



Federal Accounting Standards Advisory Board

June 2, 2017

Memorandum

To: Members of the Board

Ross Simms

From: Ross Simms, Assistant Director

Wendy M. Payne

Through: Wendy M. Payne, Executive Director

Subj: Federal Financial Reporting: Streamlining Standards and Note Disclosures –
TAB C¹

MEMBER ACTIONS REQUESTED:

- Review the results of staff's outreach efforts on streamlining financial reporting standards and note disclosures and answer questions on page 10.

OBJECTIVES

The objectives are to 1) review the results of outreach efforts to identify possibilities for streamlining financial reporting standards and note disclosures and 2) provide direction to staff on the next steps.

BRIEFING MATERIALS

The briefing material includes this memorandum and the following attachments:

Attachment 1 provides a summary of staff's roundtable discussion with independent public accountants.

Attachment 2 provides a summary of staff's roundtable discussion with preparers.

¹ The staff prepares Board meeting materials to facilitate discussion of issues at the Board meeting. This material is presented for discussion purposes only; it is not intended to reflect authoritative views of the FASAB or its staff. Official positions of the FASAB are determined only after extensive due process and deliberations.

Attachment 3 provides an excerpt of *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2017*, and demonstrates the information available to users regarding federal government investments.

BACKGROUND

During the April 2017 meeting, Board members discussed the need to review existing standards and determine 1) how to reduce the burden on preparers, 2) what FASAB requirements may require clarification, and 3) what reporting matters should be considered in developing an ideal model over the long term. Board members noted that agency resources are increasingly constrained and financial reports have grown in size. Lengthy reports may appear too voluminous to be useful. In addition, management's discussion and analysis (MD&A) is intended to be a brief overview. However, in practice, MD&A is often an extensive presentation. Board members also noted financial reports may present redundant information, and there may be information that is not being presented as the Board intended.

In addition, during the February 2017 meeting, the Board approved a project to review and streamline existing note disclosures. To streamline note disclosures, the Board intended to review the materiality guidance and identify and develop a set of principles for note disclosures.

Consequently, to address the Board's concerns, staff engaged the federal financial reporting community in roundtable discussions to determine how to streamline financial reporting standards and note disclosures. On May 11th staff conducted a roundtable discussion with eight independent public accountants and on May 12th conducted a roundtable discussion with 21 financial report preparers from 14 different entities. In addition, Board members reviewed agency financial reports to identify opportunities for burden reduction on preparers.

NEXT STEPS

The next steps for the project will be determined during the meeting.

MEMBER FEEDBACK

If you have any questions or comments, please contact me by telephone at (202) 512-2512 or by email at simmsr@fasab.gov with a cc to paynew@fasab.gov .

Streamlining Outreach and Financial Report Review Results

Roundtable participants and Board members discussed various reporting concerns and potential ideas for addressing them. However, the most notable near-term issues concerned the significant volume of other information (OI) presented with information required by generally accepted accounting principles (GAAP) and the length of management's discussion and analysis (MD&A) which also included OI. The amount of OI could overwhelm readers and inhibit their understanding of the reports' intent.

Roundtable participants and Board members also noted other topics the Board could consider for near-term projects and expressed considerations for the long term. Examples of topics included eliminating required supplementary stewardship information (RSSI), simplifying budgetary reporting, revisiting property, plant and equipment (PP&E) guidance, streamlining certain disclosures such as credit reform and using links to reduce the amount of detailed information presented, and rebuilding the reporting models.

Consequently, the roundtables and financial report reviews provided some feedback on projects the Board could consider for improving financial reporting standards and the reporting models. Given the Board's immediate objectives, the Board could consider projects on MD&A and RSSI. Both require information that users can access from other sources and, unlike OI and budgetary information, the concepts and recognition and measurement requirements are within FASAB's scope.

1. Other Information

Although OI is not required by GAAP, roundtable participants and Board members noted significant amounts of OI in component reporting entity agency financial reports (AFR) and performance and accountability reports (PAR). For example, OI in one AFR represented 64 pages or about 25% of the report.² OI includes information regarding the following:

- the Improper Payments Elimination and Recovery Improvement Act,
- the Freeze the Footprint initiative, and
- the Office of Inspector General's Summary of Major Management and Performance Challenges and Management's Response.

Roundtable participants expressed that Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, prescribes OI and reporting the information at the same time as the financial statements places a burden on preparers. In addition, substantial OI could confuse readers about the purpose of the report and hinder their ability to locate the information they need.

² From a digital perspective, the OI section was about 6MB or one-third of the report.

The views of roundtable participants and Board members appear to present a change from earlier views and practices on reporting OI. Earlier views concentrated on meeting various reporting requirements in a single presentation. For instance, the Reports Consolidation Act of 2000 (RCA) authorized component reporting entities to “consolidate” financial and performance management reports into an annual report. In particular, the purposes of the RCA were to

- authorize and encourage the consolidation of financial and performance management reports;
- provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public;
- improve the quality of agency financial and performance management information; and
- enhance coordination and efficiency on the part of agencies in reporting financial and performance management information.³

The RCA also specified the contents of the consolidated report, helping to drive reporting practices toward combining GAAP-based information with OI in a single report. For example, the RCA discussed that reports

- shall be referred to as a *Performance and Accountability Report* if it incorporates the agency’s Government Performance and Results Act of 1993 (GPRA)⁴ program performance report;
- contain a summary of the most significant portions of the agency’s program performance report, including the agency’s success in achieving key performance goals, if the GPRA program performance report is not incorporated;
- include a statement by the agency’s inspector general that summarizes the agency’s most serious management and performance challenges; and
- include a transmittal letter from the agency head containing an assessment of the completeness and reliability of the performance and financial data used in the report.⁵

In addition, Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, paragraph 74 appears to suggest that presenting other accompanying information with GAAP-based information would contribute to meeting the four reporting objectives in an efficient manner. In particular, paragraph 74 states

³ Pub. L. No. 106-531, 114 STAT 2537 (November 22, 2000).

⁴ Pub. L. No. 103-62, 107 Stat. 285 (Aug. 3, 1993)

⁵ Pub. L. No. 106-531, 114 STAT 2537 (November 22, 2000).

Meeting the four objectives of Federal financial reporting in the most efficient manner suggests that reporting entities issue a financial report that would include the following:

- management's discussion and analysis;
- statement of financial position (commonly referred to as balance sheet);
- statement of net costs;
- statement of changes in net position;
- statement of custodial activities, when appropriate;
- statement of budgetary resources;
- statement of financing; [footnote omitted]
- statement of program performance measures; [footnote omitted]
- accompanying footnotes;
- required supplementary information; and
- **other accompanying information.** [emphasis added]

Roundtable participant and Board member suggestions for improving current reporting practices seemed to focus on better distinguishing OI from GAAP-based information. For instance, participants suggested removing OI from financial reports and presenting the information in a separate report or on a website. Financial reports could include links or references to OI presented elsewhere.

Staff Recommendations

While staff supports the notion of distinguishing and relocating OI, no actions for FASAB are recommended for the near term. The Board's focus is on GAAP-based information and OI is not within the Board's purview.

For the long term, staff recommends that the Board clarify guidance which appears to suggest that preparers meet the reporting objectives with a presentation that combines GAAP and OI. Instead, preparers could pursue approaches for dividing information into distinct presentations enabling users to more readily review the items of interest. In addition, given the roundtable participant's concerns with distinguishing requirements for GAAP and OI, the Board could revisit SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board* to resolve problems experienced in applying the four-level hierarchy. A potential project regarding the hierarchy is presented in the *FASAB Annual Report For Fiscal Year Ended September 30, 2016*.

Question for the Board

Does the Board agree or disagree with the staff long-term suggestions that the Board a) clarify guidance which appears to suggest that preparers achieve the

reporting objectives in a presentation that combines GAAP and OI, and b) revisit SFFAS 34?

2. Management's Discussion and Analysis

Roundtable participants and Board members noted MD&A is an important component of financial reports and some indicated that they prefer reviewing MD&A over other sections of financial reports. However, roundtable participants and Board members seemed to agree that MD&As are voluminous and include narrative, pictures, and other data that may not be relevant to discussing the financial statements or the entity's most important issues. Other concerns included the following:

- MD&A may not discuss significant issues presented in required supplementary information, such as significant deferred maintenance and repairs.
- Performance information appears voluminous for MD&A and may not be linked to financial information.
- Standards do not require linking performance and financial information where appropriate.
- Details to understand the component reporting entity, information on systems and controls, and applicable laws could be linked and obtained from other sources.

While the standards allow reporting entities some discretion in reporting information in MD&A, FASAB does require a brief presentation. Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*, provides the standards for MD&A and states,

Because MD&A must be concise if it is to be useful, management must select the most important matters to discuss.⁶

Staff Recommendation

Staff suggests the Board revisit SFFAS 15 and consider removing items from the MD&A requirements. For instance, SFFAS 15 requires the MD&A to address the entity's mission and organizational structure and systems, controls, and legal compliance. However, this information could be considered OI and presented elsewhere, such as the entity's website. The Board's May 2017 draft SFFAC 8, *Federal Financial Reporting*, notes that the reporting objectives most relevant for financial statements and RSI are the Operating Performance and Stewardship Objectives.⁷ Also, the Board considers users' budgetary information needs.⁸

⁶ SFFAS 15, par. 5.

⁷ May 2017 Draft SFFAC 8, pars. 8 and 9.

⁸ May 2017 Draft SFFAC 8, par. 11.

The following is an example of how SFFAS 15 could be amended to remove certain items from RSI.

1. A report that presents a Federal reporting entity's financial statements in conformance with Federal accounting principles should include management's discussion and analysis (MD&A) of the financial statements and related information. MD&A should provide
 - a. present a statement regarding the availability of published information on clear and concise description of the reporting entity and its mission and, activities, program and financial performance, systems, controls, and legal compliance;
 - b. present a clear and concise discussion of the reporting entity's program and financial performance, financial position, and financial condition
 - c. MD&A should provide a balanced presentation that includes both positive and negative information about the se topics in 1.b. and
 - d. MD&A should be regarded as "required supplementary information" as that term is used in auditing standards.[footnote omitted]
2. MD&A should contain sections that address the entity's:
 - mission and organizational structure;
 - performance goals, objectives, and results;
 - financial statements; and
 - systems, controls, and legal compliance.

Question for the Board

Does the Board agree or disagree with the staff suggestion to revisit SFFAS 15 and consider removing items from the MD&A requirements?

3. Other Considerations for the Near Term

Roundtable participants suggested potential near-term approaches for streamlining reporting, such as eliminating RSSI, simplifying the reporting of budgetary information, and reconsidering the reporting of PP&E. However, of the areas, the RSSI concern may be the most likely topic the Board could address in the near term. RSSI is being reported to meet other requirements and users may

access the information from other sources. For instance, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2017*, presents information on federal investments. Attachment III: Analytical Perspectives, provides an excerpt of the information available to users.

SFFAS 8, *Supplementary Stewardship Reporting*, requires items to be presented in RSSI. The RSSI category was a response to the unique federal financial reporting environment and the broad financial reporting objectives. The Board intended that the Government Accountability Office and OMB would define a level of auditor involvement greater than applied to RSI but less than applied to basic information. However, that level has not been defined and the Board began re-categorizing RSSI items through a series of standards amending SFFAS 8. Stewardship Investments is the remaining category of RSSI and includes Nonfederal Physical Property, Human Capital, and Research and Development.

Staff Recommendation

Staff suggests the Board revisit SFFAS 8 and consider whether the requirements could be streamlined to requiring a statement regarding the availability of stewardship investment.

Questions for the Board

With respect to the Board's near-term objectives, staff questions for the Board are as follows:

- a. Does the Board agree or disagree with the staff suggestion to revisit SFFAS 8 and consider whether the requirements could be streamlined to requiring a statement regarding the availability of stewardship investment information?
- b. Are there other standards or issues that the Board believes should be considered for streamlining at this time?

4. Disclosures

Roundtable participants and Board members discussed the need to streamline certain disclosures, such as the credit reform disclosure. Other disclosures mentioned included social insurance, federal employee and veteran benefits, funds from dedicated collections, and forfeited property. In addition, boilerplate information such as the summary of significant accounting policies, and detailed information could be presented on a website and reporting entities could reference the website. This approach could reduce the amount of information presented in reports.

Staff Recommendation

No recommendations at this time. Staff plans to consider the feedback on disclosures as part of the disclosure project.

5. Considerations for the Long Term

While the amount of OI appeared to be the primary area of concern, roundtable participants and Board members indicated several perspectives the Board could consider for the long term. In particular, preparers suggested rebuilding the reporting models rather than implementing enhancements and focusing on electronic, web-based reporting. For instance, the government-wide reporting entity would present “traditional” financial statements while component reporting entities would primarily provide users with access to data. However, some notions for improving the models may require a change in the legislation regarding which component reporting entities should prepare financial reports.

Staff Recommendation

No recommendations at this time. Staff will consider the feedback in developing illustrative reporting models for the government-wide and component reporting entities.

Questions for the Board

1. Does the Board agree or disagree with the staff long-term suggestions that the Board a) clarify guidance which appears to suggest that preparers achieve the reporting objectives in a presentation that combines GAAP and OI, and b) revisit SFFAS 34?
2. Does the Board agree or disagree with the staff suggestion to revisit SFFAS 15 and consider removing items from the MD&A requirements?
3. With respect to the Board's near-term objectives, additional staff questions for the Board are as follows:
 - a. Does the Board agree or disagree with the staff suggestion to revisit SFFAS 8 and consider whether the requirements could be streamlined to requiring a statement regarding the availability of stewardship investment information?
 - b. Are there other standards or issues that the Board believes should be considered for streamlining at this time?

Discussion on Streamlining Federal Financial Reporting Standards and Note Disclosures

May 11, 2017

Purpose

The objective of the meeting was to determine areas for improving financial reporting standards and note disclosures. During the Federal Accounting Standards Advisory Board (FASAB or “the Board”) April 27, 2017 meeting, the Board discussed the need to review existing standards and disclosures and determine 1) how to reduce the burden on preparers, 2) what FASAB requirements may require clarification, and 3) what reporting matters should be considered in developing an ideal model over the long term.

Date and Time

May 11, 2017; 10:00 am to 12:00 pm

Location

441 G St NW Room 7B15
Washington DC 20548

Attendees

Last Name	First Name	Organization
Guensberg	Dianne	Grant Thornton
Holladay	Jon	Deloitte
Kubistal	Bill	Kearney & Company
Olden	Kerrey	KPMG
Stushek	Rachel	Grant Thornton
Von Elm	Roger	CliftonLarsenAllen
Wilber	Greg	Deloitte
Wood	Debbi	Ernst & Young

FASAB Staff

Wendy Payne, Executive Director

Ross Simms, Assistant Director

Grace Wu, Assistant Director

Discussion

FASAB staff welcomed the participants and provided background information on the Board's projects noting that the Board is reviewing its standards and note disclosures to identify areas for improvement. The improvements could reduce the burden on preparers as well as users and auditors. FASAB staff expects to propose suggestions to the Board during the June 21, 2017 meeting. The participants discussed various issues as follows.

The Federal Financial Management Framework and the Various Sources that Contribute to Preparer Burden

Participants appeared to suggest that FASAB consider the federal financial management framework and the various sources that contribute to preparer burden, rather than focusing exclusively on FASAB standards or generally accepted accounting principles (GAAP). Participant comments included the following:

- a. The annual update to the U.S. standard general ledger could result in significant investments in system changes.
- b. FASAB concepts refer preparers to OMB A- 136, *Financial Reporting Requirements*, for form and content guidelines.¹ However, the OMB guidelines require other information (OI) and, to satisfy the guidelines, preparers work within a compressed time period to present several pages of OI.
- c. The scope of the auditor's internal control procedures in the federal environment may be extensive and audit work is needed to satisfy the Digital Accountability and Transparency Act and the Federal Information Security Management Act requirements.
- d. The learning curve may be long for entity's implementing GAAP for the first time.
- e. Currently, a significant portion of a financial report presents management's discussion and analysis (MD&A), required supplementary stewardship information, and other information, such as Prompt Pay Act information.
- f. Agencies appear to present information to satisfy their auditors.

¹ Statement of Federal Financial Accounting Concepts (SFFAC) 2, *Entity and Display*, formerly discussed that FASAB concepts would be useful to OMB when it conducts its statutory responsibilities for specifying the form and content of financial statements. However, Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, rescinded the discussion. Currently, SFFAS 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, discusses the GAAP hierarchy and what constitutes GAAP for federal reporting entities and the Preamble to SFFACs provides a comprehensive discussion on the role of FASAB concepts.

- g. For guidance on recognizing and measuring budgetary resources, GAAP² refers preparers to OMB [Circulars A-11 and A-34]. However, the OMB guidance appears to be developed for internal reporting rather than external reporting.

Additional Suggestions for the Board's Consideration

Participant comments included the following suggestions for the Board's consideration:

- a. Separate the non-GAAP and GAAP-based information. FASAB note disclosure requirements could be compared with the A-136 requirements to identify items not required by GAAP. Upon distinguishing the non-GAAP and GAAP-based information, component reporting entities could present the non-GAAP information in its own report, separate from the agency financial report or performance and accountability report.
- b. Educate agencies on their responsibilities with respect to GAAP. To help address issues with auditors, agencies could develop a white paper that explains management's position on issues. The white paper could discuss the issue identified, how the agency researched the issue, and management's position.
- c. Keep what is working separate from emerging practices.
- d. Determine what budgetary information OMB needs and assess whether the Fund Balance with Treasury note disclosure could present the information. If so, the Board could eliminate the SBR.
- e. Examine the cause of the inter-governmental differences and determine whether some inefficiencies can be eliminated.
- f. Present a disclosure of the differences between the budget and accrual basis rather than a statement or schedule. The statement may be challenging for users to understand and users are primarily interested in knowing the differences. Also, MD&A could discuss the differences.
- g. Minimize the detail for the credit reform note disclosure. Disclose the key items of interest to users.
- h. Use links to direct users to additional detail rather than including the detail in the report. Links can eliminate extraneous information and preparers can measure usage of the information by tracking the number of hits and downloads.
- i. Prior to rescinding a standard FASAB should consider whether there would be a degradation of management information. GAAP facilitates a level of discipline with respect to financial management data and affords data to inform decision-making.

A participant also noted that compared with the private sector, federal financial reporting is relatively stable. The Financial Accounting Standards Board (FASB) has issued

² SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting.

standards, such as revenue accounting and leases that are requiring companies to make significant changes in their reporting.

Definition of Materiality

The participants did not appear to support moving toward a legal definition of materiality. The FASB is moving toward a legal definition of materiality. Participant comments included the following:

- A materiality definition for the federal environment needs quantitative and qualitative aspects.
- Moving toward a legal definition would impact the auditor's discretion and require discussions with agency offices of general counsel.
- Unlike investing in a company, users are not making financial decisions based on a federal reporting entity's financial statements. Federal financial statements demonstrate the government's accountability to the public.

Disclosure Framework

The participants appeared to support a disclosure framework to help guide preparers. Participant comments included the following:

- Currently, agencies focus on complying with A-136 guidelines. However, agencies should focus on what information they need to present to tell their story, regardless of the A-136 guidelines.
- Early in the audit process, agencies could conduct a discussion with their auditors regarding what they believe are the material items and why.

Future Oriented Information

Participants appeared to indicate that future oriented information would increase the burden on preparers. Participant comments included the following:

- Preparers may need to engage specialists to assist them in developing estimates and estimates may require additional audit resources.
- The readers of the information will need to understand the assumptions used in developing the estimate.

Discussion on Streamlining Federal Financial Reporting Standards and Note Disclosures

May 12, 2017

Purpose

The objective of the meeting was to determine areas for improving financial reporting standards and note disclosures. During the Federal Accounting Standards Advisory Board (FASAB or “the Board”) April 27, 2017 meeting, the Board discussed the need to review existing standards and disclosures and determine 1) how to reduce the burden on preparers, 2) what FASAB requirements may require clarification, and 3) what reporting matters should be considered in developing an ideal model over the long term.

Date and Time

May 11, 2017; 10:00 am to 12:00 pm

Location

441 G St NW Room 7B15
Washington DC 20548

Attendees

See attachment

Discussion

FASAB staff welcomed the participants and provided background information on the Board’s projects noting that the Board is reviewing its standards and note disclosures to identify areas for improvement. The improvements could reduce the burden on preparers as well as users and auditors. FASAB staff expects to propose suggestions to the Board during the June 21, 2017 meeting. The participants discussed various issues as follows.

The Reporting Model in General

Participants appeared to suggest the need to rebuild the reporting model for component reporting entities. They indicated that the government-wide reporting entity could present financial statements while component reporting entities could primarily provide access to data. A concern was that existing financial statements were static and did not provide the level of detail to facilitate decision making. Participant comments included the following:

- a. Are traditional financial statements the best construct for communicating the information users seek about component reporting entities, such as the cost of programs and liabilities?
- b. Present government-wide financial statements and move away from the performance and accountability reports (PAR) and agency financial reports (AFR) format for component reporting entities. Component reporting entities could inform taxpayers on 1) the amount of resources received, and 2) what was accomplished with the resources. The idea would be to present useful information and have material balances audited to support government-wide financial statements.
- c. Rather than adding note disclosures, revisit the suite of financial statements to determine what is meaningful to management, taxpayers, and stakeholders, such as Congress. The existing financial statements are not being used and may be challenging to understand. For example, Congress requests explanations to help them understand the statements. The Digital Accountability and Transparency Act (DATA Act) model appears to provide the construct (web-based access to data) and information users seek—how much are we spending and on what are we spending.
- d. Users of financial information are interested in the status of budgetary resources. However, they do not appear to have an interest in the value of assets such as property, plant, and equipment (PP&E) and payables. Agencies do not intend to sell the assets and resources are consumed developing depreciation calculations.
- e. Consider determining the public's focus. Does the public focus on knowing the financial health of the government as a whole rather than the financial health of individual agencies? The government-wide reporting entity could focus on financial statements and component reporting entities could focus on addressing risks, establishing internal controls, and assuring the amounts that feed into the government-wide report. In addition, the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and Government-wide Financial Report System (GFRS) could be expanded so agencies can perform data analytics and users could have one source where they can access data and reports.
- f. Consider the information that the DATA Act is facilitating, such as the sources of the money (taxes, user fees, etc.), where did the money go, and to whom did the

money go. This is useful information and agencies could also present items unique to their organization.

- g. It may be better to rebuild the model from the ground up rather than “tweaking” the existing model. The model is very complex and includes statements that are difficult to understand. A new model could present cash transactions, simplified budgetary information, and, if necessary, a highly aggregated balance sheet with notes for material items.
- h. Rather than presenting static reports, a single website could permit users to access data. Information could be presented for day-to-day decision making.
- i. More dynamic information is needed than a snapshot of information at a point in time. Decisions are being made throughout the year. The question would then be what do we need to report once a year? It appears that users want to know the amount of funds an entity received and what the entity did with the funds.
- j. Component reporting entities should present only the essential information users need.
- k. In the private sector, analysts can use financial statements to develop ratios and make comparisons for investment decisions. However, ratios cannot be developed and comparisons made from component reporting entity financial statements. Thus, each entity’s financial statements stand alone. Also, Congress determines the amount of funding a component reporting entity receives.
- l. Senior leaders do not use the reports for decision making. They seek information on the status of funds.

Alternatives to Rebuilding the Component Reporting Entity Model

If eliminating component reporting entity financial statements is not possible currently, participants discussed alternatives that could be considered. Their comments included the following:

- a. Eliminate required supplementary stewardship information (RSSI).
- b. Eliminate investment in human capital and research and development.
- c. Consider whether the stewardship assets note is needed to fairly present financial results.
- d. It is commonly understood that agencies receive and spend funding. Accordingly, consider whether a presentation on dedicated collections is needed.
- e. Have less frequent financial statement audits. For instance, if an agency has a clean audit opinion for three consecutive years, the agency could be audited every other year thereafter. During the period when the agency is not subject to audit, the agency could focus on improving internal control and performing analyses.

- f. For agencies that do not have a clean audit opinion, change the Office of Management and Budget (OMB) and Treasury reporting requirements to twice a year—March 30 and September 30.
- g. Reduce the GTAS reporting cycles.
- h. Present cost by budget function. This approach would present cost consistent with the USASpending.gov website.
- i. The Statement of Budgetary Resources (SBR) is challenging to understand and could be simplified to present the status of funds. The schedule of spending is an example that could be considered.
- j. A budget to accrual reconciliation could be presented as other information or as a presentation at the government-wide level. The current reconciliation is complicated to prepare and challenging to understand.
- k. Eliminate the redundancies in the accountability measures being provided.

Perspectives on Summary Reporting and Management’s Discussion and Analysis (MD&A)

Participants discussed the benefits of brevity in reporting. They appeared to support brief presentations such as a summary report or the MD&A. However, they did not appear to support prescriptive guidance for summary reporting or the MD&A. Participant comments included the following:

- a. Flexibility in summary reporting is needed. Some agencies may want to use the summary report for public outreach on a particular topic. The agency may focus on the services it offers rather than on financial information.
- b. Emphasize conciseness rather than limiting the number of pages that could be used. It is difficult to anticipate what issues could arise and should be presented. However, the MD&A should not be the “bucket” for reporting all information about the entity.
- c. The MD&A standard was written before the government launched the Performance.gov website. Currently, the MD&A could include links to performance information on Performance.gov rather than presenting the information.
- d. The MD&A and highlights are useful. However, the other sections of the financial report are lengthy and include confusing information.
- e. While reliable data is needed to prepare an MD&A, the question is what information needs to be presented to the public.

Volume of Other Information Presented in Reports

Participants appeared to express concern about the volume of other information presented in PARs and AFRs. Given the comments participants provided, the primary message of financial reports may not be clear to users and stakeholders. A participant posed the question, what should be the purpose of the government-wide and

component reporting entity reports? Additional participant comments included the following:

- a. Reporting on improper payments requires numerous pages, but the information is not read.
- b. As currently presented, citizens may not understand what the reports are trying to communicate.
- c. The purpose of financial statements is to provide a fair presentation of the agency's results. However, additional information has been added which impacts this purpose.
- d. Distinguish between FASAB standards and OMB Circular A-136, *Financial Reporting Requirements*. Although the standards may permit discretion, the OMB requirements may be more prescriptive.
- e. Why is Circular A-136 guidance needed? The FASAB guidance provides the concepts needed.
- f. The other information section of the agency financial reports is extensive. However, it is not clear who uses the information.
- g. A distinction should be made between the information that Congress needs and information that should be presented to the public. Information prepared to comply with a law could be presented on a federal government website rather than in the AFR or PAR.

Credit Reform

Various participants expressed concern with the credit reform note disclosure for the government-wide and component reporting entities. Comments included the following:

- a. The credit reform note disclosure includes a significant amount of detail that may not resonate with readers
- b. Credit reform guidance should be revisited. Developing the disclosures consumes significant resources, requiring present value calculations and annual re-estimates.
- c. The credit reform note disclosure would be confusing to the general public.

Additional Comments

Participants provided the following comments regarding the standards:

- a. Propriety or accrual accounting is not understood or used. Accrual accounting requires preparers to recognize a liability when Congress has not provided funds. As a result, some may believe the agency committed an Anti-Deficiency Act violation.

- b. Some accruals do matter. For instance, citizens need to know about the liabilities the entity faces.
- c. Statement of Federal Financial Accounting Standards (SFFAS) 4, *Managerial Cost Accounting Standards and Concepts*, requires the reporting of full costs. Accordingly, an entity within a department would recognize imputed intra-departmental costs for the unreimbursed portion of the full costs of goods and services received from a providing entity within the same department. Determining imputed intra-departmental costs for a department with numerous responsibility segments that share programs and assets may require significant resources.
- d. Reconsider SFFAS 6, *Accounting for Property, Plant, and Equipment*, and the standards for property, plant, and equipment (PP&E). Preparer resources are consumed developing information that is not used, such as information on the amount of depreciation. Users appear to be interested in other information such as the location and condition of assets.
- e. The standards are not clear with respect to reporting when multiple entities share the responsibility for a liability.

Disclosures and the Definition of Materiality

The participants did not appear to support moving toward a legal definition of materiality such as the Financial Accounting Standards Board (FASB). A participant noted that FASB may be moving in that direction because investors may sue companies. However, the circumstances are different for the federal government. The public does not invest in agencies or use agency financial statements for making investment decisions. Additional comments regarding disclosures include the following:

- a. Circular A-136 defines the form and content of the financial statements. To comply with the guidance, agencies will include the information OMB prescribes. Auditors review financial information for compliance with the OMB guidance.
- b. Auditors may be requiring preparers to present more than what is intended. Having more specific guidance in Circular A-136 may resolve differences in views between preparers and auditors.
- c. A good mechanism does not exist for determining how much it costs to prepare disclosures and inform discussions with auditors.
- d. Establish materiality at the government-wide level and agencies could 1) present what is material for the government-wide level and 2) focus on controls over presenting timely data.
- e. If an item is necessary for fair presentation, it probably should be disclosed.
- f. Agencies have a unique mission, so the guidance should not be too prescriptive.
- g. Participant discussed the following disclosures could be considered for streamlining:

- Social Insurance
- Credit reform
- Federal employees and veterans benefits
- Funds from dedicated collections
- Forfeited property

List of Attendees

First Name	Last Name	Organization
Gordon	Alston	Department of Commerce
Robert	Bell	Department of the Treasury
Jeffrey	Brogie	Social Security Administration
Oscar	Castro	Department of the Treasury
Dang	Anh	Nuclear Regulatory Commission
Jennifer	Funk	Department of Transportation
Colleen	Graham	Department of the Treasury
Timothy	Gribben	Small Business Association
Alaleh	Jenkins	Department of Defense
Carol	Johnson	Office of Management and Budget
Daniel	King	Department of Transportation
MelaJo	Kubacki	Department of Housing and Urban Development
John	McMullen	National Science Foundation
Nita	Nigam	Department of Housing and Urban Development
Mary	Peterman	Department of Homeland Security
Kristina	Poist	Social Security Administration
Dorrice	Roth	Small Business Administration
Bob	Smalskas	General Services Administration
Tim	Soltis	Department of Education
Eric	Still	Office of Personnel Management
Courtney	Timberlake	Department of Housing and Urban Development

FASAB Staff

Wendy Payne, Executive Director

Ross Simms, Assistant Director

Grace Wu, Assistant Director

18. FEDERAL INVESTMENT

Federal investment is the portion of Federal spending intended to yield long-term benefits for the economy and the country. It promotes improved efficiency within Federal agencies, as well as growth in the national economy by increasing the overall stock of capital. Investment spending can take the form of direct Federal spending or of grants to State and local governments.¹ It can be designated for physical capital, which creates a tangible asset that yields a stream of services over a period of years. It also can be for research and development, education, or

¹ For more information on Federal grants to State and local governments see Chapter 15, “Aid to State and Local Governments,” in this volume.

training, all of which are intangible but still increase income in the future or provide other long-term benefits.

Most presentations in this volume combine investment spending with spending intended for current use. This chapter focuses solely on Federal and federally financed investment. It provides a comprehensive picture of Federal investment spending for physical capital, research and development, and education and training, but because it disregards spending for non-investment activities, it provides only a partial picture of Federal support for specific national needs, such as defense, transportation, or environmental protection.

DESCRIPTION OF FEDERAL INVESTMENT

The distinction between investment spending and current outlays is a matter of judgment. The budget has historically employed a relatively broad classification of investment, encompassing physical investment, research, development, education, and training. The budget further classifies investments into those that are grants to State and local governments, such as grants for highways, and all other investments, or “direct Federal programs.” This “direct Federal” category consists primarily of spending for assets owned by the Federal Government, such as weapons systems and buildings, but also includes grants to private organizations and individuals for investment, such as capital grants to Amtrak or higher education loans directly to individuals.

The definition of investment in a particular presentation can vary depending on specific considerations:

- Taking the approach of a traditional balance sheet would limit investment to only those physical assets owned by the Federal Government, excluding capital financed through grants and intangible assets such as research and education.
- Focusing on the role of investment in improving national productivity and enhancing economic growth would exclude items such as national defense assets, the direct benefits of which enhance national security rather than economic growth.
- Examining the efficiency of Federal operations would confine the coverage to investments that reduce costs or improve the effectiveness of internal Federal agency operations, such as computer systems.
- Considering a “social investment” perspective would broaden the coverage of investment beyond what is included in this chapter to include programs such

as maternal health, certain nutrition programs, and substance abuse treatment, which are designed in part to prevent more costly health problems in future years.

This analysis takes the relatively broad approach of including all investment in physical assets, research and development, and education and training, regardless of ultimate ownership of the resulting asset or the purpose it serves. It does not include “social investment” items like health care or social services where it is difficult to separate out the degree to which the spending provides current versus future benefits. The definition of investment used in this section provides consistency over time (historical figures on investment outlays back to 1940 can be found in the Budget’s historical tables).² Table 18–2 at the end of this section allows disaggregation of the data to focus on those investment outlays that best suit a particular purpose.

In addition to this basic issue of definition, there are two technical problems in the classification of investment data: the treatment of grants to State and local governments, and the classification of spending that could be shown in multiple categories.

First, for some grants to State and local governments it is the recipient jurisdiction, not the Federal Government, that ultimately determines whether the money is used to finance investment or current purposes. This analysis classifies all of the outlays into the category in which the recipient jurisdictions are expected to spend a majority of the money. Hence, the Community Development Block Grants are classified as physical investment, although some may be spent for current purposes. General purpose fiscal assistance is classified as current spending, although some may be spent by recipient jurisdictions on investment.

² The historical tables are available at <http://www.budget.gov/budget/Historicals> and on the Budget CD-ROM.

Second, some spending could be classified in more than one category of investment. For example, outlays for construction of research facilities finance the acquisition of physical assets, but they also contribute to research and development. To avoid double counting, the outlays are classified hierarchically in the category that is most commonly recognized as investment: physical assets, followed by research and development, followed by education and training. Consequently, outlays for the conduct of research and development do not include outlays for the construction of research facilities, because these outlays are included in the category for investment in physical assets.

When direct loans and loan guarantees are used to fund investment, the subsidy value is included as investment. The subsidies are classified according to their program purpose, such as construction or education and training. For more information about the treatment of Federal credit programs, refer to the section on Federal credit in Chapter 9, “Budget Concepts,” in this volume.

This discussion presents spending for gross investment, without adjusting for depreciation.

Composition of Federal Investment Outlays

Major Federal Investment

The composition of major Federal investment outlays is summarized in Table 18–1. They include major public physical investment, the conduct of research and development, and the conduct of education and training. Total Federal investment outlays were \$489.2 billion in 2015. Federal investment outlays are estimated to increase to \$491.0 billion, less than one percent, in 2016, and increase by 1.0 percent to \$495.6 billion in 2017. In 2017, defense investment outlays are estimated to increase by \$6.1 billion, while nondefense investment outlays are expected to decrease by \$1.4 billion. The major factors contributing to these changes are described below.

Major Federal investment outlays will comprise an estimated 12.0 percent of total Federal outlays in 2017 and 2.6 percent of the Nation’s gross domestic product. Greater detail on Federal investment is available in Table 18–2 at the end of this section. That table includes both budget authority and outlays.

Physical investment. Outlays for major public physical capital investment (hereafter referred to as “physical in-

Table 18–1. COMPOSITION OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

Federal Investment	Actual 2015	Estimate	
		2016	2017
Major public physical capital investment:			
Direct Federal:			
National defense	108.9	110.8	109.7
Nondefense	40.3	42.5	39.4
Subtotal, direct major public physical capital investment	149.2	153.3	149.1
Grants to State and local governments	77.2	78.0	85.3
Subtotal, major public physical capital investment	226.4	231.3	234.4
Conduct of research and development:			
National defense	70.7	71.7	78.9
Nondefense	61.3	63.8	67.8
Subtotal, conduct of research and development	132.1	135.5	146.7
Conduct of education and training:			
Grants to State and local governments	55.9	60.3	59.3
Direct Federal	74.7	63.9	55.3
Subtotal, conduct of education and training	130.7	124.2	114.6
Total, major Federal investment outlays	489.2	491.0	495.6
MEMORANDUM			
Major Federal investment outlays:			
National defense	179.6	182.5	188.6
Nondefense	309.5	308.5	307.1
Total, major Federal investment outlays	489.2	491.0	495.6
Miscellaneous physical investment:			
Commodity inventories	–*	–0.2	–0.0
Other physical investment (direct)	2.4	2.4	4.1
Total, miscellaneous physical investment	2.4	2.2	4.0
Total, Federal investment outlays, including miscellaneous physical investment	491.5	493.2	499.7

vestment outlays”) are estimated to grow by one percent in 2017 to \$234.4 billion. Physical investment outlays are for construction and rehabilitation, the purchase of major equipment, and the purchase or sale of land and structures. Just under two-thirds of these outlays are for direct physical investment by the Federal Government, with the remainder being grants to State and local governments for physical investment.

Direct physical investment outlays by the Federal Government are primarily for national defense. Defense outlays for physical investment are estimated to be \$109.7 billion in 2017, \$1.1 billion lower than in 2016. Approximately 93 percent of defense physical investment outlays, or an estimated \$102.0 billion, are for the procurement of weapons and other defense equipment, and the remainder is primarily for construction on military bases, family housing for military personnel, and Department of Energy defense facilities.

Outlays for direct physical investment for nondefense purposes are estimated to be \$39.4 billion in 2017. Outlays for 2017 include \$21.0 billion for construction and rehabilitation. This amount includes funds for water, power, and natural resources projects of the Corps of Engineers, the Bureau of Reclamation within the Department of the Interior, the Power Marketing Administrations within the Department of Energy, and the Tennessee Valley Authority; construction and rehabilitation of veterans’ hospitals and Indian Health Service hospitals and clinics; facilities for space and science programs; Postal Service facilities; construction for the administration of justice programs (largely in Customs and Border Protection within the Department of Homeland Security); construction of office buildings by the General Services Administration; and construction for embassy security. Outlays for this category are estimated to decrease by \$3.8 billion in 2017 primarily because outlays for 2016 include upward reestimates of the cost of past guaranteed loans for the construction and repair of apartment buildings, hospitals, and other health care facilities.

Outlays for grants to State and local governments for physical investment are estimated to be \$85.3 billion in 2017, a 10.1 percent increase from the 2016 estimate of \$78.0 billion. Most of the increase is for the 21st Century Clean Transportation System proposal, which includes a number of grants and programs within the Department of Transportation. For more information on this proposal see Chapter 11, “Budget Process,” in this volume. Other major grants for physical investment fund sewage treatment plants and other State and tribal assistance grants, community and regional development, and public housing.

Conduct of research and development. Outlays for the conduct of research and development are estimated to be \$146.7 billion in 2017, an \$11.2 billion or 8.3 percent increase over 2016. These outlays are devoted to increasing basic scientific knowledge and promoting research and development. They increase the Nation’s security, improve the productivity of capital and labor for both public and private purposes, and enhance the quality of life. With an increase of \$7.3 billion over 2016, more than half

of research and development outlays, an estimated \$78.9 billion, are for national defense. Physical investment for research and development facilities and equipment is included in the physical investment category.

Non-defense outlays for the conduct of research and development are estimated to be \$67.8 billion in 2017, a \$4.0 billion or 6.2 percent increase over 2016. Most investments in this area are funded through programs in the National Institutes of Health (which accounts for half of the increase in 2017), the National Aeronautics and Space Administration, the Department of Energy, and the National Science Foundation.

A more detailed discussion of research and development funding can be found in Chapter 19, “Research and Development,” in this volume.

Conduct of education and training. Outlays for the conduct of education and training were \$130.7 billion in 2015. Outlays are estimated to decrease to \$124.2 billion in 2016, and decrease again in 2017 to \$114.6 billion. Investments in this category add to the stock of human capital by developing a more skilled and productive labor force. Grants to State and local governments for this category are estimated to be \$59.3 billion in 2017, 52 percent of the total. They include education programs for the disadvantaged and individuals with disabilities, training programs in the Department of Labor, Head Start, and other education programs. Direct Federal education and training outlays in 2017 are estimated to be \$55.3 billion, which is a decrease of \$8.6 billion, or 13.4 percent, from 2016. Programs in this category primarily consist of aid for higher education through student financial assistance, loan subsidies, and veterans’ education, training, and rehabilitation. The decrease in outlays for the conduct of education and training from 2015 to 2017 is more than accounted for by revisions in the cost of past student loan activity. Adjusting for these reestimates of past activity, this category of outlays would increase from year to year.

This category does not include outlays for education and training of Federal civilian and military employees. Outlays for education and training that are for physical investment and for research and development are in the categories for physical investment and the conduct of research and development.

Miscellaneous Physical Investment

In addition to the categories of major Federal investment, several miscellaneous categories of investment outlays are shown at the bottom of Table 18–1. These items, all for physical investment, are generally unrelated to improving Government operations or enhancing economic activity.

Outlays for commodity inventories are for the purchase or sale of agricultural products pursuant to farm price support programs and other commodities. Sales are estimated to exceed purchases by \$36 million in 2017.

Outlays for other miscellaneous physical investment are estimated to be \$4.1 billion in 2017. This category consists entirely of direct Federal outlays and includes primarily conservation programs.

Detailed Table on Investment Spending

The following table provides data on budget authority as well as outlays for major Federal investment divided

according to grants to State and local governments and direct Federal spending. Miscellaneous investment is not included because it is generally unrelated to improving Government operations or enhancing economic activity.

Table 18–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS

(In millions of dollars)

Description	Budget Authority			Outlays		
	2015 Actual	2016 Estimate	2017 Estimate	2015 Actual	2016 Estimate	2017 Estimate
GRANTS TO STATE AND LOCAL GOVERNMENTS						
Major public physical investment:						
Construction and rehabilitation:						
Transportation:						
Highways	39,018	41,382	39,658	42,002	42,030	42,863
Mass transportation	12,190	12,950	14,684	11,784	11,669	12,859
Rail transportation	1,394	1,452	2,269	2,415	3,342	4,778
Air and other transportation	3,548	3,677	18,327	3,454	3,779	7,125
Subtotal, transportation	56,150	59,461	74,938	59,655	60,820	67,625
Other construction and rehabilitation:						
Pollution control and abatement	2,651	2,880	2,721	3,310	3,281	3,324
Community and regional development	3,964	4,322	3,810	7,766	8,467	7,886
Housing assistance	3,498	3,601	3,631	4,036	3,131	3,849
Other	387	514	1,140	360	431	663
Subtotal, other construction and rehabilitation	10,500	11,317	11,302	15,472	15,310	15,722
Subtotal, construction and rehabilitation	66,650	70,778	86,240	75,127	76,130	83,347
Other physical assets	1,912	2,021	2,389	2,117	1,869	1,937
Subtotal, major public physical investment	68,562	72,799	88,629	77,244	77,999	85,284
Conduct of research and development:						
Agriculture	334	339	335	247	478	388
Other	221	214	221	164	168	167
Subtotal, conduct of research and development	555	553	556	411	646	555
Conduct of education and training:						
Elementary, secondary, and vocational education	37,063	38,167	42,842	38,021	39,792	38,195
Higher education	328	363	363	373	392	381
Research and general education aids	736	781	837	741	783	804
Training and employment	3,073	3,375	3,529	3,309	3,600	3,676
Social services	11,764	12,678	13,411	11,099	12,588	12,649
Agriculture	416	418	456	402	586	611
Other	2,232	2,265	2,294	1,994	2,579	2,982
Subtotal, conduct of education and training	55,612	58,047	63,732	55,939	60,320	59,298
Subtotal, grants for investment	124,729	131,399	152,917	133,594	138,965	145,137
DIRECT FEDERAL PROGRAMS						
Major public physical investment:						
Construction and rehabilitation:						
National defense:						
Military construction and family housing	5,156	6,672	6,274	7,524	7,671	7,702
Atomic energy defense activities and other	138	145	190	3	6	186
Subtotal, national defense	5,294	6,817	6,464	7,527	7,677	7,888
Nondefense:						
International affairs	1,731	1,602	1,752	956	1,007	1,270
General science, space, and technology	1,173	1,219	1,254	1,373	1,279	1,254
Water resources projects	2,935	2,990	2,010	3,326	3,468	3,448
Other natural resources and environment	1,093	1,161	1,518	1,169	1,219	1,267
Energy	5,986	5,593	4,596	6,142	5,075	4,567
Postal service	429	402	402	385	402	524

Table 18–2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued
(In millions of dollars)

Description	Budget Authority			Outlays		
	2015 Actual	2016 Estimate	2017 Estimate	2015 Actual	2016 Estimate	2017 Estimate
Transportation	291	385	274	294	236	413
Veterans hospitals and other health facilities	3,385	3,635	3,005	3,278	3,482	3,248
Administration of justice	1,959	2,561	1,456	1,645	2,206	1,543
GSA real property activities	1,361	2,343	2,172	995	1,166	1,644
Other construction	3,292	5,171	11,894	3,902	5,271	1,835
Subtotal, nondefense	23,635	27,062	30,333	23,465	24,811	21,013
Subtotal, construction and rehabilitation	28,929	33,879	36,797	30,992	32,488	28,901
Acquisition of major equipment:						
National defense:						
Department of Defense	101,956	115,961	109,057	101,237	102,802	101,382
Atomic energy defense activities	474	450	490	184	353	439
Subtotal, national defense	102,430	116,411	109,547	101,421	103,155	101,821
Nondefense:						
General science and basic research	328	394	420	321	379	419
Postal service	1,325	1,388	1,388	850	1,392	1,389
Air transportation	3,309	3,393	3,906	3,459	3,382	3,696
Water transportation (Coast Guard)	918	1,581	945	1,258	1,196	1,280
Hospital and medical care for veterans	1,838	1,550	2,313	1,760	1,512	1,987
Federal law enforcement activities	1,649	1,580	2,323	1,272	1,379	996
Department of the Treasury (fiscal operations)	292	292	345	231	266	281
National Oceanic and Atmospheric Administration	2,098	2,313	2,152	1,932	2,126	1,979
Other	4,728	4,941	5,127	5,120	5,523	5,704
Subtotal, nondefense	16,485	17,432	18,919	16,203	17,155	17,731
Subtotal, acquisition of major equipment	118,915	133,843	128,466	117,624	120,310	119,552
Purchase or sale of land and structures:						
National defense	–40	–36	–38	–48	–28	–34
Natural resources and environment	223	328	557	201	271	406
General government	7
Other	–72	–37	–37	431	252	250
Subtotal, purchase or sale of land and structures	111	255	482	584	502	622
Subtotal, major public physical investment	147,955	167,977	165,745	149,200	153,300	149,075
Conduct of research and development:						
National defense:						
Defense military	65,431	70,839	72,630	65,666	66,754	71,959
Atomic energy and other	6,038	5,567	6,970	5,062	4,915	6,958
Subtotal, national defense	71,469	76,406	79,600	70,728	71,669	78,917
Nondefense:						
International affairs	290	315	327	290	315	327
General science, space, and technology:						
NASA	11,565	11,773	11,225	11,170	10,872	11,096
National Science Foundation	5,569	5,693	6,070	5,059	5,231	5,218
Department of Energy	4,399	4,502	4,827	4,159	4,520	5,060
Subtotal, general science, space, and technology	21,533	21,968	22,122	20,388	20,623	21,374
Energy	3,019	3,331	4,347	2,785	2,966	3,615
Transportation:						
Department of Transportation	696	742	881	645	790	868
NASA	516	500	681	555	555	644
Other transportation	17	18	23	24	17	24
Subtotal, transportation	1,229	1,260	1,585	1,224	1,362	1,536
Health:						
National Institutes of Health	28,880	30,490	31,204	28,358	29,222	31,220
Other health	1,745	1,689	1,786	1,314	1,273	1,734
Subtotal, health	30,625	32,179	32,990	29,672	30,495	32,954

Table 18-2. FEDERAL INVESTMENT BUDGET AUTHORITY AND OUTLAYS: GRANT AND DIRECT FEDERAL PROGRAMS—Continued
(In millions of dollars)

Description	Budget Authority			Outlays		
	2015 Actual	2016 Estimate	2017 Estimate	2015 Actual	2016 Estimate	2017 Estimate
Agriculture	1,655	1,669	2,077	1,623	1,818	1,907
Natural resources and environment	2,124	2,320	2,457	2,050	2,279	2,490
National Institute of Standards and Technology	589	624	681	482	639	681
Hospital and medical care for veterans	1,178	1,220	1,252	1,224	1,222	1,255
All other research and development	1,485	1,570	1,556	1,181	1,420	1,067
Subtotal, nondefense	63,727	66,456	69,394	60,919	63,139	67,206
Subtotal, conduct of research and development	135,196	142,862	148,994	131,647	134,808	146,123
Conduct of education and training:						
Elementary, secondary, and vocational education	1,410	1,472	1,709	1,271	1,230	1,369
Higher education	49,235	39,102	35,114	51,335	38,715	29,459
Research and general education aids	2,119	2,239	2,429	2,172	2,179	2,260
Training and employment	2,184	2,263	2,385	2,111	2,368	2,605
Health	1,595	1,776	1,857	1,677	1,802	1,866
Veterans education, training, and rehabilitation	15,369	14,647	16,668	13,605	15,129	15,296
General science and basic research	927	864	915	805	784	790
International affairs	612	608	657	642	763	668
Other	1,051	816	1,103	1,097	918	1,001
Subtotal, conduct of education and training	74,502	63,787	62,837	74,715	63,888	55,314
Subtotal, direct Federal investment	357,653	374,626	377,576	355,562	351,996	350,512
Total, Federal investment	482,382	506,025	530,493	489,156	490,961	495,649