

United States Government Stewardship Information (Unaudited) for the Years Ended September 30, 2007, and September 30, 2006

Stewardship Investments

Stewardship investments focus on Government programs aimed at providing long-term benefits by improving the Nation’s productivity and enhancing economic growth. These investments can be provided through direct Federal spending or grants to State and local governments for certain education and training programs, research and development, and federally financed but not federally-owned property, such as bridges and roads. When incurred, these investments are included as expenses in determining the net cost of operations. Stewardship investments for the current year and for the immediately preceding 4 years are shown below in Table 11. The amounts reported in fiscal year 2007 for investments in prior years (fiscal years 2006-2003) are restated due to agencies continuously reviewing, correcting, and updating this data.

**Table 11
Stewardship Investments
for the Years Ended September 30**

(In billions of dollars)	Fiscal Year 2007	Restated Fiscal Year 2006	Restated Fiscal Year 2005	Restated Fiscal Year 2004	Restated Fiscal Year 2003
Investments in non-federal physical property	56.1	54.4	51.9	54.8	49.1
Investments in human capital	76.1	107.4	88.1	76.6	71.0
Research and development:					
Investments in basic research.....	25.0	24.2	24.1	22.5	21.2
Investments in applied research.....	17.1	18.4	18.3	18.0	16.7
Investments in development.....	18.6	23.8	16.6	15.1	14.1
Total investments.....	<u>192.9</u>	<u>228.2</u>	<u>199.0</u>	<u>187.0</u>	<u>172.1</u>

Non-Federal Physical Property

The Government makes grants and provides funds for the purchase, construction, and/or major renovation of State and local government physical properties. Cost for non-federal physical property programs are included as expenses in the Statements of Net Cost and are reported as investments in Table 11. They are measured on the same accrual basis of accounting used in the *Financial Report* statements.

DOT, HUD, and the Environmental Protection Agency (EPA) had \$46.7 billion (83 percent), \$3.6 billion (7 percent), and \$3.2 billion (6 percent), respectively, of the total non-federal physical property investments in fiscal

year 2007 as shown in Table 11. These same agencies also had similar investment amounts (and percentage contributions) in each of the preceding 4 years.

Within DOT, the Federal Highway Administration invested \$33.7 billion during fiscal year 2007, primarily via reimbursement from the Highway Trust Fund, of states' construction costs related to interstate and national highways. The States' contribution is 10 percent for the Interstate System and 20 percent for most other programs. These highway programs have not typically resulted in significant transfers of property to State or local governments.

The significant programs administered by HUD relate to grants for property renovation and public housing programs. The significant programs administered by the EPA relate to grants for the nation's drinking water and clean water infrastructure. Neither of these programs typically transfers property to State or local governments.

Human Capital

The Government runs several programs that invest in human capital. Those investments go toward increasing and maintaining a healthy economy by educating and training the general public. Costs do not include training expenses for Federal workers.

Education, DOL, and VA had \$61.8 billion (81 percent), \$5.9 billion (8 percent), and \$3.5 billion (5 percent), respectively, of the total human capital investments in fiscal year 2007 as shown in Table 11. These same agencies also had similar investment amounts (and percentage contributions) in each of the preceding 4 years, with the exception of Education in fiscal year 2007, where there was a decrease in FFEL and Direct Loan subsidy re-estimates and subsidy transfers due to decreased loan consolidation activity during the year.

Education administers a wide variety of programs related to general public education and training programs that are intended to increase or maintain national economic productive capacity. Within Education, approximately 32 percent of the annual investment in fiscal year 2007 relates to Federal student aid, either in the form of direct or guaranteed loans or grants to eligible undergraduate and graduate students. The remaining investments primarily relate to grants for Elementary, Secondary, and Special Education programs as well as for various departmental initiatives (e.g., charter schools, foreign language assistance, etc.).

The significant human capital programs administered by DOL relate to grants for job training and employment programs. The significant human capital programs administered by VA also relate to grants for job training and rehabilitation programs for veterans.

Research and Development

Federal investments in research and development (R&D) comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other future benefits.

- Investments in basic research are for systematic studies to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.
- Investments in applied research are for systematic studies to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.
- Investments in development are the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

With regard to basic and applied research, HHS had \$15.9 billion (64 percent) and \$11.0 billion (65 percent), of the total basic and applied research investments, respectively, in fiscal year 2007 as shown in Table 11. HHS also had similar R&D investment amounts (and percentage contributions) in each of the preceding 4 years.

Within HHS, the National Institutes of Health (NIH) conducts almost all (97 percent) of the department's basic and applied research. The NIH Research Program includes all aspects of the medical research continuum, including basic and disease-oriented research, observational and population-based research, behavioral research, and clinical research, including research to understand both health and disease states, to move laboratory findings into medical applications, to assess new treatments or compare different treatment approaches; and health services research.

The NIH regards the expeditious transfer of the results of its medical research for further development and commercialization of products of immediate benefit to improved health as an important mandate.

With regard to development, NASA and DOD had \$8.9 billion (50 percent) and \$7.3 billion (41 percent), respectively, of total development investments in fiscal year 2007, as shown in Table 11. DOD changed its methodology for reporting yearly investments in research and development during fiscal year 2007 which affected the current and prior 4 years. As a result, the total amount of investments in development (Table 11) have been restated. Development is comprised of five stages: advanced technology development, advanced component development and prototypes, system development and demonstration, management support, and operational systems development. NASA development programs include activities to extend our knowledge of Earth, its space environment, and the universe, and to invest in new aeronautics and advanced space transportation technologies that support the development and application of technologies critical to the economic, scientific, and technical competitiveness of the United States. Some outcomes and future outcomes of this development are:

- The Constellation Systems program to develop, demonstrate, and deploy the capabilities to transport crew and cargo for missions to the lunar surface and safely return the crew to Earth,
- Robotic spacecraft that use electrical power for propulsion, data acquisition, and communication to accurately place themselves in orbit around the surfaces of bodies about which we may know relatively little,
- The Fundamental Aeronautics Program conducts development technology to enable revolutionary capabilities for the future of aviation. NASA will develop advanced tools and capabilities that will enable whole new classes of aircraft that not only meet the noise and emissions requirements of the future but that also provide fast, efficient, and economical flight,
- The MARS Exploration program has been developed to conduct a rigorous, incremental, discovery-driven exploration of MARS to determine the planet's physical, dynamic, and geological characteristics, investigate the Martian climate in the context of understanding habitability, and investigate whether MARS ever had the potential to develop and harbor any kind of life,
- The development and demonstration of space-based measurements, providing information about the Earth-Sun systems not available by other means.

Major outcomes of DOD development are:

- Hardware and software components, or complete weapon systems, ready for operational and developmental testing and field use, and
- Weapon systems finalized for complete operational and developmental testing.

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