

United States Government Required Supplementary Stewardship Information (Unaudited) for the Years Ended September 30, 2012, and 2011

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.

Table 11
Stewardship Investments for the Years Ended
September 30, 2008, through 2012

(In billions of dollars)	Fiscal Year 2012	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009	Fiscal Year 2008
Investments in non-Federal physical property	68.1	69.9	66.7	65.1	57.8
Investments in human capital	87.1	91.9	122.3	60.3	77.2
Research and development:					
Investments in basic research.....	34.2	35.7	31.5	27.4	27.6
Investments in applied research.....	29.1	28.8	26.2	19.1	21.4
Investments in development.....	67.0	71.7	77.3	101.0	79.2
Total investments.....	<u>285.5</u>	<u>298.0</u>	<u>324.0</u>	<u>272.9</u>	<u>263.2</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. Costs 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 EPA had \$56.6 billion (83 percent), \$4.2 billion (6 percent), and \$4.2 billion (6 percent), respectively, of the total non-Federal physical property investments in fiscal year 2012 as shown in Table 11. Within DOT, the Federal Highway Administration invested \$42.6 billion during fiscal year 2012, primarily via reimbursement from the Highway Trust Fund, for States' construction costs of interstate and national highways. The States' contribution is 10 percent for the Interstate System and 20 percent for most other programs.

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, VA, and DOL had \$61.9 billion (71 percent), 12.2 billion (14 percent), and \$6.7 billion (8 percent), respectively, of the total human capital investments in fiscal year 2012 as shown in Table 11. In comparison over the past 5 years, Education had an increase in human capital investments in fiscal years 2008 and 2010, due to an increase in the net cost for the Federal Family Education Loan, Direct Loan, Grant Programs, and Other Programs, including the *American Recovery and Reinvestment Act of 2009*; while VA increased in fiscal years 2009 through 2012 due to implementation of the Post 9/11 GI Bill. 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. The Office of Federal Student Aid administers need-based financial assistance programs for students pursuing postsecondary education and makes available Federal grants, direct loans, and work-study funding to eligible undergraduate and graduate students.

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 \$ 18.5 billion (54 percent) and \$ 13.1 billion (45 percent), of the total basic and applied research investments, respectively, in fiscal year 2012 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 (98 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, the DOD and NASA had \$ 59.7 billion (89 percent) and \$3.6 billion (5 percent), respectively, of total development investments in fiscal year 2012, as shown in Table 11. Development is comprised of five stages: advanced technology development, advanced component development and prototypes, system development and demonstration, management support, and operational systems development. Major outputs of DOD development are:

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

NASA development includes 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.

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