and is hereinafter in this subchapter referred to as the "fund". The fund shall remain available as a revolving fund for the discharge of the obligations of the Secretary under agreements insuring loans under this subchapter and loans and mortgages insured under prior authority.

(b) Deposits of funds; investments; purchase of notes.

Moneys in the fund not needed for current operations shall be deposited in the Treasury of the United States to the credit of the fund or invested in direct obligations of the United States or obligations guaranteed by the United States. The Secretary may purchase with money in the fund any notes issued by the Secretary to the Secretary of the Treasury for the purpose of obtaining money for the fund.

(c) Notes; form and denominations; maturities; terms and conditions; interest rate; purchase by Treasury; public debt transaction.

The Secretary is authorized to make and issue notes to the Secretary of the Treasury for the purpose of obtaining funds necessary for discharging obligations under this section and for authorized expenditures out of the fund. Such notes shall be in such form and denominations and have such maturities and be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes shall bear interest at a rate fixed by the Secretary of the Treasury, taking into consideration the current average market yield of outstanding marketable obligations of the United States having maturities comparable to the notes issued by the Secretary under this subchapter. The Secretary of the Treasury is authorized and directed to purchase any notes of the Secretary issued hereunder, and for that purpose, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the

purposes for which such securities may be issued under such Act, as amended, are extended to include the purchase of notes issued by the Secretary. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes shall be treated as public debt transactions of the United States.

(d) Notes and security as part of fund; collection or sale of notes; deposit of net proceeds in fund.

Notes and security acquired by the Secretary in connection with loans insured under this subchapter and under prior authority shall become a part of the fund. Notes may be held in the fund and collected in accordance with their terms or may be sold by the Secretary with or without agreements for insurance thereof at the balance due thereon, or on such other basis as the Secretary may determine from time to time. All net proceeds from such collections, includes sales of notes or property, shall be deposited in and become a part of the fund.

(e) Deposit in fund of portion of charge on outstanding principal obligations; availability of remainder of charge, and merger with appropriation, for administrative expenses.

The Secretary shall deposit in the fund all or a portion, not to exceed one-half of 1 per centum of the unpaid principal balance of the loan, of any charge collected in connection with the insurance of loans; and any remainder of any such charge shall be available for administrative expenses of the Farmers Home Administration, to be transferred annually and become merged with any appropriation for administrative expenses.

(f) Utilization of fund.

The Secretary may utilize the fund--

(1) to make loans which could be insured under this subchapter whenever the Secretary has reasonable assurance that they can be sold without undue delay, and may sell and insure such loans. The aggregate of the principal of such loans made and not disposed of shall not exceed \$100,000,000 at any one time;

(2) to pay the interest to which the holder of the note is entitled on loans heretofore or hereafter insured accruing between the date of any prepayments made by the borrower and the date of transmittal of any such prepayments to the lender. In the discretion of the Secretary, prepayments

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other than the final payments need not be remitted to the holder until due; .

(3) to pay to the holder of the notes any defaulted instalment or, upon assignment of the note to the Secretary at the Secretary's request, the entire balance due on the loan;

(4) to purchase notes in accordance with agreements previously entered into; and

(5) to pay taxes, insurance, prior liens, expenses necessary to make fiscal adjustments in connection with the application and transmittal of collections and other expenses and advances authorized in section 1565(a) of this title in connection with insured loans.

(Pub. L. 87-128, title III, § 309, Aug. 8, 1961, 75 Stat. 309; Pub. L. 87-703, title IV, § 401(3), Sept. 27, 1962, 76 Stat. 632.)

(As amended Pub. L. 89-240, § 2 (b), (c), Oct. 7, 1965, 79 Stat. 932; Pub. L. 89-633, Oct. 8, 1966, 80 Stat. 879; Pub. L. 90-488, § 7, Aug. 15, 1968, 82 Stat. 771.)

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E. Disaster Loan Fund and Business Loan and Investment Fund--Small Business Administration

Authority: Title 15, 633, United States Code

(c) Revolving funds; disaster loan fund; business loan and investment fund; payments into funds; appropriations; allocation of unexpended balances and authorizations; limitations; reports to Congress; business-type budgets; interest on disbursements.

(1) There are hereby established in the Treasury the following revolving funds: (A) a disaster loan fund which shall be available for financing functions performed under sections 636(b)(1), 636(b)(2), 636(b)(4), and 636(c)(2) of this title, including administrative expenses in connection with such functions; and (B) a business loan and investment fund which shall be available for financing functions performed under sections 636(a), 636(b)(3), 636(e), and 637(a) of this title, titles III and V of the Small Business Investment Act of 1958, and title IV of the Economic Opportunity Act of 1964, including administrative expenses in connection with such functions.

(2) All repayments of loans and debentures, payments of interest and other receipts arising out of transactions heretofore or hereafter entered into by the Administration: (A) pursuant to sections 636(b)(1), 636(b)(2), 636(b)(4), and 636(c)(2) of this title, shall be paid into the disaster loan fund; and (B) pursuant to section 636(a), 636(b)(3), 636(e), and 637(a) of this title, titles III and V of the Small Business Investment Act of 1958, and title IV of the Economic Opportunity Act of 1964, shall be paid into the business loan and investment fund.

(3) Unexpended balances of appropriations made to the fund pursuant to this subsection, as in effect immediately prior to the effective date of this paragraph, shall be allocated, together with related assets and liabilities, to the funds established by paragraph (1) in such amounts as the Administrator shall determine. In addition to any sums so allocated, appropriations are hereby authorized to be made to such funds, as capital thereof, in such amounts as may be necessary to carry out the functions of the Administration, when appropriations shall remain available until expended.

(4) The total amount of loans, guarantees, and other obligations or commitments heretofore or

hereafter entered into by the Administration, which are outstanding at any one time: (A) under sections 636(a), 636(b)(3), 636(e), and 637(a) of this title, and title IV of the Economic Opportunity Act of 1964, shall not exceed \$1,900,000,000; (B) under title III of the Small Business Investment Act of 1958, shall not exceed \$450,000,000; (C) under title V of the Small Business Investment Act of 1958, shall not exceed \$300,000,000; and (D) under title IV of the Economic Opportunity Act of 1964 shall not exceed \$200,000,000.

(5) The Administration shall submit to the Committees on Appropriations and the Committees on Banking and Currency of the Senate and House of Representatives, as soon as possible after the beginning of each calendar quarter, a full and complete report on the status of each of the funds established by paragraph (1). If at the close of the preceding calendar quarter the aggregate amount outstanding or committed by the Administration in carrying out its functions under any of the sections or titles referred to in paragraph (4) exceeded 75 per centum of the total amount authorized to be outstanding or committed under such sections or titles, the Administration's report shall include its recommendations for such additional authority as it deems appropriate. Business-type budgets for each of the funds established by paragraph (1) shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 847-849 of Title 31) for wholly-owned Government corporations.

(6) The administration shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the outstanding cash disbursements from each of the funds established by paragraph (1) at rates determined by the Secretary of the Treasury, taking into consideration the current average yields on outstanding interest-bearing marketable public debt obligations of the United States of comparable maturities as calculated for the month of June preceding such fiscal year.

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(As amended Pub. L. 89-59, §§ 1(c), 2, June 30, 1965, 79 Stat. 207; Pub. L. 89-78, July 21, 1965, 79 Stat. 243; Pub. L. 89-117, title III, § 316(d), Aug. 10, 1965, 79 Stat. 464; Pub. L. 89-334, Nov. 8, 1965, 79 Stat. 1294; Pub. L. 89-409, §§ 1, 2, May 2, 1966, 80 Stat. 132; Pub. L. 89-779, § 8(a), (b), Nov. 6, 1966, 80 Stat. 1364; Pub. L. 90-104, title I, § 102, Oct. 11, 1967, 81 Stat. 268; Pub. L. 90-448, title XVII, § 1721, Aug. 1, 1968, 82 Stat. 610.)

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F. Working-Capital Funds--Department of Defense

(Stock and Industrial Funds)

Authority: Title 10, 2208, United States Code

§ 2208. Working-capital funds.

(a) To control and account more effectively for the cost of programs and work performed in the Department of Defense, the Secretary of Defense may require the establishment of working-capital funds in the Department of Defense to—

(1) finance inventories of such supplies as he may designate; and

(2) provide working capital for such industrial-type activities, and such commercial-type activities that provide common services within or among departments and agencies of the Department of Defense, as he may designate.

(b) Upon the request of the Secretary of Defense, the Secretary of the Treasury shall establish working-capital funds established under this section on the books of the Department of the Treasury.

(c) Working-capital funds shall be charged, when appropriate, with the cost of—

(1) supplies that are procured or otherwise acquired, manufactured, repaired, issued, or used; and

(2) services or work performed; including applicable administrative expenses, and be reimbursed from available appropriations or otherwise credited for those costs, including applicable administrative expenses and costs of using equipment.

(d) The Secretary of Defense may provide capital for working-capital funds by capitalizing inventories. If this method does not, in the determination of the Secretary of Defense, provide adequate amounts of working capital, such amounts as may be necessary may be appropriated for that purpose.

(e) Subject to the authority and direction of the Secretary of Defense, the Secretary of each military

department shall allocate responsibility for its functions, powers, and duties to accomplish the most economical and efficient organization and operation of the activities, and the most economical and efficient use of the inventories, for which working-capital funds are authorized by this section.

(f) The requisitioning agency may not incur a cost for supplies drawn from inventories, or serv-

ices or work performed by industrial-type or commercial-type activities for which working-capital funds may be established under this section, that is more than the amount of appropriations or other funds available for those purposes.

(g) The appraised value of supplies returned to working-capital funds by a department, activity, or agency may be charged to that fund. The proceeds thereof shall be credited to current applicable appropriations and are available for expenditure for the same purposes that those appropriations are so available. Credits may not be made to appropriations under this subsection as the result of capitalization of inventories under subsection (d).

(h) The Secretary of Defense shall prescribe regulations governing the operation of activities and use of inventories authorized by this section. The regulations may, if the needs of the Department of Defense require it and it is otherwise authorized by law, authorize supplies to be sold to, or services to be rendered or work performed for, persons outside the Department of Defense. Working-capital funds shall be reimbursed for supplies so sold, services so rendered, or work so performed by charges to applicable appropriations or payments received in cash.

(i) Reports annually shall be made to the President and to Congress on the condition and operation of working-capital funds established under this section. (Added Pub. L. 87-651, title II § 207(a), Sept. 7, 1962, 76 Stat 521.)

Business-Type Budget Statements

37.1. Business-type budget statements generally.

Business-type budget statements will be submitted for all enterprises which are specifically required by the Government Corporation Control Act or similar legislation to submit such budgets, and for all other revolving and trust revolving funds; except that they shall not be submitted for funds which are solely in the nature of "feeder accounts" for making advances to other funds or accounts. They will be submitted for other trust funds in special cases where applicable.

For some funds, these statements are not printed in the budget Appendix. Nevertheless, they are required on a nonprint basis for budget review and analysis purposes. In such cases, agency formats may be acceptable in lieu of the statements required below, depending on their suitability in relation to the need, as determined in advance by the Bureau of the Budget.

The following statements are required in addition to the schedules of program and financing (see sections 32.1-32.8):

(a) A condensed statement of revenue, expense, and retained earnings (section 37.2).

(b) A condensed statement of financial condition, with an appended analysis of Government equity (section 37.3).

(c) A schedule on selected supporting data (not to be printed in the budget) (section 37.4).

(d) When applicable, a schedule showing position with respect to lending, guarantee, or insurance authority. This schedule will be submitted when there is a statutory authorization or limitation relating to such authority, and will show the status thereof at the end of the past year, current year, and budget year, including the loans, guarantees, or insurance in force and the undisbursed obligations.

(e) When appropriate, such other schedules as are requested by Bureau of the Budget representatives or desired by the agency, to assist in the analysis of the program and estimates. For example, a schedule on capital expenditures will usually be submitted for major construction programs.

The business-type budget statements will relate only to the revolving fund concerned, and will exclude deposit funds (6000 series accounts) and allocation accounts which the enterprise receives from other agencies. Unexpended balances of allocations to other agencies, if any, will be included as part of the cash balance of the revolving fund.

The statements may reflect any items proposed for separate transmittal, without separate identifi-

cation, even though they are presented in separate program and financing schedules. The narrative statement will indicate whether or not such items are reflected in the business-type statements.

Bureau of the Budget representatives are available for consultation on preparation of the statements and schedules.

37.2. Statement of revenue, expense, and retained earnings.

A condensed statement of revenue, expense, and retained earnings (exhibit 37A) will show figures on a full accrual basis.

Where the enterprise is engaged in two or more major programs this statement should reflect separately the revenue, expense, and net income or loss for each program. Nonoperating income or loss will be shown separately, with an identification of the gross figures which make up the net income or loss.

The final section of the statement will begin with the balance of retained earnings or deficit at the beginning of each fiscal year, and show the additions and/or deductions made during the year to arrive at the retained earnings or deficit shown on the statement of financial condition at the end of the year.

37.3. Statement of financial condition.

A condensed statement of financial condition (exhibit 37B) will show actual figures at the close of the 2 years immediately completed and the estimates as of the close of the current and budget year. It will contain three principal sections with the general order of items in each section as follows:

Assets:

Treasury balance
U.S. securities (par)
Accounts receivable, net

Selected assets:

Items to be listed under this heading will be those which affect the change in selected resources shown on the program and financing schedule, and the heading will be footnoted accordingly.

Advances
Commodities for sale [or manufacture]
Supplies, deferred charges, etc.
Acquired securities and collateral
Loans receivable, net
Fixed assets, net

Liabilities:

Accounts payable and accrued liabilities
Deferred credits
Debt payable to the public
Operating reserves

This item will be footnoted to identify it with the entry for change in selected resources shown on the program and financing schedule.

Government equity:

Interest-bearing capital
Non-interest-bearing capital
Retained earnings or deficit (—)

Secs. 37.3-37.4

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The stub entries should be modified as necessary to be descriptive of the items. The following rules will be observed:

(a) Treasury balance—Include cash of revolving funds (4000 and 8400 series) on deposit with the Treasurer of the United States and in commercial banks. Balances shown for the past year will agree with the amounts to be shown in the Treasury Department's Combined Statement.

(b) Accounts receivable, net—Include accounts and notes receivable, accrued interest receivable, unamortized premium (less discount) on investments, and cash on hand or in transit not reported by Treasury as a part of the unexpended balance of the fund. Deduct allowance for losses on receivables in arriving at the figures.

(c) Supplies, deferred charges, etc.—Include current assets not covered by other entries, usually without itemizing them unless they are particularly significant.

(d) Loans receivable, net, and fixed assets, net—For both of these items, deduct the valuation allowances in arriving at the figures to be shown.

(e) Government equity—Show this in three items, as indicated above, without breaking down the investment by sources of funds. However, if there are changes in the capital for any of the three years, show on separate lines for that item: the capital at the start of the year, the changes during the year identified or broken down as to source or disposition (net borrowing and repayment of borrowing from Treasury, additional appropriations, donated property, etc.), and the capital at the end of the year. Where interest is paid only on cumulative net expenditures, additional entries will identify transfers between interest-bearing and non-interest-bearing capital.

An appended tabulation will show an "Analysis of Government Equity." When applicable, it will also include amounts of undrawn authorizations in feeder accounts and balances of authority to spend debt receipts and contract authority shown on the program and financing schedule. In these cases, the schedule will be titled "Analysis of Government

Equity and Undrawn Authorizations." The analysis will cover each of the balance sheet dates, and will generally contain the following entries:

Each major type of obligations other than liabilities, listed separately

These items will be footnoted to identify them with the entry for change in selected resources shown on the program and financing schedule.

Unobligated balance

Unfilled customers' orders on hand (—)

Use only for intragovernmental revolving funds.

Invested capital and earnings

Subtotal

Undrawn authorizations (—)

Total Government equity

"Obligations other than liabilities" consists of undelivered orders, unperformed contracts, loan agreements, and other lawful obligations which have not yet become current liabilities (but excluding here and showing in a footnote such items as contingent guarantees or portions thereof, if any, which are incurred under a law that specifically permits such action on an unfunded basis).

37.4. Schedule of selected supporting data.

Each business-type budget submission will include a schedule of selected supporting data (exhibit 37C), which will provide certain details and reconciliations available from the accounts, but not fully disclosed on the schedules which are printed.

The schedule will set forth such details and "bridges" as the agency may consider appropriate for analysis of the estimate (but not for printing). As a minimum, it shall include:

(a) A reconciliation between the expense figures on the revenue and expense statement and corresponding figures on the program and financing schedule.

(b) An analysis of the accounts which have valuation allowances, including, as applicable, accounts receivable, loans receivable, and fixed assets, showing in each case the items making up each year's changes, both in the gross amounts and in the valuation allowances for losses and depreciation respectively. The figures for start and end of the year must be consistent with the net sums used on the statement of financial condition, and the items mak-

ing up the changes must be consistent with corresponding entries appearing on the program and financing schedule and on the other portions of this schedule of supporting data.

(c) A statement showing the computation of the entry "Invested capital and earnings," used in the "Analysis of Government Equity and Undrawn Authorizations." The computation will usually be made as follows:

Total assets
Less:
 Treasury balance
 U.S. securities (par)
 Accounts receivable, net
 Debt payable to the public
 Operating reserves
Total invested capital and earnings

(d) An analysis of the balances for each of the balance sheet dates, showing the computation of the unobligated balance reported on the program and

financing schedule. The analysis will usually contain the following entries:

Unexpended balance:
 Treasury balance and U.S. securities (par)
 Undrawn authorizations
 Total unexpended balance [subtotal]
Obligated balance, net:
 Accounts payable and accrued liabilities
 Deferred credits
 Obligations other than liabilities
 Accounts receivable, net (-)
 Unfilled customers' orders (-)
 Use only for intragovernmental revolving funds.
 Total obligated balance, net [subtotal]
Unobligated balance [total]

(e) A schedule of selected resources for all 4 years, bringing together the amounts shown on the statement of financial condition and the appended tabulation, which enter into the computation of the change in such resources as set forth in section 32.3.