98TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPT. 98-645
Part 1

FIRST CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1985

REPORT

OF THE

COMMITTEE ON THE BUDGET HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 282

REVISING THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEAR 1984 AND SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1985, 1986, AND 1987

TOGETHER WITH

ADDITIONAL, MINORITY, AND ADDITIONAL MINORITY VIEWS

Serial No. R-2

MARCH 31, 1984.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
32-727 O WASHINGTON : 1984

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Budget Totals

[In billions of dollars]

Fiscal Year 1984

Budget authority	915.50
Outlays	853.90
Revenues	664.90
Deficit	189.00
Debt subject to limit	1,595.80

Fiscal Year 1985

Budget authority	1,002.10
Outlays	918.15
Revenues	742.70
Deficit	175.45
Debt subject to limit	1,834.20

Fiscal Year 1986

Budget authority	1,087.95
Outlays	984.85
Revenues	812.55
Deficit	172.30
Debt subject to limit	2,081.25

Fiscal Year 1987

Budget authority	1,179.25
Outlays	1,067.95
Revenues	885.95
Deficit	182.00
Debt subject to limit	2,347.25

98TH CONGRESS
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HOUSE OF REPRESENTATIVES

REPT. 98-645,
PART I

FIRST CONCURRENT RESOLUTION OF THE BUDGET—FISCAL YEAR 1985

MARCH 31, 1984.—Ordered to be printed

Mr. JONES of Oklahoma, from the Committee on the Budget, submitted the following

REPORT

[To accompany H. Con. Res. 282]

II. OVERVIEW: THE COMMITTEE'S DEFICIT REDUCTION PACKAGE

The deficit reduction plan presented here is a three-year package which will reduce the 1985-87 deficits by $182 billion. The Committee Budget Resolution for fiscal year 1985, in conjunction with the Committee amendment, provides a three point approach to deficit reduction:

(1) Most discretionary Federal spending is limited to 3.5 percent annual nominal growth.

(2) Social scurity trust funds, and means-tested entitlements will be exempt and allowed to grow in accordance with current law.

(3) Over three years, defense will increase by 3.5 percent real growth and domestic programs for the needy and the handicapped will increase by $5 billion over the CBO baseline. Both of these increases in real growth will be on a pay-as-you-go basis, i.e., revenues must be increased by $49.8 billion to provide for the spending increase.

A realistic interim plan to control deficit growth is absolutely necessary for this Nation's economic progress. Under current policy, deficits will grow to $270 billion by 1987 and over $300 billion by 1989. The Nation's debt will double to almost $2 trillion between 1980 and 1985 and more than triple to over $3 trillion by 1989. The cost of servicing the debt is already equal to two-thirds of what we spend on all our non-defense discretionary programs and will exceed such spending by 1988.

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These mounting deficits and debt distort our economy, put economic recovery at risk, and threaten our long-term prosperity. The deficits will absorb three-quarters of our Nation's savings in 1984–89, leaving little for productive investment. Our prodigious foreign borrowing is rapidly turning us from the world's preeminent lender and creditor to a large international debtor.

Unless we reverse these trends, we will run the risk of having a permanently unbalanced and low-productivity economy with excessive debt burdens, high interest rates, stunted housing and business investment, inadequate public investment, and handicapped export and import-competing industries.

The Committee realizes that the enormous changes in budget policy required to restore full fiscal balance are not feasible at this time due to the administration's position with respect to changes in its military and tax programs. However, the Committee believes that it is essential that measures be taken this year to prevent further deterioration of the fiscal situation. It has therefore made proposals which will stabilize the deficit, rather than allowing it to grow rapidly, as it would if current policies continue. This interim policy cannot solve the long-term deficit problem, but it can buy time until leadership of fiscal policy is forthcoming from the administration.

The plan is shown in detail in Table I.

TABLE I

	Summary of Committee deficit reduction package before pay-as-you-go amendment				Pay-as-you-go amendment				Summary of Committee deficit reduction package after pay-as-you-go amendment			
	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	3-year total	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	3-year total	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	3-year total
HBC baseline:												
Revenues	733.00	794.90	863.50	2,391.40					733.00	794.90	863.50	2,391.40
Outlays	939.80	1,030.55	1,133.15	3,103.50					939.80	1,030.55	1,133.15	3,103.50
Defict	206.80	235.65	269.65	712.10					206.80	235.65	269.65	712.10
Deficit reduction:												
Revenues[1]					−9.70	−17.65	−22.45	−49.80	−9.70	−17.65	−22.45	−49.80
Entitlements	−2.35	−4.10	−5.90	−12.35	+0.65	+0.70	+0.80	+2.15	−1.70	−3.40	−5.10	−10.20
Defense	−21.85	−48.95	−69.60	−140.40	+5.70	+14.20	+24.90	+44.80	−16.15	−34.75	−44.70	−95.60
Nondefense discretionary	−0.70	−2.40	−4.35	−7.45	+0.25	+0.95	+1.65	+2.85	−0.45	−1.45	−2.70	−4.60
Grace Commission	−1.70	−0.20	−0.10	−2.00					−1.70	−0.20	−0.10	−2.00
Offsetting receipts[2]	−0.05	+0.40	+1.05	+1.40					−0.05	+0.40	+1.05	+1.40
Interest	−1.60	−6.30	−13.65	−21.55					−1.60	−6.30	−13.65	−21.55
Total	−28.25	−61.55	−92.55	−182.35	−3.10	−1.80	+4.90	0.00	−31.35	−63.35	−87.65	−182.35
New totals:												
Revenues	733.00	794.90	863.50	2,391.40					742.70	812.55	885.95	2,441.20
Outlays	911.55	969.00	1,040.60	2,921.15					918.15	984.85	1,067.95	2,970.95
Deficit	178.55	174.10	177.10	529.75					175.45	172.30	182.00	529.75

[1] Revenue increases are shown as (−) because they reduce the deficit.
[2] These offsetting receipts reflect the cost of the employer share of employee retirement associated with pay raise assumptions.

The Committee Recommendation Assumes:

A. *Entitlement Savings.*—Approximately $12.35 billion can be saved by changes in current law in such programs as farm price supports, disaster loan programs, Medicare, Federal retirement, and veterans' pensions and housing programs. These cost-saving provisions could be enacted without placing undue burden on beneficiaries or those who can least afford to pay additional costs.

B. *A modified freeze of discretionary Federal spending that would limit such spending to 3.5 percent nominal growth annually above the current program level.*—A substantial portion of Federal spending for discretionary programs would remain at last year's program level plus 3.5 percent nominal increase.

C. *Exceptions to the modified freeze* of 3.5 percent nominal growth. Social security trust funds, means-tested programs and defense are exempted from the 3.5 percent nominal growth freeze.

—This Nation's contract with Social Security beneficiaries should not be changed. Social Security is exempted from any reductions and will receive full funding as in current law. Over the period covered by the Budget Committee recommendation, the social security trust funds will show a surplus, and are already on a pay-as-you-go basis as a result of the 1983 Social Security amendments.

—*Means-tested entitlement programs* have been reduced substantially over the past three years. Under the Committee recommendation, they are exempted from any reduction below current law. This is critical to ensuring the fairness of this plan

—Domestic discretionary programs have experienced negative real growth during the past three years and adjustments are necessary to maintain service levels. Programs for the poor and the handicapped would experience real growth and increase in outlays of $2.85 billion above the modified freeze over three years.

—*Modest entitlement increases* are provided which could be allocated for disability, health, or nutrition programs. This increase of $2.15 billion above the modified freeze offsets the other entitlement reductions for a net savings of $10.20 billion over three years.

—*Defense is increased by 3.5 percent annual real growth* as necessary for military preparedness.

D. *Revenues of $49.8 billion* to pay for the real increases for defense and the high priority domestic programs mentioned above. These new revenues come principally from the closing of tax loopholes and do not raise tax burdens on ordinary working families.

E. Based upon the Grace Commission study, the executive branch should be able to find $2 billion in administrative savings.

The Committee Pay-As-You-Go Amendment

To implement this plan a pay-as-you-go Committee amendment has been adopted. The Committee amendment is designed to address the high costs of the current military build-up while allowing for necessary increases to improve the Nation's defense readiness.

The Committee amendment also provides that domestic spending will increase in high priority safety net programs. Poverty remains a serious problem for this Nation. Fairness and equity dictate that we must redress the unfair burden experienced by the poor and the handicapped over the past three years. In non-defense discretionary programs for the needy and the handicapped, the recommendation provides for real growth for three years. In entitlement programs, the recommendation assumes additional outlays of $2.15 billion which could be used to increase entitlement programs for the poor and the handicapped.

These increases for high priority programs would be paid for by revenue increases totaling $49.8 billion over a three-year period. However, the pay-as-you-go concept permits these program increases to occur only if Congress provides equal revenue increases concurrently to offset the additional spending. The revenue increase assumed in the amendment is approximately the same revenue increase provided by the Ways and Means Committee reported bill. Associating revenues with expenditures—pay-as-you-go—is imperative for sound fiscal policy.

* * * * * * *

Solving the deficit dilemma is by no means a painless exercise. This plan is a downpayment, no more, no less. Additional actions must be taken in the near future, such as major tax reform. Unlike other issues, such as providing funds for education or space exploration or tax reductions, the deficit reduction issue involves swallowing some bitter medicine. We cannot grow our way out of these deficits. All responsible authorities know that and so do the American people.

The deficit reduction package outlined here will be explained in detail in the sections that follow.

III. THE COMMITTEE AMENDMENT: PAY-AS-YOU-GO

The Committee amendment accompanying this resolution incorporates the principle of pay-as-you-go. Quite simply this means that any increase in spending above inflation, usually referred to as real growth, must be paid for by an equal increase in revenues. The Committee amendment to this resolution specifically provides:

(a) A real increase of 3.5 percent annually for defense spending.

(b) A real increase over three years for discretionary programs affecting the needy and the handicapped.

(c) A increase in entitlement outlays of $2.15 billion over three years which could be used to fund increases in programs such as social security disability insurance, nutrition, and preventive health care for infants and pregnant women from low-income households.

(d) An increase in revenues of $49.8 billion to pay for the real increase in spending.

The pay-as-you-go principle is not new. Other parts of the budget are already based on the rule that revenues should relate directly to spending. The social security trust funds are perhaps the most visible example of the principle of pay-as-you-go.

The Committee believes that pay-as-you-go is a sound fiscal policy and should be expanded to other parts of the budget. The Committee carefully examined the economic implications of increasing revenues versus deficit financing, and concluded that deficit financing was far more dangerous in the long-term than paying for increased spending now. Deficit financing as proposed by the administration will reduce capital formation over the long-term, result in higher interest rates, and hinder and distort economic expansion.

The Committee recognizes that our commitment to a strong national defense and to economic progresss and opportunities for those of us who are less fortunate must be met. But the Committee is acutely aware that we also have a commitment to future generations. The policy of spend now and pay-later must be curbed.

Consequently, the Committee adopted a policy that fulfills our national commitments but states that any real increases in spending must be paid for now.

IV. FISCAL POLICY: CONTROLLING DEFICIT GROWTH

The Direction of Fiscal Policy

THe budget resolution adopted by the Committee is an essential step toward a responsible fiscal policy which can ensure continuing economic prosperity without higher inflation. Policies followed in recent years have produced a severe recession and an imbalanced recovery. In the past two years the Committee has advocated a return to responsible and coordinated fiscal and monetary policies, and redirection of budgetary priorities to ensure noninflationary economioc growth. Unless decisive action is taken in 1984 to restrain the growth of structural budget deficits, the movement towards a high consumption and debt-ridden economy increasingly dependent on foreign sources of funds will accelerate. Such shortsighted policies may provide a temporary boom, but they cannot produce stable economic growth.

The Committee realizes that the enormous changes in budget policy required to restore full fiscal balance are not feasible at this time due to the administration's position with respect to changes in its military and tax programs. However, the Committee believes that it is essential that measures be taken this year to prevent further deterioration of the fiscal situation. It has therefore made proposals which will stabilize the deficit, rather than allowing it to grow rapidly, as it would if current policies continue. This interim policy cannot solve the long-term deficit problem, but it can buy time until leadership on fiscal policy is forthcoming from the administration.

Doubts about the long-term sustainability of balanced economic recovery are widespread today, in spite of highly favorable statistics on the recent performance of the U.S. economy. The reason for these doubts is the threat of large and rising Federal budget deficits. Financial markets are displaying profound unease. Interest rates are rising and stock prices have fallen, reflecting fears that large and rising structural budget deficits will not be brought under control in time to prevent a destructive clash between rising private credit needs and high and growing Federal borrowing.

These fears are fully justified by the budget outlook under fiscal policies currently in place. This chapter presents projected budget deficits under current policy estimated using the economic assumptions of the Congressional Budget Office. These assumptions, discussed more fully in Chapter V, are less optimistic than those of the administration but more optimistic than most private sector forecasts.

The economic implications of the projected current policy deficits are also discussed. Deficits distort the structure of the economy and make its future growth uncertain. We are currently experiencing the distortion of a huge deficit in international trade, weakening our trading sectors. As economic growth continues, we can expect Federal credit demands to clash directly with rising private credit demands, crowd out housing and business investment, and raise the risk of monetary over/reaction to fiscal stimulus. All these deficit-caused distortions will lower future standards of living, as we mortgage our future to finance today's consumption and defense spending. The trade deficit and the foreign borrowing that finances its lower future standards of living because our growing foreign debt will have to be serviced and repaid. The crowding out of domestic investment will directly reduce growth in productivity and standards of living.

Current Budget Policy—Structural and Cyclical Deficits

Budget deficits under current policy rise from $190 billion in 1984 to well over $300 billion by 1989 (Table 1). As a share of GNP, the budget deficit remains above 5 percent through the 1984-1989 period, reaching 5.9 percent in 1989. The 1983-89 deficits are unprecedented in peacetime, both in absolute terms and in relation to GNP.

The economic significance of budget deficits depends upon the proportion of the deficit caused by slack in the economy. Estimating the budget at a "high-employment" unemployment rate—assumed here and by many economists to by 6 percent—removes the cyclical fluctuation in revenues and outlays and isolates the "structural" deficit that would remain even if the economy were operating at a high level of activity. This structural deficit reflects the underlying imbalance between current spending and tax policies which cannot be eliminated by economic growth.

Structural deficits under current policy, shown in Table 1 and Figure 1, rise dramatically. For 1983, about $111 billion of the deficit could be attributed to the recession, while $85 billion or 44 percent was structural. As the recovery proceeds, however, the cyclical deficit falls and the structural share of the budget deficit grows. By 1989, $289 billion of the $316 billion deficit, over 90 percent, is directly attributable to current budgetary policies rather than to a weal economy.

TABLE 1.—CURRENT POLICY BUDGET PROJECTION [1]

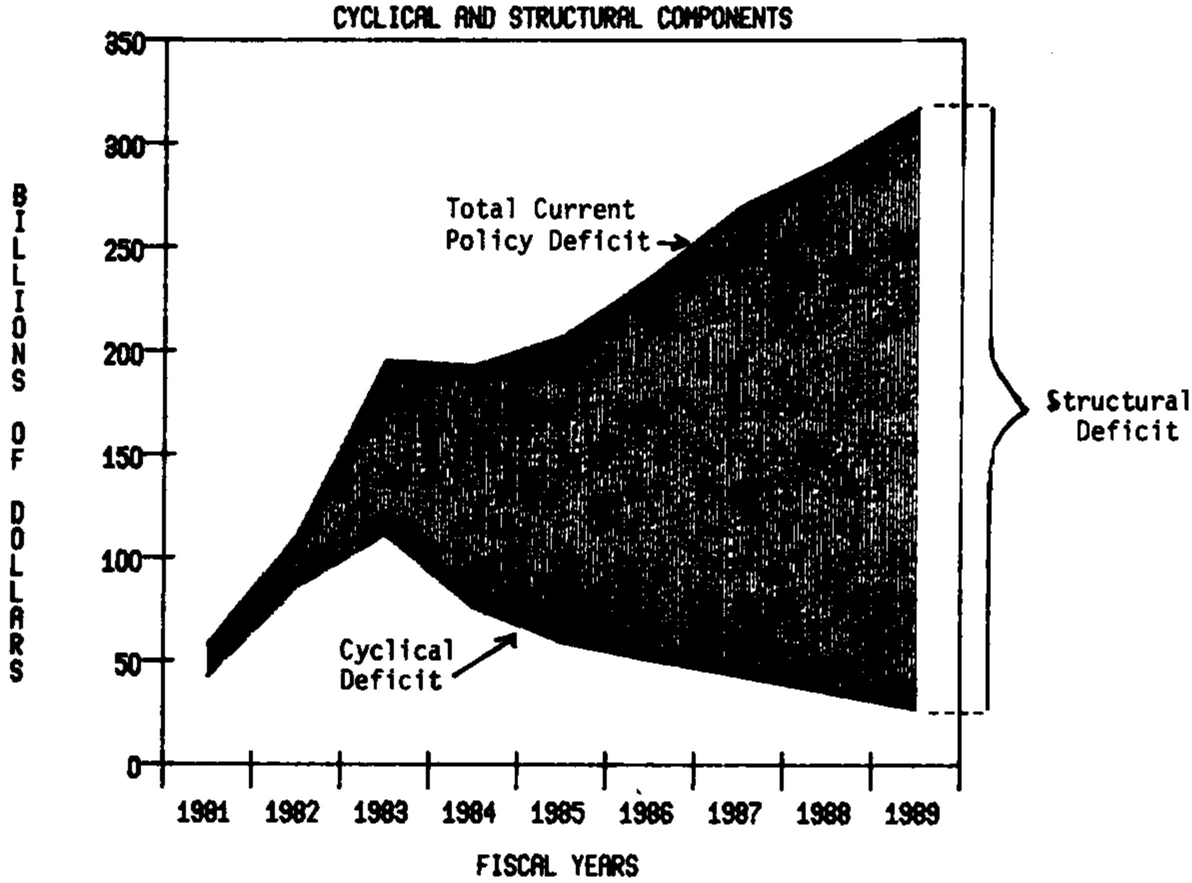
[Fiscal years, dollars in billions] [2]

	Actual		Projected					
	1981	1983	1984	1985	1986	1987	1988	1989
Revenues	599.3	600.6	663	733	795	864	945	1,016
Outlays	657.2	795.9	853	940	1,031	1,133	1,236	1,332
Deficit	57.9	195.4	190	207	236	270	290	316
Cyclical deficit	43	111	76	59	50	43	35	27
"Structural" deficit	15	85	113	148	185	227	256	289
	Percent of GNP							
Revenues	20.8	18.6	18.6	18.7	18.7	18.7	19.0	18.9
Outlays	22.8	24.7	23.9	24.0	24.2	24.6	24.8	24.8
Deficit	2.0	6.1	5.3	5.3	5.5	5.8	5.8	5.9
Cyclical deficit	1.5	3.4	2.1	1.5	1.2	0.9	0.7	0.5
"Structural" deficit [3]	0.5	2.4	3.0	3.6	4.2	4.8	5.0	5.3

[1] CBO current policy baseline adjusted to reflect the administration's defense proposal.
[2] Detail may not add to totals due to rounding.
[3] Percent of potential GNP.

Figure 1

CURRENT POLICY DEFICIT PROJECTION: CYCLICAL AND STRUCTURAL COMPONENTS



Revenues Under Current Policy

Our tax system under current law pays for less and less of the current costs of government, and the problem will grow worse unless action is taken. Revenues projected by the Congressional Budget Office, based on uninterrupted economic growth through 1989, do not rise above 19 percent of GNP. Meanwhile, baseline outlays rise from 23.9 percent of GNP in 1984 to 24.8 percent in 1989.

Federal revenues as a percentage of GNP were 20.8 percent in 1981 and are projected to decline under current law to 18.7 percent in 1985–1987 and to stabilize at about 19 percent in 1988–1989. Revenues under current policy in 1985–1986 are projected to be a smaller percentage of GNP than in the administration's original 1981 projection of its tax program. At that time it estimated that revenues would be 19.5 percent of GNP in 1986, as shown in Table 2. The tax program has in fact reduced estimated revenues to 18.7 percent in 1986 even after the revenue restoration of TEFRA, the increased gasoline tax, and social security amendments. The difference amounts to $34 billion in 1986.

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TABLE 2.—REVENUES AS A PERCENTAGE OF GNP

[Fiscal years, percentages]

	1984	1985	1986	1987	1988	1989
CBO baseline	18.6	18.7	18.7	18.7	19.0	18.9
Administration 1982 budget (March, 1981)	19.3	19.3	19.5	NA	NA	NA
Administration 1985 budget (January, 1984)	18.8	19.2	19.3	19.3	19.7	19.8
Recommended budget including Committee Amendment	18.7	19.0	19.1	19.2	NA	NA

Deficits, Interest Rates, the Trade Deficit, and Foreign Borrowing

Large budget deficits are causing two major and related distortions in the recovery: high real interest rates and a record deficit in international trade. The high interest rates, along with the earlier rise in the stock market and the relative safety of investment in the U.S., have attracted record capital inflows from abroad. This has mitigated the rise in interest rates and prevented "crowding out" of domestic housing and business investment so far in the recovery. In 1983 37 percent of net domestic investment was financed by saving borrowed from abroad. But this capital inflow kept the dollar so strong that exporting and import-competing industries were severely handicapped, leading to a merchandise trade deficit that hit a record $69 billion in 1983. According to the President's Council of Economic Advisers, the trade deficit is on its way to a new annual record of $110 billion in 1984.

Currently, there are widespread fears that this capital inflow is slowing, interest rates are on the rise, and domestic housing and business investment will start to bear the brunt of the still-rising structural deficit.

In addition, the large foreign borrowing reqired to finance the trade deficit is rapidly eroding the U.S. net investment position abroad. In three years (1982–1985) we may shift from being the world's preeminent creditor to being a net debtor. Servicing and repaying our foreign debt in the future will require large and potentially painful adjustments in our economic structure and living standards.

Deficits, Saving, and Investment

The large and growing structural deficits under current policy have serious implications for capital formation and sustained noninflationary growth. Cyclical deficits can be compatible with low or falling interest rates, since the recession which increases the deficit also decreases private credit demand. Growing structural deficits during an economy in expansion, however, imply that government and private credit demands will be increasing at the same time.

The projected competition between private and public borrowing demands for a limited flow of saving is shown in Table 3. Government deficits under current fiscal policies will absorb nearly three-quarters of available non-Federal saving during the remainder of the decade. This compares with 6.8 percent during the 1950s, 10.8 percent during the 1960s, and 28.4 percent during the 1970s.

TABLE 3.—DEFICIT IN RELATION TO SAVING

[Fiscal years, in billions of dollars]

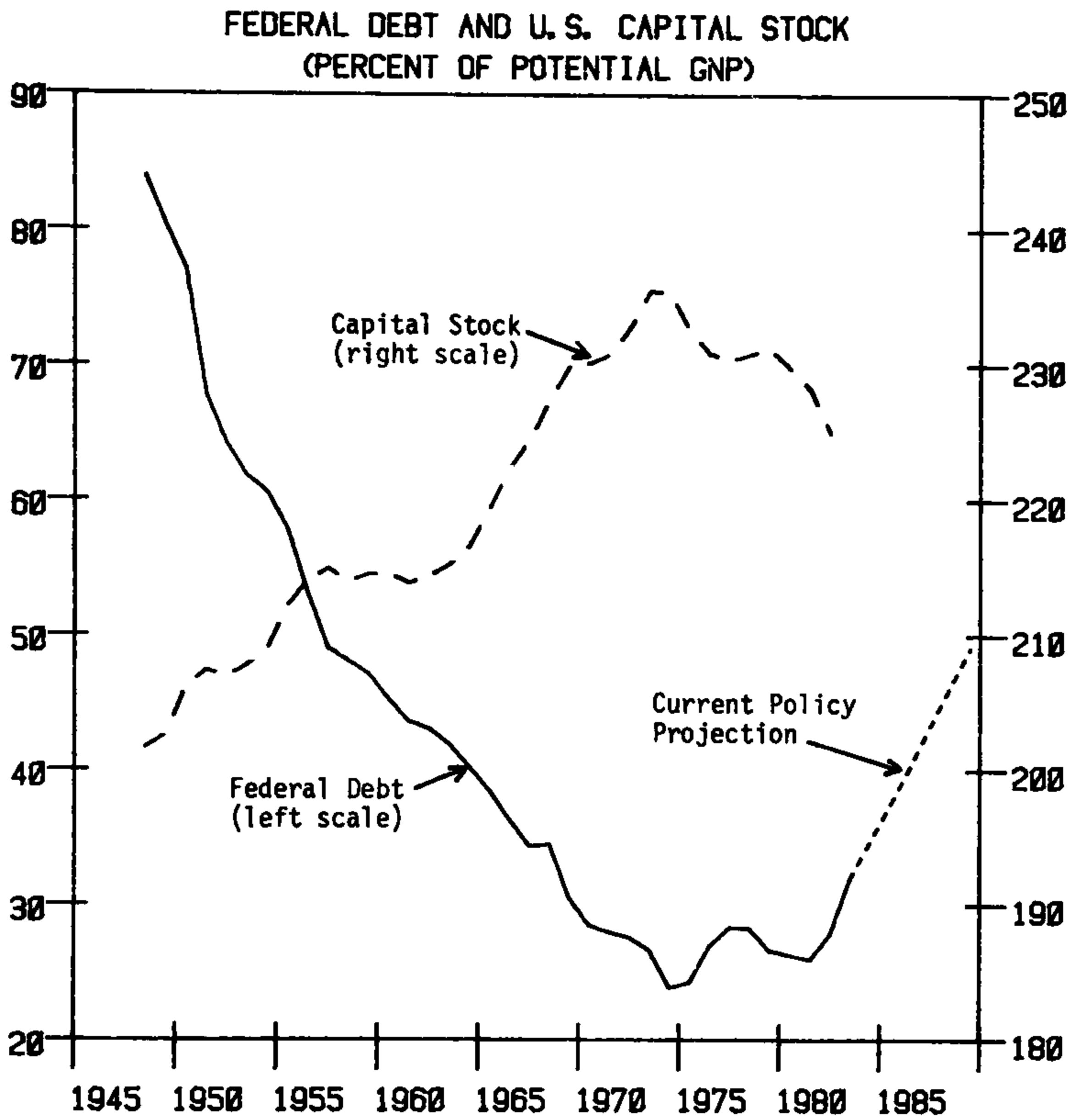
	Actual (annual average)				Projected					
	1950–1959	1960–1969	1970–1979	1980–1983	1984	1985	1986	1987	1988	1989
Net non-Federal saving [1]	26	53	123	199	276	315	346	379	412	442
Total Federal deficit [2]	2	6	35	122	205	221	250	285	306	331
Deficit in relation to net non-Federal saving (percent)	6.8	10.8	28.4	61.4	74.3	70.2	72.3	75.2	74.3	74.9

[1] Net private saving plus state and local government surplus.
[2] Current policy baseline deficit including off-budget outlays.

Many economists believe that the potential "crowding-out" of private business investment, housing, state and local investment and consumer investment in durable goods by Federal deficits is best measured by the ratio of Federal debt to GNP. As Figure 2 shows, the ratio of the publicly-held Federal debt to GNP [1] declined for most of the postwar period. As it declined, the ratio of the capital stock—including business capital, residential housing, consumer durable goods, and public investment by state and local governments—to GNP rose, increasing productivity and the U.S. standard of living. As the Federal debt ratio leveled off in the late 1970s, so did the capital stock ratio. Current fiscal policies are projected to result in a rise in the debt ratio unprecedented since World War II. This can be expected to reduce further the capital stock ratio.

[1] Federal debt held by the public, including the Federal Reserve. The potential GNP series used to calculate the structural deficit is also used here in order to eliminate cyclical fluctuations in GNP.

Figure 2



Deficits, Inflation, Monetary Policy and the Recovery

The rapid growth in employment and output during the current quarter has led to speculation that the economy may be on a stronger growth path, and possibly be headed for more inflation, than the administration and CBO forecasts indicate. Either stronger growth or higher inflation, or both, would make it more likely that the Federal Reserve would allow interest rates to rise in an attempt to keep money and credit growth within the target ranges. Either development would intensify the competition between rising private credit needs and rising structural deficits, leading to further rises in interest rates, pressure on credit-sensitive sectors, and a highly uncertain future for the recovery.

Growing structural deficits make the future of the recovery more uncertain because they provide increasing fiscal stimulus to the economy at a time when the economic expansion is already well under way. In fact, a small number of industries are already operating at peak rates of capacity utilization. Since there is no budget is no budget restraint in prospect under current policies, the entire burden of preventing an inflationary over-heating of the economy is placed on the Federal Reserve. Monetary policy is a blunt instrument of uncertain force: the past several years have demonstrated conclusively that we do not know what level of monetary restraint is sufficient to slow the economy to a sustainable pace without causing recession, what level of interest rates will have any desired effect on borrowing levels, or how long it takes for monetary restraint to take hold. Because of the extreme uncertainty surrounding the use of strong monetary restraint, the current policy of relying on the Federal Reserve as the only bulwark against inflation puts the recovery at risk.

The original supply-side hopes that reducing income tax rates would be anti-inflationary were not fulfilled. Tax cuts were supposed to stimulate personal savings, labor supply, and productivity enough to offset the inflationary effect of any demand stimulus which they provided. But the personal saving rate in 1983 and early 1984 remains below the rate in 1977–80, labor force participation is running below expectations, and the 1983 productivity gain was below par for the first year of recovery.

Some observers argue that if interest rates rise it will be the fault of the Federal Reserve, not a result of excessive fiscal stimulus caused by large and rising structural deficits. This position implies that the Federal Reserve can prevent interest rates from rising even when there is a diminishing inflow of foreign capital or an increasing clash between public and private demands in the credit markets.

Unfortunatley, an attempt by the Federal Reserve to prevent interest rates from rising under these circumstances would involve much more rapid growth of money and credit—monetization of a rapidly increasing proportion of the Federal deficit. Under "normal" circumstances, accelerating money and credit growth would lower interest rates, at least for a while, and stimulate output and employment, with the price in inflation to be paid later. Under current conditions, with both domestic and international capital markets very sensitive to indications of future inflation, rapid monetary expansion could be quickly incorporated into inflationary expectations, exchange rates and interest rates. The Federal Reserve under these circumstances might not be able to hold down interest rates, especially the long-term interest rates which are crucially important for housing and business investment, even if it chose to do so (which it would not). A lasting reduction in real interest rates requires reduction in the structural deficit.

Deficits and the Rising Burden of Debt Service

Under the HBC baseline, net interest payments on the Federal debt rise to 15 percent of total Federal outlays in 1987, compared with 9.1 percent in Fiscal Year 1980; they would consume 3.7 percent of GNP, compared with the 1980 share of 2.0 percent. In 1987, 43 percent of individual income taxes will be absorbed by interest payments, compared with 21.5 percent in Fiscal Year 1980. Net interest, not defense, is the fastest-growing major division of the budget, rising 225 percent from 1980 to 1987 compared with a 160 percent outlay growth in the administration's defense program. Beginning in 1988, interest costs would exceed all nondefense discretionary spending. The increase in interest costs in the years 1982-85 over their level in fiscal year 1981 has been greater than all cuts in social welfare programs.

The Committee Fiscal Policy Recommendation

The budget recommended by the Committee, shown in Table 4, represents an important first step towards the restoration of integrity to our nation's fiscal policy. Projected budget deficits are stabilized in the $170 billion to $180 billion range during the 1985-1987 period instead of rising to $270 billion in 1987 under current tax and spending policies. This represents a three-year reduction of about $182 billion from what the deficits would otherwise have been. This interim policy would prevent further deterioration of the fiscal situation, pending a more extensive program of deficit reduction when leadership is forthcoming from the administration.

TABLE 4.—BUDGET PROJECTIONS UNDER COMMITTEE RECOMMENDATION [1]

[Fiscal years, dollars in billions]

	Actual		Projected			
	1981	1983	1984	1985	1986	1987
Revenues	$599.3	$600.6	$665	$743	$813	$886
Outlays	$657.2	$796.0	$854	$918	$985	$1,068
Deficit	$57.9	$195.4	$189	$175	$172	$182
Cyclical deficit	$43	$111	$76	$59	$50	$43
"Structural" deficit	$15	$85	$113	$117	$122	$139
Percent of GNP:						
Revenues	20.8	18.6	18.7	19.0	19.1	19.2
Outlays	22.8	24.7	24.0	23.5	23.2	23.2
Deficit	2.0	6.1	5.3	4.5	4.1	3.9
Cyclical deficit	1.5	3.4	2.1	1.5	1.2	0.9
"Structural" deficit [2]	0.5	2.4	3.0	2.9	2.8	2.9

[1] Detail may not add to totals due to rounding.
[2] Percent of potential GNP.

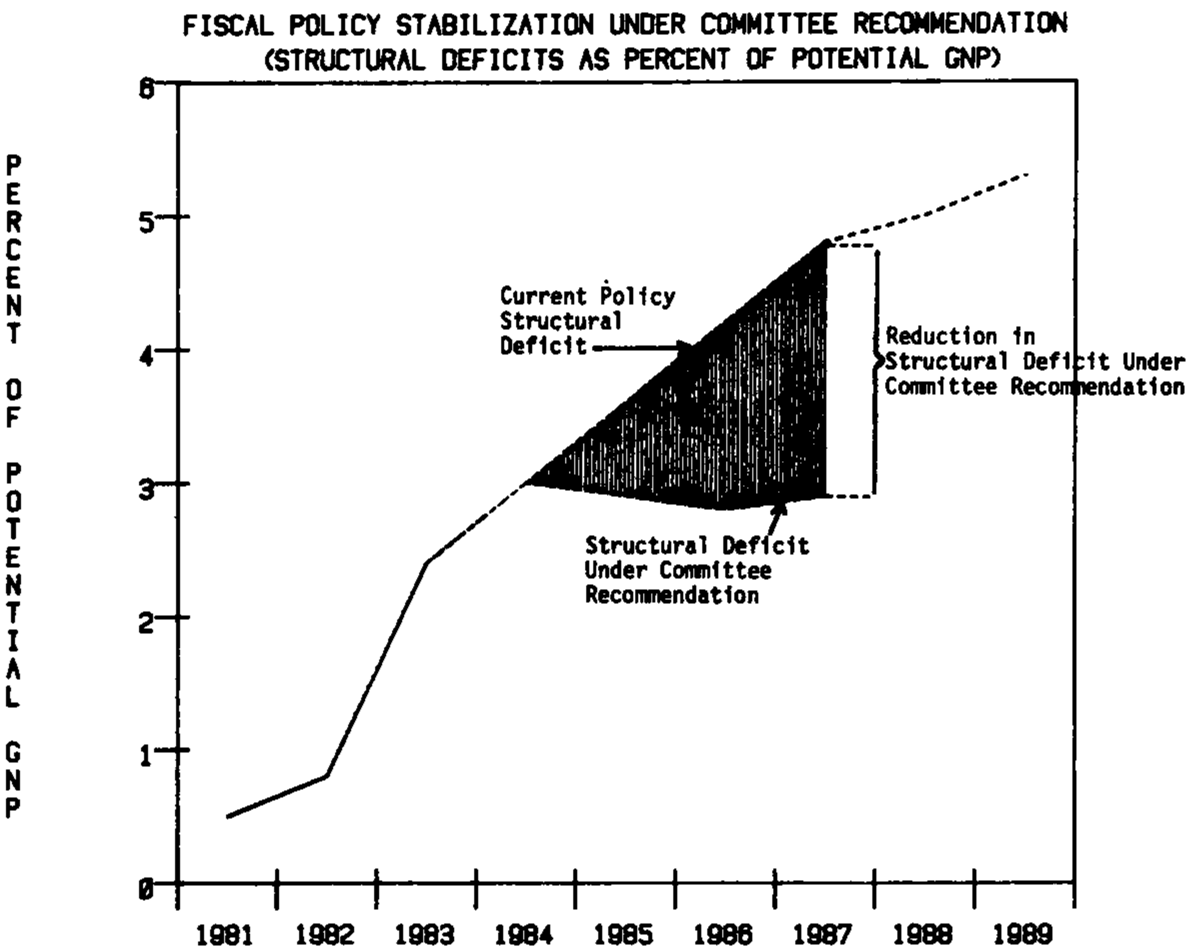
Table 5 and Figure 3 compare the budget deficits under the Committee recommendation with those under current policy. While the deficits remain much too high, especially by historical standards, they represent a dramatic improvement over current policy.

TABLE 5.—FISCAL POLICY: CURRENT POLICY AND COMMITTEE RECOMMENDATION

[Fiscal years, dollars in billions]

	1981	1983	1984	1985	1986	1987
Structural deficit:						
Current policy	$15	$85	$113	$148	$185	$227
Committee recommendation	$15	$85	$113	$117	$122	$139
Reduction				-$31	-$63	-$88
Percent reduction				21	34	39
Structural deficit as percent of potential GNP:						
Current policy	0.5	2.4	3.0	3.6	4.2	4.8
Committee recommendation	0.5	2.4	3.0	2.9	2.8	2.9
Change				-0.7	-1.4	-1.9

Figure 3



The recommended deficit reduction package leads to declining budget deficits as a share of GNP, falling to 3.9 percent in 1987 compared with 6.1 percent in 1983 and 5.8 percent in 1987 under current policy. The structural deficit by 1987 is also reduced substantially from the level that would exist under current policy, from $227 billion to $139 billion. As a share of GNP, the structural deficit stabilizes at below 3 percent, instead of rising towards 5 percent as under current policy. This stabilization of the underlying policy imbalance will prevent further deterioration of the fiscal situation until further actions can be taken to put the deficit on a long-term declining path.

The recommended budget also results in a progresive and significant reduction in the share of saving that is consumed by the deficit. Instead of remaining at around 74 percent of saving, the deficit will decline to 52 percent of saving by 1987.

V. Economic Assumptions

Short-Term Economic Outlook

The economic assumptions for the Committee budget are shown in Table 1. These assumptions are the forecast presented by the Congressional Budget Office in its report to Congress in February. Recent economic data for the first quarter, some of which are highly preliminary, show somewhat higher real GNP, lower unemployment, and higher interest rates than assumed in the forecast. These effects appear to be roughly offsetting with respect to the projected 1985 budget deficit. An update of the assumptions to reflect more complete first quarter data could be made in the conference agreement on the 1985 budget resolution.

Although the CBO forecast was originaly characterized as being consistent with the fiscal and monetary policies now in place, there is some doubt that the economy would perform this well in the absence of policy changes, despite the rapid rate of growth recorded for the first quarter of 1984. In particular, nominal and real interest rates, which are currently above those forecast, are likely to be higher than assumed, especially in 1985. However, adoption of the Committee's deficit reduction measures, along with a monetary policy designed to be consistent with the assumed rate of nominal income growth, will make the achievement of the CBO economic forecast more likely.

Real GNP is forecast to grow by 4.6 percent during the four quarters of 1984 and by 3.7 percent during 1985. Personal consumption and business investment in plant and equipment are expected to be the driving forces behind the increase in output in 1984, with smaller positive contributions from inventory rebuilding, housing and government spending (especially defense purchases). Foreign trade should remain a drag on the economy as the merchandise trade deficit grows from $70 billion to over $100 billion.

Real growth should moderate during the summer and fall as the pace of consumer buying levels off to a rate consistent with income gains. Housing starts, which have also been very strong early in the year, should also settle in the 1.8–1.9 million unit range, limiting further contributions to growth of production. Business investment will be a major force behind the expansion in 1984 as firms see demand rising to near capacity levels in several industries. Surveys conducted by both the Bureau of Economic Analysis and McGraw-Hill show investment plans in 1984 running 11–12 percent above the 1983 level in real terms. This is not unusual for the second year of a business expansion.

The forecast for 1984 is quite close to the views of both private economists and the administration, but the situation in 1985 is problematic. The CBO forecast of a 3.7 percent increase in real GNP is slightly lower than the administration's 4.0 percent, but considerably above most private forecasts. In large part this is the consequence of the higher real interest rates in the private forecasts. If action is taken in 1984 to reduce projected structural deficits, upward pressure on interest rates would be somewhat eased and the continuation of reasonably strong expansion through 1985 would be more likely, assuming supportive monetary policy.

Inflation should remain under control during 1984 in the absence of significant external shocks, but is projected to be higher than during 1983. On a fourth quarter to fourth quarter basis, the GNP deflator is forecast to rise by 5.3 percent while the CPI increases by 5.1 percent. For 1985 no significant increase in inflation is forecast, with both the deflator and CPI rising about 5 percent.

Interest rates are both the key to the overall forecast and the most difficult variable to predict. During the first quarter interest rates have edged up from their levels at the end of 1983, and most observers expect continuing pressure on them throughout this year as businesses, consumers, and government all demand additional financing in credit markets. Thus, although the CBO forecast was originally characterized as being consistent with current policy, it appears unlikely that the assumed interest rates can be realized without positive action to reduce prospective deficits. If the Committee's budget is adopted, the less stimulative fiscal policy for 1985–87 will allow some flexibility for monetary policy to accommodate continued economic expansion.

TABLE 1.—HOUSE BUDGET COMMITTEE (CBO) ECONOMIC ASSUMPTIONS

[Calendar Years]

	Actual 1983	Forecast 1984	Forecast 1985
Annual Average			
Gross national product:			
Current dollars (billions)	$3,310.5	$3,651.2	$3,994.8
Percent change	7.7	10.3	9.4
Constant dollars (billions 1972)	$1,535.3	$1,617.0	$1,683.0
Percent change	3.4	5.3	4.1
GNP Deflator (percent change)	4.2	4.7	5.1
CPI–U (percent change)	3.2	4.8	5.1
CPI–W (percent change)	2.9	4.5	5.0
Unemployment rate (percent) [1]	9.6	7.8	7.3
3-month Treasury bill rate (percent)	8.6	8.9	8.6
Taxable incomes (billions):			
Wages and salaries	$1,664.6	$1,810.1	$1,970.2
Corporate profits (economic profits)	$229.1	$266.0	$306.0
4th quarter-to-4th quarter percent change			
Gross national product:			
Current dollars	$10.5	$10.1	$9.0
Constant dollars	$6.2	$4.6	$3.7
GNP deflator	4.1	5.3	5.1
CPI–U	3.3	5.1	4.9
CPI–W	2.9	4.9	4.9
Unemployment rate (percent, 4th quarter level)	8.5	7.6	7.1

[1] As a percent of the civilian labor force.

Risks in the Short-Term Outlook

The recommended economic assumptions represent a judgment about the most likely course of the economy which is consistent with the budgetary proposals made by the Committee and money growth in the upper portion of the stated targets of the Federal Reserve. While the economy is growing strongly in early 1984, prospects for late 1984 and, especially, 1985 and beyond are largely dependent on relatively large and sustained corrections on the fiscal/monetary policy mix, stability in international financial markets and a moderate decline in the exchange rate of the dollar, and political developments in the Mideast which may affect oil and other energy prices.

The greatest threat to continued economic expansion during the next two years is that inadequate action, or no action, will be taken to bring the structural deficits under control. While the loose fiscal policy of the current administration during 1982 and 1983 provided a temporary Keynesian demand stimulus to the economy, the continued growth of the structural deficits is overstimulative. If monetary policy accommodates these deficits, the potential for an inflationary overheating in 1985 is substantial. However, it is more likely that monetary policy will retain the anti-inflationary thrust of the past three years and that the deficits will not be monetized.

Many analysts have pointed out that this combination of overstimulative fiscal policy and restrictive monetary policy will result in high real interest rates and economic instability. For this reason, most private forecasters anticipate higher interest rates in 1985 than assumed in the forecast adopted by the Committee. The policy mix was not changed in 1983, and interest rates increased during the second half of 1983. The momentum of the economy turned out to be sufficient to keep the recovery going despite these higher rates, but we may not be so fortunate in late 1984 and 1985.

The private forecasts shown in Table 2 illustrate the potential outcome in 1985 of inaction during 1984. By 1985 continuing fiscal stimulus from the rising structural deficit (particularly defense outlays) raises economic activity and the credit needs of private borrowers to finance additional consumer spending, business investment and inventory accumulation. Inflationary pressures begin to appear in labor and product markets, and interest rates rise in response to expectations that the Federal Reserve will tighten its policy. Rising rates begin to discourage inventory building and plans to add to industrial capacity. The economy slows down substantially in 1985 as a result of the higher real and nominal interest rates.

The international financial situation and developments which affect the exchange rate of the dollar can have major impacts on the domestic economy. High real interest rates relative to those in other financial markets, an earlier rising stock market and political stability have made dollar denominated assets very attractive to foreign investors over the past several years. Consequently, the dollar has appreciated about 30 percent on average relative to other major currencies since 1980, and by even more against some currencies such as the French franc, Italian lira and British pound. The rise in the dollar has had both costs and benefits for the U.S.

economy, but the most important point regarding the outlook is that foreign savings have been attracted here for investment purposes. This flow, which increased to a record $40.8 billion in 1983 and is expected to exceed $80 billion in 1984, provided funds which relieved pressures on credit markets and interest rates. Most forecasts which show the economy expanding strongly throughout 1985 assume this flow of savings into the U.S. continues, allowing interest rates to moderate despite increases in credit demands by businesses, consumers and the Federal Government.

However, there is a substantial risk that, in the absence of action to reduce growing structural budget deficits projected beyond 1984, investors may be unwilling to keep adding dollar securities to their portfolios. This would show up as a sustained (and some fear precipitous) drop in the exchange rate. While some decline from the overvaluation of 1983 is desirable and anticipated, a significant and sudden decline would have a number of detrimental effects including: 1) an increase in the inflation rate, which could potentially be built into wage inflation; 2) higher interest rates as the flow of foreign funds slows and the competition between Federal and private borrowing intensifies; and 3) financial turmoil which would put additional stress on the debt-burdened LDC's, causing them to cut back further on imports from the United States.

Finally, the potential for a price and/or supply shock to world oil markets cannot be completely ruled out. The weakness in oil prices was a favorable economic factor during 1983. Despite the end of inventory drawdowns and the beginning of economic recovery in the industrial countries, there is still considerable excess production capacity among the major oil exporting countries which should ensure price stability in 1984. However, there are currently several wars in progress in or near the oil producing areas in the Mideast which pose potential threats to world supplies. Although some supply disruption accompanied by significant price increases cannot be ruled out during the next several years, adequate supplies and stable prices are assumed in the short-term forecast.

TABLE 2.—COMMERCIAL ECONOMIC FORECASTS

	1982 actual	1983 actual	1984			1985		
			DRI	Chase	Wharton	DRI	Chase	Wharton
4th/4th Change (percent)								
GNP:								
Nominal	2.6	10.5	9.3	9.5	10.5	7.8	7.6	7.8
Real	−1.7	6.2	4.6	4.9	5.2	2.4	1.5	1.8
GNP deflator	4.4	4.1	4.5	4.4	5.1	5.3	6.1	5.9
CPI–U	4.5	3.3	5.1	5.3	4.9	5.3	5.7	6.1
Unemployment rate—Civilian (level-4th quarter)	10.7	8.5	7.3	7.2	7.2	7.4	7.9	7.3
T-bill Rate (level-4th quarter)	7.9	8.8	9.5	9.9	10.3	9.4	10.6	13.1
Fiscal year deficit—Unified (dollar bill)	110.7	195.3	180.6	180.6	169.7	209.9	188.7	182.0
Year/Year Change (percent)								
GNP:								
Nominal	4.1	7.7	10.2	10.0	10.9	7.8	8.3	8.7
Real	−1.9	3.4	5.7	5.9	6.1	2.7	2.5	2.9
GNP deflator	6.0	4.2	4.7	3.9	4.5	4.9	5.7	5.7
CPI–U	6.0	3.2	4.9	4.8	4.6	5.2	5.5	5.6

TABLE 2.—COMMERCIAL ECONOMIC FORECASTS—Continued

	1982 actual	1983 actual	1984			1985		
			DRI	Chase	Wharton	DRI	Chase	Wharton
Unemployment rate—Civilian (level—annual average)	9.7	9.6	7.5	7.4	7.5	7.4	7.6	7.2
T-bill rate (level—annual average)	10.6	8.6	9.4	9.5	9.9	9.7	11.4	11.8
CY deficit—NIA (dollar bill)	147.1	181.6	176.5	183.3	177.5	202.6	206.3	204.3

Forecast Dates: DRI—Mar. 26, 1984; Chase—Mar. 26, 1984; and Wharton—Mar. 25, 1984.

Long-Term Economic Outlook

Table 3 presents the CBO economic assumptions adopted by the Committee for 1986 to 1989 which are the basis for the budget projections for those years. The projections assume a steady, noncyclical path for the economy with real growth averaging 3.4 percent per year (about .5 percent above the long-run potential rate) with gradually declining inflation. As CBO noted in its original presentation of these projections,

> ". . . Many analysts would question whether these economic projections would be realized with the current mix of budget and monetary policies."

The changes in fiscal policy adopted by the Committee are an interim step towards the more substantial changes that will eventually prove necessary to allow continued economic growth in line with these long-term assumptions. Obviously, if the economy performs less well than in the assumptions, budget deficits would be substantially larger than those projected on these assumptions.

The economic projections for 1986 to 1989 are subject to even greater uncertainty than the short term forecast for 1984 and 1985. They should not be considered as projections of future economic conditions, but as a representation of possible trends in the economy.

As in previous years, the long-term projections adopted by the Committee are more realistic than those proposed by the administration. Table 4 compares the Committee's economic assumptions with those of the administration and recent projections of commercial services and the Blue Chip consensus. Real growth averages 4.0 percent in the administration projections, 3.4 percent in the Committee's economic assumptions, and 3.0 percent in both sets of private projections. (Note that the private analysts see a growth slowdown in 1986). The private analysts' projections assume that nominal GNP growth will stay near 9 percent annually with inflation near 5½ percent, while the administration and CBO projections assume that policy will lower both nominal growth and inflation. The administration has carried this decline in the inflation rate to an extreme, apparently on the basis of an unverified theory that anticipated changes in monetary and fiscal policies primarily affect price changes rather than growth of real output.

Even more important is the underestimation of nominal and real interest rates in the administration projections. Over the 1986–1989 period the administration's nominal interest rates average 2.2–2.3

percent below the consensus projections, while the Committee projections are virtually the same as the private projections after 1986.

These differences, particularly the interest rate assumptions, have a significant impact on the budget. The administration interest rate assumptions reduce the projected deficit by about $25 billion in 1987 and $70 billion in 1989 compared with the level which would exist using the more realistic interest rates.

TABLE 3.—LONG-TERM ECONOMIC PROJECTIONS

[Calendar years]

Annual averages	Actual			Projections			
	1983	1984	1985	1986	1987	1988	1989
Gross national product:							
Current dollars	$3,310.5	$3,651.2	$3,994.8	$4,339.0	$4,703.7	$5,083.5	$5,480.5
Percent change	7.7	10.3	9.4	8.6	8.4	8.1	7.8
Constant dollars	$1,535.3	$1,617.0	$1,683.0	$1,742.3	$1,803.3	$1,865.3	$1,927.6
Percent change	3.4	5.3	4.1	3.5	3.5	3.4	3.3
GNP deflator (percent change)	4.2	4.7	5.1	4.9	4.7	4.5	4.3
CPI–U (percent change)	3.2	4.8	5.1	4.9	4.7	4.5	4.3
Unemployment rate (percent) [1]	9.6	7.8	7.3	7.0	6.8	6.6	6.5
3-month Treasury bill rate (percent)	8.6	8.9	8.6	8.4	8.2	8.0	7.8
Moody's AAA bond rate	12.0	12.2	11.6	11.4	11.2	11.0	10.8
4th quarter to 4th quarter (percent change):							
Gross national product:							
Current dollars	$10.5	$10.3	$90	$8.5	$8.2	$8.0	$7.7
Constant dollars	$6.2	$4.7	$3.7	$3.5	$3.5	$3.4	$3.3
GNP deflator	4.1	5.3	5.1	4.8	4.6	4.4	4.3
CPI–U	3.3	5.1	4.9	4.9	4.6	4.5	4.1
Unemployment rate (percent, 4th quarter level) [1]	8.5	7.6	7.1	6.9	6.7	6.5	6.4

[1] Civilian rate.

TABLE 4.—COMPARISON OF LONG-TERM ECONOMIC PROJECTIONS

[Calendar years, percent change]

Annual average	Actual 1983	Forecast		Projections			
		1984	1985	1986	1987	1988	1989
Gross national product:							
Current dollars	$7.7						
House Budget Committee (CBO)		10.3	9.4	8.6	8.4	8.1	7.8
Administration		10.0	9.1	8.7	8.4	8.1	7.6
Commercial services		10.4	8.3	8.0	9.6	9.0	8.9
Blue chip		10.2	9.2	8.1	8.9	9.1	9.0
Constant (1972) dollars	$3.4						
House Budget Committee (CBO)		5.4	4.1	3.5	3.5	3.4	3.3
Administration		5.3	4.1	4.0	4.0	4.0	3.9
Commercial services		5.9	2.7	2.0	3.7	3.1	2.9
Blue chip		5.4	3.3	1.7	3.2	3.9	3.5
GNP deflator	4.2						
House Budget Committee (CBO)		4.7	5.1	4.9	4.7	4.5	4.3
Administration		4.5	4.8	4.5	4.2	3.9	3.6
Commercial services		4.4	5.4	5.8	5.7	5.7	5.7
Blue chip		4.6	5.8	6.4	5.6	5.1	5.4
Consumer Price Index (CPI–W)	2.9						
House Budget Committee (CBO)		4.5	5.0	4.9	4.7	4.5	4.3
Administration		4.4	4.6	4.5	4.2	3.9	3.6
Commercial services		4.7	5.4	5.8	5.9	6.0	5.9
Blue chip (CPI–U)		4.9	5.8	6.5	5.7	5.1	5.5

TABLE 4.—COMPARISON OF LONG-TERM ECONOMIC PROJECTIONS—Continued

[Calendar years, percent change]

Annual average	Actual 1983	Forecast 1984	Forecast 1985	Projections 1986	Projections 1987	Projections 1988	Projections 1989
Unemployment rate (percent, civilian)	9.6						
House Budget Committee (CBO)		7.8	7.3	7.0	6.8	6.6	6.5
Administration		7.9	7.7	7.4	6.9	6.2	5.8
Commercial services		7.5	7.4	7.7	7.6	7.2	7.0
Blue chip		7.8	7.5	7.8	7.6	7.1	6.8
3-Month Treasury bill rate (percent)	8.6						
House Budget Committee (CBO)		8.9	8.6	8.4	8.2	8.0	7.8
Administration		8.5	7.7	7.1	6.2	5.5	5.0
Commercial services		9.6	11.0	10.1	9.0	8.2	8.2
Blue chip		9.0	9.7	9.2	8.5	7.8	7.6

VI. BUDGET COMMITTEE RECOMMENDATIONS

As stated in the overview section, the Committee recommendation has been developed on a realistic deficit reduction plan based on the following general principles which provide that:

1. Domestic and military savings in the Federal budget must and can be achieved.
2. This Nation's contract with Social Security beneficiaries should not be changed.
3. This Nation's military build-up must be moderated.
4. This Nation has a responsibility to help the neediest in our society.
5. The erosion of our tax base, and the growth of abusive tax shelters, must be halted.
6. Real growth in Federal programs that we as citizens deem essential now, must be paid for now by us not by mortgaging the economic position of future generations.

Highlights of the recommendation are as follows:

● *Domestic Spending*

—Most discretionary programs would be held to a 3.5 percent nominal increase each year. This increase is below the rate of inflation and would result in savings over the next three years. The Committee amendment would provide modest growth over the CBO baseline of $2.85 billion in outlays over three years in those discretionary programs targeted to the neediest of our society. This addition results in a net savings in non-defense discretionary programs of $4.60 billion over three years.

—Entitlements would be reduced by $12.35 billion over the next three years. Trust fund supported social security programs would be exempted from any reductions, as would means-tested entitlement programs, and changes caused by demographic factors. With the savings assumed by the Committee, total spending for the remaining entitlement programs would be held to 3.5 percent per year. Also, the recommendation assumes additional outlays of $2.15 billion over three years, which could be used to fund increases in entitlement programs such as social security disability insurance, nutrition, and preventive health care for infants and pregnant women from low-income households. This increase of $2.15 billion offsets the other entitlement reductions for a net savings of $10.20 billion over three years.

● *Military Spending*

—Just as massive amounts of domestic spending do not in and of themselves assure a stronger society, massive amounts of military spending do not in and of themselves assure a stronger defense. The time has come to moderate the enormous military

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buildup which has occurred for the past three years and which this administration proposes to continue. The time has also come to pay now for any additional real growth in military spending. The Committee will offer an amendment to provide 3.5 percent real growth in military spending. That real growth, amounting to $44.8 billion over the next three years, would be accompanied by taxes to pay for this growth.

- *Revenues*

Revenues should be increased by $49.8 billion over the next three years to finance real growth in defense and in programs to maintain the social safety net for the needy and the handicapped. The revenue increase is needed to prevent further deterioration of the fiscal situation by stabilizing the deficit at about its current level, pending future policy changes to place it on a long-term declining path.

A. Domestic Spending

1. Discretionary Programs

The recommendation adopts a modified freeze approach to restraining Federal spending for non-defense discretionary programs. The modified freeze allows nominal growth of 3.5 percent over the 1984 program level for these programs. This results in savings because 3.5 percent is less than the inflation rate assumed in the House Budget Committee baseline (5.2 percent in 1985, 5.0 percent in 1986 and 4.8 percent in 1987).

Domestic discretionary programs have experienced negative real growth during the past three years and adjustments are necessary to maintain service levels. The CBO estimates that outlay decreases of about $76 billion have occurred in non-defense discretionary programs between 1981 and 1984; cumulative reductions totalling $247 billion are estimated between 1981 and 1989.

Although overall spending limits are necessary to achieve steady deficit reduction, there are some high priority Federal responsibilities which will require increases above the 3.5 percent limit. The recommendation therefore, allows a real increase for certain low-income programs, such as nutrition, food stamps, health, training, higher education for needy students including historically black colleges, and elementary and secondary education programs for handicapped and disadvantaged students. This would add $2.85 billion over three years to the non-defense discretionary program category. This addition results in a net savings in non-defense discretionary programs of $4.60 billion over three years.

The recommendation assumes a pay-as-you-go amendment which includes financing the real increases for these programs through an offsetting revenue increase.

The total amounts available for non-defense discretionary programs under the recommendation will be available for the Appropriations Committee to allocate among the individual non-defense discretionary programs.

2. Entitlements

The table below lists the entitlement and mandatory spending programs which are fully funded in the Committee recommendation at the CBO current policy level. Social Security and the Hospital Insurance component of Medicare receive full funding since these funds are largely self-financed through the payroll tax. Further, the financing of Social Security was reformed last year in the Social Security Act Amendments of 1983, P.L. 98-21. In addition, all means-tested entitlement and mandatory spending programs are fully funded. Means-tested entitlements were exempted because (1) since 1981 these programs have been cut by $27.45 billion and

(2) only 12 percent of the spending growth in entitlement programs can be attributed to means-tested programs. Obviously these programs are not the major source of growth. The one-quarter of the Supplementary Medical Insurance program financed through beneficiary's premiums is included in the category which is exempt from the modified freeze. Finally, the cost increase due to demographic changes in all other entitlement programs is exempt from the modified freeze.

The savings from limiting the remaining entitlement programs to 3.5 percent nominal growth were not allocated by program on a pro-rata basis. Instead, the approximate savings formed the reconciliation targets for which specific assumptions are described later in this section.

FULLY FUNDED ENTITLEMENTS

[Outlays in billions of dollars]

	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Entitlement baseline	426.35	454.30	487.75
Programs fully funded:			
• Retirement: social security/hospital insurance	235.55	252.50	272.95
• Means-Tested:			
Child nutrition	4.10	4.40	4.60
Food stamps	11.80	12.60	13.05
SSI	9.30	9.75	10.20
Medicaid	23.05	24.65	26.85
AFDC	7.85	8.15	8.45
GSL	3.05	2.95	2.95
Family social services	0.50	0.55	0.60
Earned income tax credit	1.05	1.00	0.95
Veterans' pensions	4.00	4.10	4.20
(Subtotal)	(64.70)	(68.15)	(71.85)
• Other:			
25 percent of supplemental medical insurance	6.15	7.15	8.25
Demographic increase in non-exempt programs	0.15	1.10	1.55
Total: programs fully funded	306.55	328.90	354.60

The table below details the entitlement savings assumed in the Committee recommendation. Following the table is a more detailed description of the individual items.

ENTITLEMENT SAVINGS

[In billions of dollars]

	BA	O	1986 BA	1986 O	1987 BA	1987 O	Total outlay savings
CBO Current Policy[1]	494.90	426.35	538.55	454.30	582.15	487.75	
Function 350: Agriculture:							
• Farm price support savings	−0.05	−0.05	−0.80	−0.80	−1.70	−1.70	−2.55
Function 450: Community and Regional Development:							
• Small Business Administration (SBA) disaster loan program		−0.20	−0.15	−0.20	−0.25	−0.20	−0.60
Function 570: Social Security and Medicare:							
• Medicare savings	−1.00	−1.00	−1.35	−1.35	−1.65	−1.65	−4.00

ENTITLEMENT SAVINGS—Continued

[In billions of dollars]

			1986		1987		Total outlay savings
	BA	O	BA	O	BA	O	
Function 600: Income Security							
• Federal employee retirement:							
—Delay COLA's		−0.55		−1.00		−1.10	−2.65
—Extend Half-COLA				−0.30		−0.70	−1.00
• Child support enforcement	(²)	(²)	−0.05	−0.05	−0.10	−0.10	−0.15
• Pension Benefit Guaranty Corporation		−0.15		−0.15		−0.20	−0.50
Function 700 Veterans:							
• VA pensions	−0.05		−0.05	−0.05	−0.05	−0.05	−0.15
• VA guaranteed housing loans	(²)	−0.10	+0.10	−0.15	−0.05	−0.15	−0.40
Administrative reforms in the guaranteed housing loan program	−0.10	−0.25	(²)	−0.05	−0.20	−0.05	−0.35
Total	−1.20	−2.35	−2.30	−4.10	−4.00	−5.90	−12.35

[1] All entitlements, including excluded programs.
[2] Less than $25 million.

EXPLANATION OF ENTITLEMENT SAVINGS

—*Farm Price Supports*

The farm price support program savings assumed in the Committee recommendation would reduce spending by $2.55 billion during fiscal years 1985–87. Current CBO estimates indicate that without some modifications, these programs will cost $35.25 billion over the three years. The reduction assumed in the Committee recommendation provides a first step toward curbing the costs of these programs. A complete target price freeze, as proposed by the President, would reduce spending by $4.25 billion over the three year period. The Committee recommendation would not require permanently freezing commodity target prices, thereby preventing drastic dislocation within the American agriculture community.

—*SBA Disaster Loan Program*

The SBA reductions assumed in the Committee recommendation would reduce spending by $0.60 billion during fiscal years 1985–87. The savings are included in H.R. 4169, which has already passed the House and is awaiting Senate action.

—*Medicare*

The Committee recommendation instructions call for $4 billion in savings to be achieved from reductions in medicare outlays. It is the Committee's intention that none of the savings directed to be achieved shall come from provisions that increase costs to beneficiaries or reduce services provided to beneficiaries. It is the intent of the Committee that savings shall be achieved through provisions which improve control over provider costs and reimbursements in such a way that beneficiaries will be protected from additional costs or reductions in services.

—*Federal Employee Retirement*

The Federal employee retirement reductions assumed in the Committee recommendation would reduce spending by $3.65 billion during fiscal years 1985–87. Current CBO estimates indicate that without some modifications the government will spend $132.65 billion on Federal employee retirement during the same period. The Committee recommendation assumes that civilian and military COLAs will be delayed. This proposal is included in H.R. 4169, which passed the House last fall and is awaiting Senate action. In addition, the proposal assumes extending permanently the half COLA provision for civilian and military retirees under age 62. The provision currently in effect is scheduled to expire at the end of fiscal year 1985.

—*Child Support Enforcement*

The child support enforcement reductions assumed in the Committee recommendation would reduce spending by $0.15 billion during fiscal years 1985–87. This assumes enactment of H.R. 4325, Child Support Amendments of 1983, which unanimously passed the House on November 15, 1983.

—*Pension Benefit Guaranty Corporation (PBGC)*

The PBGC reductions assumed in the Committee recommendation would reduce spending by $0.50 billion during fiscal years 1985–87. This assumes enactment of the President's proposal to increase the single-employer premium from $2.60 to $7.00 per employee per year. This is the amount of premium increase estimated as necessary to cover projected claims and to amortize the fiscal year 1985 program deficit of $0.60 billion.

—*Veterans' Pension*

The Veterans' pension proposals assumed in the Committee recommendation would reduce spending by $0.15 billion during fiscal years 1985–87. The recommendation would conform the VA pension program to the VA compensation program by repealing retroactive pension benefits. Absent change, the VA pension program is estimated to cost $12.35 billion during fiscal years 1985–87.

—*Veterans' Housing Loan Program*

The VA housing loan program proposed legislation assumed in the Committee recommendation would reduce spending by $0.75 billion during fiscal years 1985–87. The Committee recommendation assumes $0.35 billion in savings from legislation to implement administrative reforms which the CBO outlines in a forthcoming report on the VA loan guaranty housing program. In addition, the Committee recommendation assumes that $0.4 billion will be credited to the VA housing loan revolving fund from increasing loan origination fees from 0.5 percent to 1 percent (no expiration date). The current loan origination fee expires September 30, 1985.

Modest Entitlement Increases

Also, in entitlement programs, the Committee amendment assumes an increase in outlays of $2.15 billion which could be used to fund increases in programs such as social security disability insurance, nutrition, and preventive health care for infants and pregnant women from low-income households.

B. Military Spending

The Committee recommendation provides for growth in defense over the fiscal year 1984 current level equal to the rate of projected inflation for fiscal years 1985 through 1987. The inflation rates assumed are those used by the Defense Department in developing its fiscal year 1985 budget request. A Committee amendment provides for an additional 3.5 percent growth each year. The Committee amendment would finance this additional funding by raising additional revenues. The Committee amendment for National Defense totals $63.2 billion in budget authority and $44.8 billion in outlays for the three fiscal years 1985 through 1987.

The Committee recommendation, together with the additional funding in the Committee amendment, provides for 3.5 percent real growth for defense funding for fiscal years 1985 through 1987. This is based on the premise that our Nation should have a defense second to none, and would continue the defense build-up of the last several years by providing an increase for fiscal year 1985 of $21.6 billion in budget authority over the fiscal year 1984 current level and a three year cumulative increase of $139.5 billion.

While it recognizes the need to continue the defense build-up, the Committee recommendation reflects the belief that the time has come to moderate defense funding increases. It should be noted that the Committee recommendation does not mandate reductions from current defense funding but rather would slow the rate of proposed funding increases. The belief that the defense build-up should occur at a more reasoned and efficient pace has become widespread both within Congress and among many outside defense experts.

Criticism that the Committee recommendation is inadequate because it does not provide all of the funding requested by the administration, should be dismissed because by any reasonable standard the Committee recommendation provides for significant growth to an already substantial defense budget. The funding level of $285.7 billion recommended for fiscal year 1985 would represent the sixth consecutive year of growth to the defense budget. The level of defense funding recommended for fiscal year 1985 is 96 percent greater (45 percent in real terms) than the fiscal year 1980 level. The funding recommended for fiscal year 1987 is 131 percent greater (56 percent in real terms) than the fiscal year 1980 level and would represent the largest level of defense funding in real terms for any year since the end of World War II, including the Korean and Vietnam War periods. The Committee recommendation would more than fulfill the 1979 pledge of the NATO allies to increase defense funding by three percent real growth each year.

The Committee recommendation takes into account the fact that we live in a dangerous world and that we require an enhanced military capability. But it also recognizes that national security encompasses more than just military strength. The Committee recommendation reflects the belief that our economic and social infrastructure are also vital elements of our strength as a nation. It would be reckless for the country to underfund its defense needs. But it would be careless and wasteful to overfund defense while there are so many other important needs, when deficits are so staggering, and when the United States should have no interest in accelerating the arms race.

Accordingly, while the Committee recommendation would continue the defense build-up by providing significant real growth for the next three years, it would also help to reduce the deficit substantially. The Committee recommendation provides defense growth above the fiscal year 1984 current level of $139.5 billion for the fiscal year 1985–87 period, while still achieving a deficit reduction of $96.6 billion when compared to the President's January budget request.

C. Revenues

In its pay-as-you-go amendment, the Committee recommends a package that makes priority spending increases subject to the discipline of pay-as-you-go. The amendment provides for the revenue increases necessary to support real (inflation-adjusted) increases in defense, the principal budget priority stressed by the President, and an essential level of domestic programs to maintain the social "safety net."

The Committee calls for a pay-as-you-go approach rather than the administration's borrow now, pay-later approach. The pay-as-you-go amendment rejects the view that there is no difference between borrowing and taxing, and that tax increases are unnecessary.

Taxes put government on a pay-now basis under which current government services are paid for more by foregone private consumption than by reduced investment or borrowing from abroad. Through taxes the costs of government can be distributed fairly. Heavy borrowing puts government on a haphazard pay-later basis that pushes up interest rates, boosts the foreign exchange rate, causes distress in trade and interest-sensitive economic sectors, and ultimately crowds out investment.

Higher interest rates "tax our grandchildren" because they crowd out investment and lower the stock of capital that will produce future prosperity. Higher interest rates also tax the future in the form of higher debt payments to foreigners and tax increases needed to pay interest on the national debt. But it is not just our grandchildren who pay. A deficit-dominated economy reduces our own current housing, business investment, export industries and those that compete with imports, and state and local public investment.

The revenue increase required by pay-as-you-go over fiscal years 1985–1987 is $49.8 billion dollars. This revenue increase and the corresponding revenue floor should not be construed as a recommended ceiling on revenues. Further efforts to broaden the tax base and improve the fairness of the tax code, especially if dedicated to reducing the deficit, could improve fiscal policy. For instance, the Pease-Gephardt-Moody-McHugh plan will, in all likelihood, be made in order as an amendment to the First Concurrent Budget Resolution for fiscal year 1985. This proposal for a revenue increase of aproximately $29 billion over three years provides that such additional revenues be used exclusively for deficit reduction. However, the Committee takes no position with respect to any amendment to the budget resolution other than the pay-as-you-go amendment incorporated in the Committee's overall recommendation.

The 1985–1987 revenue recommendation corresponds closely to the gain over the same years for the Tax Reform Act of 1984 already reported by the Committee on Ways and Means (March 5, 1984) and the $48 billion revenue target announced by the Senate Committee on Finance. No modifications to H.R. 4170 are needed, since the required minor changes could be accomplished in conference with the Senate. The recommended revenue target in 1985 accommodates a $75 million revenue loss from minor changes in trade and tariff legislation.

The Tax Reform Act of 1984 was reported on a bipartisan basis and was designed to:

- reduce the deficit,
- reduce tax base erosion,
- improve tax equity, and
- improve tax administration and compliance.

The strong actions taken to curb exploitation of tax shelters, untaxed sources of economic benefit, and flawed tax administration will prevent the majority of taxpayers from bearing the burden of the effort to pay-as-you-go and reduce the deficit.

Appendix C of this report enumerates the tax preferences in today's tax code.

SUMMARY OF COMMITTEE AMENDMENT REVENUE RECOMMENDATION

[In billions of dollars and fiscal years]

	1985	1986	1987
Revenues under current law baseline and Committee resolution (unamended)	$733.00	$794.90	$863.50
Revenue increase: This increase puts the amendment on a pay-as-you-go basis. The revenue target corresponds closely to H.R. 4170 as modified and reported by the Committee on Ways and Means on March 5, 1984, and the revenue target of the Senate Committee on Finance	9.78	17.65	22.45
Revenue decrease accommodation: The recommendation accommodates an allowance of $75 million in 1985 and future years for minor changes in trade and tariff provisions. In a departure from past policy, the Ways and Means Committee, in its letter of March 15, declared its intent that any other proposals to reduce revenue would be offset in the same legislation by revenue-raising or outlay-reduction provisions	−.08		
Total revenue changes	9.70	17.65	22.45
Recommendation	742.70	812.55	885.95

Erosion of Revenues

The Committee amendment recommends rebuilding the revenue base after the Economic Recovery Tax Act of 1981 sharply reduced Federal revenues beneath what they would have been under prior law. The Tax Equity and Fiscal Reponsibility Act of 1982, the Highway Revenue Act of 1982 and the Social Security Amendments of 1983 only partially restored these revenues. The net effect has been a large and growing revenue loss, rising from $39.6 billion in Fiscal Year 1982 to $238.6 billion in Fiscal Year 1989, as shown in Table 1.

TABLE 1.—CHANGES IN REVENUES FROM MAJOR LEGISLATION ENACTED IN 1981, 1982 AND 1983

[In billions of dollars and fiscal years]

	1982	1983	1984	1985	1986	1987	1988	1989
Revenues under law prior to ERTA	657.4	673.1	756.2	850.3	946.1	1,043.7	1,148.9	1,254.4
Economic Recovery Tax Act of 1981	−40.2	−90.8	−135.4	−165.9	−209.9	−248.3	−281.9	−320.7
Tax Equity and Fiscal Responsibility Act of 1982		16.2	34.1	37.0	44.8	52.5	50.8	47.5
Highway Revenue Act of 1982 [1]		1.5	4.1	4.2	4.4	4.5	4.6	4.7
Social Security Amendments of 1983			6.1	8.6	8.8	10.7	22.4	29.6
Other	.5	.6	−2.2	−1.3	.5	.3	.1	.1
Net legislative actions	−39.6	−72.5	−93.2	−117.3	−151.2	−180.2	−203.8	−238.6
CBO current policy baseline [1]	617.8	600.6	663.0	733.0	794.9	863.5	945.1	1,015.8

[1] Figures reflect airport and airway, and highway trust fund revenues at current tax rates extended through 1989.

Shift in Revenue Sources

Over the past thirty years there have been major changes in the composition of Federal revenues, as shown in Table 2. Table 2 shows that under current policy the proportion of Federal revenues derived from social insurance taxes will increase from 11.1 percent in 1950 to 37.6 percent in 1989, while the share from corporate income taxes will sharply decrease from 26.5 percent to 8.4 percent, and the share from estate and gift taxes will fall from 1.8 percent to 0.5 percent.

TABLE 2.—REVENUES BY SOURCE UNDER PAST AND CURRENT LAW

[Percentages and fiscal years]

	1950	1960	1970	1980	1985	1987	1989
Individual income tax	39.9	44.0	46.9	47.2	44.8	45.9	47.0
Corporate income tax	26.5	23.2	17.0	12.5	8.8	9.4	8.4
Social Insurance tax and contributions	11.1	15.9	23.0	30.5	36.7	37.0	37.6
Excises	19.1	12.6	8.1	4.7	5.1	3.7	3.3
Estate and gift taxes	1.8	1.7	1.9	1.2	.8	.5	.5
Custom Duties	1.0	1.2	1.3	1.4	1.5	1.4	1.3
Miscellaneous receipts	.6	1.3	1.8	2.5	2.2	2.1	2.0

Multiyear perspective—Revenues

[In billions of dollars]

Fiscal year:	
1980 actual	517.1
1981 actual	599.3
1982 actual	617.8
1983 actual	600.6
1984 Second Budget Resolution Jan. 19	679.6
1984 Administration's Request (February 1, 1984)	670.1
CBO Current Policy Baseline (March 9, 1984)	663.0
Administration's Request Reestimated by CBO	665.0
Fiscal Year 1984 Recommendation	664.9
Fiscal year 1985:	
Administration's request (February 1, 1984)	745.1
CBO current policy baseline (March 9, 1984) [1]	733.0
Administration's request reestimated by CBO	741.3
Recommendation including Committee amendment	742.7

Fiscal year 1986:	
Administration's request (February 1, 1984)	814.9
CBO current policy baseline (March 9, 1984) [1]	794.9
Administration's request reestimated by CBO	807.1
Recommendation including Committee amendment	812.55
Fiscal year 1987:	
Administration's request (February 1, 1984)	887.8
CBO current policy baseline (March 9, 1984) [1]	863.5
Administration's request reestimated by CBO	878.3
Recommendation including Committee amendment	885.95

[1] The HBC baseline and Committee resolution revenues, before amendment, are the same as the CBO current policy baseline.

D. Administrative Savings

The Committee recommendation assumes administrative savings of $2 billion over the period 1985–87. These savings are assumed to be achievable by implementation within the administration of even a modest number of the administrative savings proposed by the President's Private Sector Survey on Cost Control (commoly known as the Grace Commission).

The Committee recommendation is based on the fact that over the past several months, much attention has been focused on reports issued by the Grace Commission. These reports contained recommendations which the commission claimed would save over $400 billion over three-years when fully implemented. The commission characterized its recommendations as reducing program waste, correcting systems failures, improving personnel management, and attacking structural deficiencies.

In response to a request from the House and Senate Budget Committees, the Congressional Budget Office (CBO) and the General Accounting Office (GAO) issued a joint report which analyzed about 90 percent of the potential three year savings estimated by the Grace Commission. The CBO–GAO analysis found that the potential savings the might result in 1985–87 from implementing most of these recommendations would be significant but much smaller than the three-year savings projected by the commission.

The bulk of the potential savings relate to the Grace recommendations that would require significant changes in current laws and policies. Most of the Grace recommendations, however, involve various management improvements that could be implemented administratively. This is the particular area of savings to which the Committee recommendation applies. These improvements could involve, for example, encouraging the use of electronic fund transfer; reducing the size of Government vehicle fleets; extending the federal tax deposit system to individual estimated tax payments; accelerating collection of customs duties; and, accelerating deposits by IRS Service Centers.

The Committee also urges the administration to respond to an earlier request to provide this Committee with a list of Grace Commission savings that the President indicated were already incorporated in the February budget submission. Such a list would have been very valuable in developing the First Budget Resolution for 1985; however, the Committee is still interested in this information.

Finally, Section 4 of the resolution includes sense of the Congress language calling for the executive branch to achieve these savings and for the President to report to the Congress each year, in conjunction with the annual budget submission, on the progress made in this effort. For purposes of this section of the resolution, the term savings refers to the estimates contained in the CBO–GAO analysis mentioned above.

E. Credit Budget

The Committee recommendation includes nonbinding credit budget reccommendations for fiscal years 1985 through 1987. This follows the example of the nonbinding credit budget targets contained in the 1983 and 1984 Budget Resolutions. The recommendation also contains revised 1984 credit budget targets. The following table compares the credit budget recommendations to the current policy baseline and the President's February budget:

[In billions of dollars]

	1984	1985	1986	1987
Current policy baseline:				
Direct loan obligations	37.60	37.75	41.90	43.15
Primary guarantee commitments	105.15	111.65	117.90	124.60
Secondary guarantee commitments	68.25	71.40	74.60	77.55
President's February budget:				
Direct loan obligations	37.85	31.70	32.35	32.00
Primary guarantee commitments	97.35	98.80	96.90	99.70
Secondary guarantee commitments	68.25	68.25	68.25	68.25
First budget resolution recommendation:				
Direct loan obligations	37.50	37.50	39.95	40.45
Primary guarantee commitments	105.15	111.15	117.40	123.15
Secondary guarantee commitments	68.25	68.25	68.25	68.25

- The credit budget is a separate accounting of new direct loans and loan guarantees issued by Federal agencies. The credit budget overlaps and complements the spending budget, which includes the cash flow effects of Federal credit programs.
- The nonbinding credit budget recommendations are based on the same assumptions as the spending recommendations. Discretionary credit programs are assumed to grow 3.5 percent in nominal terms over the 1984 program levels.
- The recommendation for entitlement credit programs—of which the major ones are CCC farm price support loans, guaranteed student loans, and veterans home mortgage guarantees—are tied to the spending recommendations for those programs. Unless there are specific reductions or proposed real increases included in the spending recommendations, entitlement and mandatory credit program recommendations are based on current law estimates for those programs.

The following table shows the nonbinding credit budget targets by function, including the revised 1984 credit budget targets:

CREDIT BUDGET RECOMMENDATION BY FUNCTION

[In billions of dollars]

Function	Revised 1984 Credit Budget			1985 Recommendation			1986 Recommendation			1987 Recommendation		
	Direct Loans	Primary Guarantees	Secondary Guarantees	Direct Loans	Primary Guarantees	Secondary Guarantees	Direct Loans	Primary Guarantees	Secondary Guarantees	Direct Loans	Primary Guarantees	Secondary Guarantees
150: International Affairs	9.10	8.65		10.55	9.25		11.60	10.25		12.85	10.60	
250: General Science, Space and Technology	0.15											
270: Energy	4.70	0.05		4.80	0.05		4.85	0.05		5.00	0.05	
300: Natural Resources & Environment	0.05			0.05			0.05			0.05		
350: Agriculture	11.20	4.70		11.45	3.10		12.95	3.10		11.85	3.15	
370: Commerce and Housing Credit	6.15	50.00	68.25	6.50	52.50	68.25	6.55	54.80	68.25	6.75	56.65	68.25
400: Transportation	1.15	0.45		0.05	0.45		0.05	0.50		0.05	0.50	
450: Community & Regional Development	1.65	0.35		1.70	0.35		1.70	0.35		1.75	0.40	
500: Education, Training, Employment and Social Services	0.80	7.40		0.85	7.75		0.85	8.00		0.85	8.15	
550: Health	0.05	0.20		0.05	0.15		0.05	0.15		0.05	0.15	
600: Income Security	1.00	14.70		0.05	14.70		0.05	14.70		0.05	14.70	
700: Veterans Benefits and Services	1.35	18.65		1.20	22.85		1.00	25.50		0.95	28.80	
850: General Purpose Fiscal Assistance	0.25			0.25			0.25			0.25		
Total	37.60	105.15	68.25	37.50	111.15	68.25	39.95	117.40	68.25	40.45	123.15	68.25

F. Revisions to the Fiscal Year 1984 Budget

The second budget resolution for fiscal year 1984, requires a revision to be consistent with the fiscal year 1985 recommendation to reflect the revised economic forecast, reestimates of spending, and action of the First Session of the 98th Congress.

Section 5(a) of the conference report accompanying H. Con. Res. 91, The First Concurrent Resolution on the Budget for Fiscal Year 1984, stated that: "If Congress has not completed action by October 1, 1983, on the concurrent resolution on the budget required to be reported under Section 310(a) of the Congressional Budget Act of 1974 for the 1984 fiscal year, then this concurrent resolution shall be deemed to be the concurrent resolution required to be reported under Section 310(a) of such Act for the purposes of Section 311 of such Act."

The proposed revisions to the resolution aggregates are as follows:

	Revision
Budget Authority	915.50
Outlays	853.90
Revenues	664.90
Deficit	189.00

The following list includes those items assumed in the proposed revised second budget resolution. It includes discretionary program supplementals requested by the administration and legislation pending before the Congress. The discretionary supplementals are not assumed in the CBO baseline for 1984, which only reflects enacted legislation and pending mandatory supplementals for full funding of entitlement programs.

[In millions of dollars]

Function/Program	1984 budget authority	1984 outlays
050—Central Intelligence Agency	21	21
150—Aid to Central America (Kissinger Commission)	659	153
Food for Peace (H.J. Res. 492)	150	137
Multilateral Development Bank and other foreign aid	356	21
State Department activities	31	18
270—Energy preparedness and energy regulation	3	3
Geological Survey	13	13
EPA—Research and development	6	1
300—National Forest System	34	34
Surface mining	5	2
Fish and Wildlife	1	1
National Park Service	3	3
Bureau of Indian Affairs	14	14
EPA—Hazardous waste	50	5
EPA hazardous waste (H.R. 2867)	270	81

Function/Program	1984 budget authority	1984 outlays
350—Federal Crop Insurance Corporation	100	
CCC farm price support programs (H.R. 4072)		640
400—Railroad litigation	17	17
Amtrak	109	109
Federal Aviation Administration	8	8
Coast Guard—Operating expenses	6	6
Civil Aeronautics Board	2	1
Reconciliation (H.R. 4969)	−5	−5
450—Bureau of Indian Affairs—Construction	10	8
Indian Social Services	7	7
Reconciliation (H.R. 4169)		−70
500—Library of Congress	12	1
Student financial assistance	10	
Higher education	−14	−1
Department management	2	2
570—Hospital insurance		1
Supplemental medical insurance		3
600—Reconciliation (H.R. 4169)	−241	−480
Child nutrition (H.R. 4091)	25	25
700—Veterans' medical care	15	15
Veterans' general operations	4	4
750—Law enforcement activities	23	18
Federal Prison System	9	9
800—Legislative branch operations	40	28
Library of Congress Building—Maintenance and repairs	112	1
Executive Office of President	1	1
Territories	2	2
Bureau of Government Finance—Operations	1	1
900—Disability insurance (H.R. 3755)	10	57
Total	1,881	915

VII. DEBT SUBJECT TO LIMIT

The Committee recommends public debt levels for the end of fiscal years 1984, 1985, 1986, and 1987 calculated as follows:

PUBLIC DEBT SUBJECT TO LIMIT

	Resolution	Resolution with committee amendment
Fiscal year 1984 debt:		
Debt September 30, 1983	$1,378.00	$1,378.00
Fiscal year 1984 deficit	189.00	189.00
Trust fund surplus fiscal year 1984	28.00	28.00
Off-budget outlays fiscal year 1984	15.15	15.15
Other adjustments	−14.35	−14.35
Total	1,595.80	1,595.80
Fiscal year 1985 debt:		
Debt September 30, 1984 (estimated)	1,595.80	1,595.80
Fiscal year 1985 deficit	178.55	175.45
Trust fund surplus fiscal year 1985	47.90	47.90
Off-budget outlays fiscal year 1985	14.60	14.60
Other adjustments	.45	.45
Total	1,837.30	1,834.20
Fiscal year 1986 debt:		
Debt September 30, 1985 (estimated)	1,837.30	1,834.20
Fiscal year 1986 deficit	174.10	172.30
Trust fund surplus fiscal year 1986	58.70	58.70
Off-budget outlays fiscal year 1986	14.20	14.20
Other adjustments	1.85	1.85
Total	2,086.15	2,081.25
Fiscal year 1987 debt:		
Debt September 30, 1986 (estimated)	2,086.15	2,081.25
Fiscal year 1987 deficit	177.10	182.00
Trust fund surplus fiscal year 1987	66.70	66.70
Off-budget outlays fiscal year 1987	15.30	15.30
Other adjustments	2.00	2.00
Total	2,347.25	2,347.25

The following table presents historical data on the debt subject to limit (which includes virtually all of the gross public debt outstanding) along with the projected values under current policy (the HBC baseline) and the Committee recommendation. It indicates that in the four years between the end of fiscal year 1981 and the end of fiscal year 1985, more new Federal debt will have been created than in the entire 35 years from the end of World War II through 1981. The debt outstanding as of the end of 1981 will be doubled in five years and, under current policies, tripled by 1989.

DEBT SUBJECT TO LIMIT

[In billions of dollars]

	Actual
End of fiscal year:	
1946	268.9
1981	998.8
1983	1,378.0

	Projected	
	Current policy	Committee recommendation
End of fiscal year:		
1984	1,595.90	1,595.80
1985	1,864.40	1,834.20
1986	2,172.55	2,081.25
1987	2,523.10	2,347.25
1988	2,913.95	(1)
1989	3,342.30	(1)

[1] Not available.

VIII. IMPLEMENTATION OF THE RESOLUTION

The adoption of a budget resolution will mark only the beginning of the budget process. For the budget plan incorporated in this resolution to be realized it must be implemented. The resolution assumes implementation of the budget plan in a variety of ways.

ENFORCEMENT PROCEDURES CONTAINED IN THIS RESOLUTION

RECONCILIATION INSTRUCTIONS

Section 2 of the resolution contains reconciliation instructions directing eight House committees to consider legislation to change spending for fiscal years 1985, 1986, and 1987 sufficient to achieve the policy changes in direct spending assumed.

The Committee amendment included in this report includes instructions to the House Committee on Ways and Means to report legislation increasing revenues by $9.70 billion in fiscal year 1985. In keeping with the pay-as-you-go structure of the Committee amendment, reconciliation instructions in the amendment also express Congress intent that in fiscal years 1986 and 1987 revenues be increased by $17.65 billion and $22.45 billion, respectively.

BACKGROUND

The Budget Act contemplated that it might be necessary to implement a procedure, known as reconciliation, in order to implement the policies implicit in the budget resolution. Under the framework set forth in section 310 of the Congressional Budget Act the reconciliation process would be implemented in the second budget resolution for a given fiscal year. However, Congress has utilized the reconciliation process in conjunction with the First Budget Resolution since fiscal year 1981.

Section 301(b)(2) of the Budget Act provides the authority for this action. The section provides that the first budget resolution may require any procedure "which is considered appropriate to carry out the purpose of this Act".

WHAT THE RECONCILIATION INSTRUCTIONS PROVIDE

Reconciliation instructions contained in the First Budget Resolution for fiscal year 1985 direct eight House Committees to report legislation reducing outlays by $2.35 billion in fiscal year 1985. Recognizing the need to reduce future deficits as well, the instructions also express Congress intent that in fiscal years 1986 and 1987 outlays be reduced by $4.10 billion and $5.90 billion, respectively.

The reconciliation instructions in the resolution reflect several savings measures encompassed in the Omnibus Reconciliation Act of 1983, H.R. 4169, including a Federal Employee Retirement COLA delay and Small Business Administration Disaster Loan Assistance. H.R. 4169 passed the House on October 25, 1983 but has yet to be acted upon by the Senate. The reconciliation instructions in the resolution also call for $4 billion in savings to be achieved from reductions in medicare outlays. It is the Committee's intention that none of the savings directed to be achieved shall come from provisions that increase costs of beneficiaries or reduce services provided to beneficiaries. It is the intent of the Committee that savings shall be achieved through provisions which improve control over provider costs and reimbursements in such a way that beneficiaries will be protected from additional costs or reductions in services.

The following House committees are affected by reconciliation instructions in the resolution: Agriculture, Armed Services, Education and Labor, Energy and Commerce, Post Office and Civil Service, Small Business, Veterans' Affairs, and Ways and Means.

Fact Sheet

RECONCILIATION SAVINGS

Reconciliation savings implicit in the recommendation total $12.35 billion over three years. The reconciliation directive for the specific entitlement reductions would include eight House committees: Agriculture, Armed Services, Education and Labor, Energy and Commerce, Post Office and Civil Service, Small Business, Veterans' Affairs, and Ways and Means.

A breakdown of these savings follows:

	1985		1986		1987		3-year total outlays
	BA	O	BA	O	BA	O	
Agriculture:							
• Target Price Reductions	−0.05	−0.05	−0.80	−0.80	−1.70	−1.70	−2.55
Armed Services:							
• Delay COLA's (Military)	(...)	(−0.30)	(...)	(−0.40)	(...)	(−0.45)	(−1.15)
• Extend Half-COLA (Military)	(...)	(...)	(...)	(−0.25)	(...)	(−0.55)	(−0.80)
Education and Labor:							
• Pension Benefit Guaranty Corporation		−0.15		−0.15		−0.20	−0.50
Energy and Commerce	(−1.00)	(−1.00)	(−1.35)	(−1.35)	(−1.65)	(−1.65)	(−4.00)
Post Office and Civil Service:							
• Federal Employee Retirement:							
— Delay COLA's[1]		−0.55		−1.00		−1.10	−2.65
— Extend Half-COLA				−0.30		−0.70	−1.00
Small Business:							
• Small Business Administration (SBA) disaster loan program[1]		−0.20	−0.15	−0.20	−0.25	−0.20	−0.60
Veterans' Affairs:							
• VA pensions	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05	−0.15
• VA guaranteed Housing loans	([2])	−0.10	+0.10	−0.15	−0.05	−0.15	−0.40
• Administrative reforms in the guaranteed housing loan program	−0.10	−0.25	−([2])	−0.05	−0.20	−0.05	−0.35

	1985		1986		1987		3-year total outlays
	BA	0	BA	0	BA	0	
Ways and Means:							
• Medicare savings	−1.00	−1.00	−1.35	−1.35	−1.65	−1.65	−4.00
• Child support enforcement	([2])	−([2])	−0.05	−0.05	−0.10	−0.10	−0.15
Total	−1.20	−2.35	−2.30	−4.10	−4.00	−5.90	−12.35

[1] These provisions were included in H.R. 4169, last year's reconciliation bill, which passed the House on October 25, 1983.
[2] Less than $50 million.

A. How the Reconciliation Process Works

Section 2 of the recommended resolution instructs the committees directed to implement spending changes to submit their reconciliation recommendations to the Committee on the Budget not later than May 1, 1984. The Committee on the Budget will assemble the various recommendations into one omnibus reconciliation bill without substantive revisions and report the omnibus bill to the House.

B. General Provisions

Section 3(a) of the recommended resolution states the Committee's intent that wherever possible additional revenues, including H.R. 4170 and any amendments thereto be used to reduce the staggering deficits facing the nation in the foreseeable future, unless those revenues are specificially earmarked for particular spending programs.

Section 3(b) of the recommended resolution spells out the intent behind the earmarking of revenues is in keeping with the Committee's "pay-as-you-go" philosophy. Specific examples of legislative initiatives to repair the "social safety net" are cited. It is also indicated that deficit neutrality can be achieved through outlay reductions.

C. Administrative Savings

Section 4 of the recommended resolution contains sense of the Congress language which directs the Executive Branch to reduce the deficit by $2 billion over the next three fiscal years through administrative savings. It also requires the President, in his annual budget submission, to report on the Administration's progress in implementing such savings.

D. Automatic Second Budget Resolution

Section 5(a) of the recommended resolution provides that, if Congress has not completed action on the second budget resolution by October 1, 1984, then the levels set forth in the first resolution would become the spending ceilings and the revenue floor in fiscal year 1985 for purposes of section 311(a) of the Congressional Budget Act.

Assuming Congress has not adopted a second resolution by October 1, the aggregate spending and revenue levels set forth in the first budget resolution would be the benchmark used in determining if a point of order would lie against a measure for breaching the spending ceiling or revenue floor. The point of order would be triggered regardless of the status of congressional action on any reconciliation contained in this resolution.

Section 5(b) of the recommended resolution would exempt spending measures from the section 311(a) point of order is such a measure is within the committee's section 302(a) total allocation of new discretionary budget authority or new spending authority for fiscal year 1985 regardless of whether the aggregate spending ceiling is breached or would be breached by enactment of such measure. However, section 5(b) would be applicable only if the the aggregate spending levels and revenue floor set forth in this resolution become binding on October 1 as triggered pursuant to section 5(a) of the resolution. It should be noted that under this procedure neither the total level of outlays nor a committee's estimated outlay allocation is considered.

Finally, section 5(c) of the recommended resolution provides that if Congress subsequently adopts a second concurrent budget resolution for fiscal year 1985, all of the provisions of section 5 would cease to apply.

E. "Pay-As-You-Go" Trust Fund Amendment

Section 6(a) of the recommended resolution would exempt certain spending in making the determination of whether a committee has exceeded its section 302(a) allocation of new discretionary budget authority or new spending authority, as described in section 401(c)(2)(C) of the Congressional Budget Act, for purposes of the point of order as made applicable under section 5(a) and the exception to the point of order under section 5(b) of this resolution.

This section only applies to spending which is derived from the trust fund supported portions of the Federal highway, mass transit and aviation programs. The intent of the language regarding the aviation programs pertains only to the Federal Aviation Administration's facilities and equipment program. Additionally, any new discretionary budget authority or new spending authority referred to in Section 6(a) pertains to those amounts exceeding current law or, in the case of discretionary budget authority, any amount exceeding the fiscal year 1984 program level with three-and-a-half percent nominal growth.

Section 6(b) of the recommended resolution would apply a similar exemption to certain spending from the superfund trust fund. However, the legislation providing such additional spending from the trust fund would also need to provide sufficient revenues into the trust fund to cover such spending.

F. Section 302(b) Reports

Section 7 of the recommended resolution would require a committee which receives an allocation of new discretionary budget authority or new spending authority, as described in section 401(c)(2)(C) of the Congressional Budget Act, to file its subdivision of the allocation pursuant to section 302(b) of such Act. Only committees receiving discretionary allocations of budget authority or spending authority would be required to file their section 302(b) subdivisions.

The requirement would not take effect until 21 continuous days of session, as defined in section 1011(5) of the Impoundment Control Act, after Congress completes action on this resolution.

G. Allocations, Scorekeeping, and Enforcement

Section 302(a) of the Budget Act provides that the statement of managers accompanying a conference report on a budget resolution shall allocate the appropriate amounts of spending contained in the resolution to the committees with jurisdiction over such spending.

Amounts allocated to committees

The method for allocating the First Budget Resolution totals will be the same this year as in the past two years. Budget authority, outlays and entitlement authority are allocated. All permanent appropriations of budget authority and/or outlays are allocated to the committee that wrote the permanent law. All "current" appropriations—amounts to be provided by this year's appropriation bills—are allocated to the Appropriations Committee. Entitlement authority is also allocated to committees. All amounts associated with an existing entitlement law are allocated to the authorizing committee that wrote the law. This is the case whether the entitlement is funded by permanent or current appropriations.

Separation between current level and discretionary action

All amounts—budget authority, outlays, and entitlement authority—are allocated in two separate components, "Current Level" and "Discretionary Action". Current level refers to existing permanents, entitlements, and "prior-year" outlays from discretionary appropriations. Discretionary action refers to all amounts assumed in the First Budget Resolution but not yet enacted into law for "direct spending" legislation and for 1985 discretionary appropriations. There is only one target for discretionary action entitlement authority, applying to all entitlement legislation whether funded through federal, revolving, or trust funds. The discretionary action allocation of budget authority, outlays, and entitlement authority would include any assumed legislative increase or decrease to existing permanent or entitlement law, and all new discretionary appropriations or fiscal year 1985. This category covers the spending bills that Congress will consider this session. The term "discretionary action" corresponds to "new discretionary budget authority" and to "new spending authority described in section 401(c)(2)(C)" as used in sections 5, 6, and 7 in the resolution.

Section 302(b) subdivisions by committees

Section 302(b) of the Act provides that following adoption of the budget resolution each committee shall subdivide its section 302(a) allocation; the Appropriations Committee subdivides its amounts among its 13 subcommittees, while other committees subdivide either by subcommittee or by program. The subdivisions of the allocated amounts that are filed by committees should also be separated into current level and discretionary action components, pursuant to Section 302(b)(2)(B) of the Act.

These subdivisions become the official scorekeeping targets that the House uses in measuring spending bills. For this reason, it is necessary that each committee file its 302(b) subdivisions.

Scorekeeping and enforcement

The discretionary action allocations (committee totals) provide the scorekeeping targets that apply to two provisions enforcing First Budget Resolutions assumptions: the Section 5(b) exception and Sec. 401(b) referral. In addition, reported bills providing new entitlement authority in excess of the discretionary action allocation or subdivisions of entitlement authority are sequentially referred to the Appropriations Committee, pursuant to Section 401(b) of the Act. Section 401(d) exempts certain entitlement legislation from referral even if the discretionary action subdivision of entitlement authority is exceeded.

IX. BACKGROUND AND NATURE OF THE RESOLUTION AND AMENDMENT

The First Budget Resolution for Fiscal Year 1985 represents a determined effort by the Committee to address the critical problems facing the nation. The Resolution, in conjunction with the Committee amendment incorporated in this report, presents a deficit reduction and pay-as-you-go spending plan absolutely essential for further reductions in interest rates, economic growth, declining unemployment, and the development of economic and budgetary resources required to implement a fair balance of funding for needed social programs and a strong national defense.

SUMMARY OF THE RESOLUTION

The Resolution establishes aggregate targets for revenues, budget authority, outlays, deficit, public debt, and Federal credit activities, as well as functional category targets.

The Resolution also includes reconciliation instructions to committees, as well as procedures for an automatic second budget resolution, section 302(b) filing requirements, and miscellaneous measures instituting the pay-as-you-go focus of the budget plan.

Finally, pursuant to Public Law 96–38, adoption of the Conference Report on the First Budget Resolution for Fiscal Year 1985 will set into motion the process for determining the public debt limit for fiscal years 1984 and 1985.

DEVELOPMENT OF THE RESOLUTION

The Resolution was developed after extensive hearings by the Committee to hear testimony from specific groups interested in the budget.

In February, the President submitted his economic report and budget proposals for fiscal year 1985. As required under the Budget Act, all House and joint committees submitted their reports commenting on the President's budget proposals and setting forth their views and estimates for appropriate levels of spending for programs within their jurisdictions (For the full text of the reports see House Budget Committee Print CP–6). The Committee also received reports from the Congressional Budget Office (on fiscal policy and national priorities) and the Joint Economic Committee (on recommendations as to the fiscal policies which would be appropriate to achieve the goals of the Employment Act of 1946).

The Committee also heard testimony from key economic and policy advisors in the Administration including Treasury Secretary Donald Regan, Defense Secretary Caspar Weinberger, Council of Economic Advisors Chairman Martin Feldstein, and Office of Management and Budget Director David Stockman.

In addition, testimony was received from Federal Reserve Board Chairman Paul Volcker and Congressional Budget Office Director Rudolph Penner.

Provisions of Law Relating to the Resolution

Adoption of the First Budget Resolution is a key point in the congressional budget process. Prior to its adoption, required no later than May 15, it is not in order to consider new spending bills for fiscal year 1985 or changes in revenues or the public debt for fiscal year 1985. In order to promote timely action on appropriations bills, the Budget Act requires that all authorizations for fiscal year 1985 be reported from committee in both the House and Senate by May 15. It is extremely important that the Congress keep these procedural requirements in mind, since measures that violate these provisions are subject to points of order in the House.

Additional Matters on the Budget Resolution

Federal credit control.—Section 301(a)(6) of the Act provides for the inclusion in a budget resolution of "such other matters relating to the budget as may be appropriate to carry out the purposes of this Act." The Congress has long been concerned about the impact of Federal credit activities on financial markets, the economy, and the Federal budget. Beginning with the First Concurrent Resolution on the Budget for Fiscal Year 1981, Congress has included an advisory credit budget in the resolution. In order to continue providing this information to Congress, the budget resolution includes nonbinding targets for the aggregate amounts of new direct loan obligations and new loan guarantee commitments which the Federal Government may incur or enter into during fiscal years 1985, 1986, and 1987.

Ongoing review of the budget process by the Rules Committee's Task Force on the Budget Process has included discussion of including federal credit activity as a part of the budget process. The inclusion of advisory credit budget targets in the budget resolution will serve as useful experience in future efforts to exercise greater control over Federal credit activity.

Implementation measures to reduce the deficit.—The necessary reduction of Federal deficits will require Congress to limit the growth in existing programs and carefully consider new initiatives. To insure that the proposed reductions of the deficits will occur, this resolution implements several procedures: reconciliation, provisions for an automatic second budget resolution, and section 302(b) filing requirements as well as miscellaneous measures instituting the pay-as-you-go focus of the budget plan. Section 301(b) of the Congressional Budget Act constitutes authority to include these procedures in the First Budget Resolution.

Section 301(b) provides:

> (b) *Additional Matters in Concurrent Resolution.*—The first concurrent resolution on the budget may also require—
>
> (1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent reso-

lution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

A more detailed explanation of these implementation procedures is provided elsewhere in this report.

Revisions of budget resolutions.—Section 304 of the Budget Act provides the authority to revise the budget resolution whenever necessary during the fiscal year.

Section 304 states:

> SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

Pursuant to the authority of section 304, the recommended budget resolution revises the Concurrent Resolution on the Budget for Fiscal Year 1984.

Public debt limit.—Pursuant to P.L. 96-38, enacted September 29, 1979, the debt limit for fiscal years 1984 and 1985 will be the amounts specified in the most recently approved conference report accompanying a concurrent resolution on the budget for such fiscal year.

The procedure in the House blends the public debt limit into the congressional budget process which, by setting the budget totals, determines what amount of debt must be ourstanding.

The amount approved in the resolution then becomes the substance of a joint resolution to be sent to the Senate for its approval. After favorable action by the Senate, the joint resolution is forwarded to the President for his signature.

Legislative jurisdiction over the public debt remains in the Committee on Ways and Means. The proposed procedure does not preclude that Committee from originating public debt bills whenever necessary.

COMMITTEE ACTION ON THE FIRST BUDGET RESOLUTION

The Committee met to consider the Resolution in open executive session on March 27 and 28, 1984. The Committee ordered the Resolution reported on March 28, 1984 by voice vote, a quorum being present and by a vote of 19 ayes and 9 nays, and one Member voting present approved the Committee amendment included in this report.

X. SUMMARY TABLES

SUMMARY OF COMMITTEE RECOMMENDATION AFTER COMMITTEE AMENDMENT

	Fiscal year— 1985	1986	1987	3-year total
HBC Baseline:				
Revenues	$733.00	$794.90	$863.50	$2,391.40
Outlays	939.80	1,030.55	1,133.15	3,103.50
Deficit	206.80	235.65	269.65	712.10
Deficit reduction after Committee amendment:				
Revenues	9.70	17.65	22.45	49.80
Entitlements	1.70	3.40	5.10	10.20
Defense	16.15	34.75	44.70	95.60
Nondefense discretionary	0.45	1.45	2.70	4.60
Grace Commission	1.70	0.20	0.10	2.00
Offsetting receipts	0.05	-.40	-1.05	-1.40
Interest	1.60	6.30	13.65	21.55
Total	31.35	63.35	87.65	182.35
New total:				
Revenues	742.70	812.55	885.95	2,441.20
Outlays	918.15	984.85	1,067.95	2,970.95
Deficit	175.45	172.30	182.00	529.75

FUNCTIONAL ANALYSIS

[In billions of dollars and fiscal years]

	Committee recommendation (with amendment) 1984	1985	1986	1987
Budget Authority	915.50	1,002.10	1,807.95	1,179.25
Outlays	853.90	918.15	984.85	1,067.95
Revenues	664.90	742.70	812.55	885.95
Deficit	189.00	175.45	172.30	182.00
Debt Subject to Limit	1,595.80	1,834.20	2,081.25	2,347.25
Function				
050 National Defense:				
Budget authority	264.50	285.70	310.00	336.10
Outlays	234.60	255.90	275.80	303.90
150 International affairs:				
Budget authority	22.20	17.95	16.85	17.50
Outlays	12.35	13.45	13.45	13.60
250 General science, space and technology:				
Budget authority	8.55	8.75	8.80	8.95
Outlays	8.30	8.55	8.70	8.85
270 Energy:				
Budget authority	3.00	4.35	4.25	4.10
Outlays	3.00	3.95	4.20	4.00
300 Natural resources and environment:				
Budget authority	12.00	11.80	12.05	12.30
Outlays	12.40	11.90	11.95	11.90
350 Agriculture:				
Budget authority	4.25	14.55	14.90	15.30

FUNCTIONAL ANALYSIS—Continued

[In billions of dollars and fiscal years]

	Committee recommendation (with amendment) 1984	1985	1986	1987
Outlays	10.80	14.80	14.75	15.20
370 Commerce and housing credit:				
Budget authority	5.60	6.50	6.55	8.05
Outlays	4.05	2.60	2.45	3.75
400 Transportation:				
Budget authority	29.40	29.10	30.20	31.20
Outlays	25.90	27.05	28.60	29.65
450 Community and regional development:				
Budget authority	7.25	7.00	7.55	7.80
Outlays	7.75	8.25	8.05	8.15
500 Education, training, employment and social services:				
Budget authority	31.35	29.95	31.10	32.35
Outlays	28.15	29.25	30.20	31.35
550 Health:				
Budget authority	31.60	33.25	36.70	39.55
Outlays	30.80	34.25	36.40	39.05
570 Social security and medicare:				
Budget authority	237.90	270.40	298.70	327.05
Outlays	239.50	258.05	278.30	302.35
600 Income security:				
Budget authority	118.45	146.15	156.15	165.70
Outlays	97.05	114.95	119.35	124.25
700 Veterans benefits and services:				
Budget authority	26.15	26.85	27.20	27.45
Outlays	25.80	25.95	26.55	27.15
750 Administration of justice:				
Budget authority	5.95	6.15	6.25	6.35
Outlays	5.95	6.10	6.15	6.35

FUNCTIONAL ANALYSIS

[In billions of dollars and fiscal years]

	Committee recommendation (with amendment) 1984	1985	1986	1987
800 General Government:				
Budget authority	5.45	5.65	5.85	5.95
Outlays	5.50	5.55	5.70	5.85
850 General purpose fiscal assistance:				
Budget authority	6.80	6.65	6.75	7.10
Outlays	6.80	6.65	6.75	7.05
900 Net interest:				
Budget authority	109.65	124.50	140.05	157.20
Outlays	109.65	124.50	140.05	157.20
920 Allowances:				
Budget authority	0.65	0.70	4.40	6.85
Outlays	0.75	0.30	3.80	5.95
950 Undistributed offsetting receipts:				
Budget authority	−15.20	−33.85	−36.35	−37.60
Outlays	−15.20	−33.85	−36.35	−37.60
Total:				
Budget authority	915.50	1,002.10	1,087.95	1,179.25
Outlays	853.90	918.15	984.85	1,067.95

FUNCTIONAL ANALYSIS

[In billions of dollars and fiscal years]

	President's budget (Feb. 1, 1984		
	1985	1986	1987
Budget authority	1,006.55	1,100.25	1,181.15
Outlays	925.50	992.05	1,068.30
Revenues	745.15	814.95	887.85
Deficit	180.35	177.10	180.45
Debt subject to limit	1,824.65	2,063.45	2,315.05
Function			
050 National defense:			
Budget authority	313.40	359.00	389.10
Outlays	272.05	310.55	348.60
150 International affairs:			
Budget authority	22.35	22.35	22.35
Outlays	17.50	17.85	18.85
250 General science, space and technology:			
Budget authority	9.05	9.50	10.00
Outlays	8.80	9.35	9.80
270 Energy:			
Budget authority	3.15	3.05	2.55
Outlays	3.15	2.90	2.50
300 Natural resources and environment:			
Budget authority	10.85	10.65	10.45
Outlays	11.35	10.65	10.20
350 Agriculture:			
Budget authority	12.10	11.75	11.30
Outlays	14.30	12.05	11.95
370 Commerce and housing credit:			
Budget authority	5.05	5.05	6.40
Outlays	1.15	0.55	1.15
400 Transportation:			
Budget authority	29.45	30.15	30.00
Outlays	27.05	28.30	28.85
450 Community and regional development:			
Budget authority	6.35	6.65	6.65
Outlays	7.60	7.10	6.85
500 Education, training, employment and social services:			
Budget authority	27.50	27.80	27.85
Outlays	27.90	27.70	27.60
550 Health:			
Budget authority	31.80	34.75	37.35
Outlays	32.90	34.70	37.25
570 Social security and medicare:			
Budget authority	268.65	295.25	323.85
Outlays	260.30	280.65	303.65
600 Income security:			
Budget authority	139.20	151.60	163.30
Outlays	114.35	117.95	121.95
700 Veterans benefits and services:			
Budget authority	27.30	28.40	29.60
Outlays	26.70	27.80	28.95
750 Administration of justice:			
Budget authority	6.05	6.15	6.30
Outlays	6.15	6.10	1.15

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FUNCTIONAL ANALYSIS

[In billions of dollars and fiscal years]

	President's budget (Feb. 1, 1984)		
	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
800 General Government:			
Budget authority	5.80	5.90	5.85
Outlays	5.75	5.70	5.65
850 General purpose fiscal assistance:			
Budget authority	6.65	6.80	6.95
Outlays	6.65	6.80	6.95
900 Net interest:			
Budget authority	116.15	124.25	130.85
Outlays	116.15	124.25	130.85
920 Allowances:			
Budget authority	0.95	4.15	6.35
Outlays	0.95	4.05	6.30
950 Undistributed offsetting receipts:			
Budget authority	−35.25	−42.90	−45.85
Outlays	−35.25	−42.90	−45.85
Total:			
Budget authority	1,006.55	1,100.25	1,181.15
Outlays	925.50	992.05	1,068.30

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS

[In fiscal years, as a percent of total budget outlays]

	Function	Actuals					HBC baseline				Committee recommendation			
		1979	1980	1981	1982	1983	1984	1985	1986	1987	1984	1985	1986	1987
050	National defense	23.97	22.84	24.30	25.73	26.45	27.50	28.95	30.13	30.76	27.47	27.87	28.00	28.46
150	International affairs	1.27	1.86	1.71	1.39	1.13	1.41	1.44	1.33	1.24	1.45	1.46	1.37	1.27
250	General science, space and technology	1.3	0.98	0.97	0.97.	0.97	0.97	0.92	0.86	0.81	0.97	0.93	0.88	0.83
270	Energy	1.40	1.07	1.57	0.65	0.50	0.35	0.43	0.42	0.37	0.35	0.43	0.43	0.37
300	Natural resources and environment	2.47	2.36	2.06	1.78	1.59	1.44	1.28	1.18	1.08	1.45	1.30	1.21	1.11
350	Agriculture	1.26	0.83	0.84	2.05	2.79	1.18	1.58	1.51	1.50	1.26	1.61	1.50	1.42
370	Commerce and housing credit	0.53	1.33	0.60	0.53	0.55	0.48	0.28	0.24	0.34	0.47	0.28	0.25	0.35
400	Transportation	3.55	3.60	3.56	2.82	2.69	3.02	2.89	2.79	2.64	3.03	2.95	2.90	2.78
450	Community and regional development	1.95	1.71	1.43	0.98	0.87	0.92	0.90	0.80	0.74	0.91	0.90	0.82	0.76
500	Education, training, employment and social services	6.05	5.25	4.78	3.62	3.34	3.30	3.12	2.95	2.81	3.30	3.19	3.07	2.94
550	Health	4.18	3.95	4.09	3.77	3.60	3.61	3.65	3.55	3.47	3.61	3.73	3.70	3.66
570	Social security and medicare	26.59	25.68	27.20	27.81	28.05	28.09	27.57	27.15	26.84	29.05	28.11	28.26	28.31
600	Income security	11.43	14.73	13.01	12.64	13.34	11.42	12.31	11.73	11.15	11.37	12.52	12.12	11.63
700	Veterans benefits and services	4.06	3.61	3.50	3.29	3.12	3.03	2.81	2.62	2.44	3.02	2.83	2.70	2.54
750	Administration of justice	0.85	0.78	0.72	0.65	0.64	0.70	0.65	0.61	0.57	01.70	0.66	0.62	0.59
800	General government	0.78	0.71	0.67	0.61	0.60	0.64	0.59	0.56	0.52	0.64	0.60	0.58	0.55
850	General Purposes fiscal assistance	1.70	1.47	1.04	0.88	0.81	0.80	0.71	0.65	0.62	0.80	0.72	0.69	0.66
900	Net interest	8.68	8.95	10.46	11.67	11.28	12.86	13.42	14.20	15.08	12.84	13.56	14.22	14.72
920	Allowance						0.80	0.11	0.28	0.44	0.09	0.03	0.39	0.56
950	Undistributed offsetting receipts	−1.74	−1.69	−2.51	−1.82	−2.34	−1.78	−3.60	−3.57	−3.41	−1.78	−3.69	−3.69	−3.52
	Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS

[In fiscal years and billions of dollars]

Function		Actuals					HBC Baseline				Committee recommendation			
		1979	1980	1981	1982	1983	1984	1985	1986	1987	1984	1985	1986	1987
050	National defense	117.70	134.00	159.70	187.40	210.50	234.40	272.05	310.55	348.60	234.60	255.90	275.80	303.90
150	International affairs	6.25	10.90	11.25	10.10	9.00	12.00	13.55	13.70	14.00	12.35	13.45	13.45	13.60
250	General science, space and technology	5.05	5.75	6.35	7.10	7.75	8.30	8.65	8.90	9.20	8.30	8.55	8.70	8.85
270	Energy	6.85	6.30	10.30	4.70	4.00	3.00	4.00	4.30	4.20	3.00	3.95	4.20	4.00
300	Natural resources and environment	12.15	13.85	13.55	13.00	12.65	12.25	12.00	12.15	12.20	12.40	11.90	11.95	11.90
350	Agriculture	6.20	4.85	5.55	14.90	22.20	10.10	14.85	15.60	16.95	10.80	14.80	14.75	15.20
370	Commerce and housing credit	2.60	7.80	3.95	3.85	4.40	4.05	2.65	2.50	3.85	4.05	2.60	2.45	3.75
400	Transportation	17.45	21.15	23.40	20.55	21.40	25.75	27.15	28.75	29.95	25.90	27.05	28.60	29.65
450	Community and regional development	9.55	10.05	9.40	7.15	6.95	7.80	8.45	8.25	8.40	7.75	8.25	8.05	8.15
500	Education, training, employment and social service	29.70	30.80	31.40	26.35	26.60	28.15	29.30	30.45	31.80	28.15	29.25	30.20	31.35
550	Health	20.50	23.15	26.85	27.45	28.65	30.80	34.30	36.55	39.35	30.80	34.25	36.40	39.05
570	Social security and medicare	130.55	150.65	178.75	202.55	223.30	239.45	259.10	279.75	304.10	239.50	258.50	278.30	302.35
600	Income security	56.10	86.40	85.50	92.10	106.20	97.35	115.65	120.90	126.40	97.05	114.95	119.35	124.25
700	Veterans' benefits and services	19.95	21.20	23.00	23.95	24.85	25.80	26.40	26.95	27.60	25.80	25.95	26.55	27.15
750	Administration of justice	4.15	4.60	4.75	4.70	5.10	5.95	6.15	6.25	6.45	5.95	6.10	6.15	6.35
800	General government	3.85	4.15	4.40	4.45	4.80	5.45	5.55	5.75	5.90	5.50	5.55	5.70	5.85
850	General purpose fiscal assistance	8.35	8.60	6.85	6.40	6.45	6.80	6.65	6.75	7.05	6.80	6.65	6.75	7.05
900	Net interest	42.60	52.50	68.75	85.00	89.75	109.65	126.10	146.35	170.85	109.65	124.50	140.05	157.20
920	Allowances						0.70	1.05	2.90	4.95	0.75	0.30	3.80	5.95
950	Undistributed offsetting receipts	−8.55	−9.90	−16.50	−13.25	−18.60	−15.20	−33.80	−36.75	−38.65	−15.20	−33.85	−36.35	−37.60
	Total	491.00	586.75	657.20	728.45	795.95	852.40	939.80	1,030.55	1,133.15	853.90	918.15	984.85	1,067.95

XI. APPENDICES

APPENDIX A—CONTROLLABILITY OF OUTLAYS IN COMMITTEE RECOMMENDATION

The Committee recommendation (including the pay-as-you-go amendment) assumes outlays for fiscal year 1985 totaling $918.15 billion. Of that amount, $666.00 billion, or 73 percent, are "uncontrollable". This percentage has hardly changed over the last five years.

The term uncontrollable is short for "relatively uncontrollable by Congress *under existing law*". But Congress is free to amend existing law. Broadly, all spending is eventually controllable by Congress; the laws that produce uncontrollable spending in a given year are of four main types.

(1) *Interest payments* are automatically available under permanent law, and must be paid if the U.S. is not to default.

(2) *Permanent appropriations* are automatic under existing law. They are almost all for entitlements financed by trust or revolving funds, such as Social Security, Medicare, farm price supports, Federal retirement, and unemployment compensation.

(3) *Mandatory appropriations* are financed through the appropriations process in annual bills. However, these are direct payments for entitlement programs such as Veterans' Compensation and Pensions, Medicaid, and Child Nutrition, or they augment the trust funds.

(4) *Prior-year commitments* are the result of discretionary appropriations made in some prior year; because the appropriations are already existing law, the 1985 outlays that are estimated to flow from such appropriations are also mandatory under existing law.

The following table shows, by function, the recommended 1985 outlays divided among three categories. The first column shows uncontrollable outlays, as just described. As can be seen, four functions comprise over 85 percent of uncontrollable outlays: Net Interest, Social Security and Medicare, Income Security, and National Defense. The amount for defense is almost entirely prior-year commitments.

The second column shows "direct spending legislation". This consists of assumed legislation that would affect the level of otherwise mandatory programs. It includes the reconcilation assumptions in the recommendation. It also includes, in functions 050 and 920, allowances that are sufficient to cover a pay raise for Federal employees.

The third column shows the outlays that are estimated to flow from assumed discretionary appropriations. As can be seen, over 60 percent of such amounts are for defense, with no other function receiving more than 7.5 percent. It should be noted that amounts in Function 920 represent the discretionary domestic portion of the pay-as-you-go amendment.

While the budget as a whole is 72 percent uncontrollable, it can be seen that the various functions range from being almost entirely discretionary (e.g., Administration of Justice, General Government) to almost entirely uncontrollable (e.g., Net Interest, Social Security and Medicare).

FISCAL YEAR 1985—CONTROLLABILITY OF OUTLAYS IN RECOMMENDATION (WITH AMENDMENT)

	Mandatory under existing law	Direct spending legislation	Discretionary fiscal year 1985 appropriations	Total
050—National Defense	98.30	3.00	154.60	255.90
150—International Affairs	5.30		8.15	13.45
250—General Science, Space, and Technology	2.40		6.15	8.55
270—Energy	1.85		2.10	3.95
300—Natural Resources and Environment	3.80		8.10	11.90
350—Agriculture	13.10	−0.05	1.75	14.80
370—Commerce and Housing Credit	−0.30		2.90	2.60
400—Transportation	17.40		9.65	27.05
450—Community and Regional Development	7.20	−0.20	1.25	8.25
500—Education, Training, Employment, and Social Services	22.65		6.50	29.25
550—Health	28.80		5.45	34.25
570—Social Security and Medicare	254.25	−1.00	4.80	258.05
600—Income Security	96.90	−0.70	18.75	114.95
700—Veterans' Benefits and Services	18.00	−0.40	8.35	25.95
750—Administration of Justice	0.90		5.20	6.10
800—General Government	0.75		4.80	5.55
850—General Purpose Fiscal Assistance	5.70		0.95	6.65
900—Net Interest	124.50			124.50
920—Allowances	−1.70	1.75	0.25	0.30
950—Undistributed Offsetting Receipts	−33.80	−0.05		−33.85
Total	666.00	2.35	249.80	918.15

APPENDIX B—FEDERAL AID TO STATE AND LOCAL GOVERNMENT

Committee Recommendation

The Committee recommendation provides $112.0 billion in budget authority and $106.6 billion in outlays for fiscal year 1985 and $111.2 billion in budget authority and $99.1 billion in outlays in fiscal year 1984 for Federal grants to State and local governments.

Compared to the CBO 1985 Current Policy

The CBO estimate for maintaining Federal grants at the 1984 program level is $111.3 billion in budget authority and $106.0 billion in outlays for fiscal year 1985. The Committee recommendation is $0.7 billion in budget authority and $0.6 billion in outlays for fiscal year 1985 above the CBO estimates of the current policy level.

Compared to the Administration's Budget

The Administration's budget provides for $102.2 billion in budget authority and $102.2 billion in outlays for fiscal year 1985 and $110.0 billion in budget authority and $98.8 billion in outlays in fiscal year 1984 for Federal grants to State and local governments. The Committee recommendation is $9.8 billion in budget authority and $4.4 billion in outlays above the administration's fiscal year 1985 recommendation and $1.2 billion in budget authority and $0.3 billion in outlays above the administration's 1984 estimate.

Overview

The Committee recommendation for aid to State and local governments in 1985 reflects the overall modified freeze approach to restraining Federal spending for domestic assistance programs. Under the recommendation, overall spending for non-defense discretionary programs is limited to 3.5 percent nominal growth above the 1984 current program level. This assumption covers many of the Federal grant and loan programs. Exceptions to the modified freeze of 3.5 percent nominal growth are provided for means-tested entitlement programs which are assumed to continue under current law and certain high priority discretionary programs which provide assistance to low-income persons. Funding for these low-income discretionary programs exempted from the freeze would increase by 3.5 percent *real* growth. The recommendation includes an increase of $2.85 billion in outlays from 1985–1987 for these programs as a part of the Committee pay-as-you-go amendment. The impact of the aggregate 3.5 percent nominal growth limitation on individual grant and loan programs would be determined through the regular appropriations process.

The recommendation also allows spending increases above 3.5 percent nominal growth in 1985 for certain transportation and environmental programs which are self-financed since they are already designed along the pay-as-you-go principle.

APPENDIX C—TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined in the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to provisions in corporation and individual income taxes.

Estimates of individual tax expenditures consistent with the statutory definition are prepared by the Treasury Department, the Congressional Budget Office, and the Joint Committee on Taxation. Although there is general agreement among these sources, the concept of tax expenditures continues to evolve, and the inclusion or exclusion of individual provisions often proves controversial. The estimates normally presented here are those of the Joint Committee on Taxation.

Unfortunately, at the time this report is going to press, the Joint Tax Committee has not completed preparation of its annual tax expenditure report. The first summary that follows, therefore, is based on the most recent available, published in March of 1983. A more recent tax expenditure estimate is taken from the President's budget and was prepared by Treasury. We have been informed that the estimates are close to those the Joint Tax Committee will report.

Tax expenditures are one means by which the Federal government pursues public policy objectives and, in most cases, can be viewed as alternatives to budget outlays, credit assistance or other policy instruments. Tax expenditures are designed to meet a variety of needs and objectives; nearly all are intended either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances. These needs and objectives in many cases could also be met through direct expenditure programs. The outlay equivalent of a tax expenditure is frequently greater than the estimated tax expenditure as conventionally measured by the revenue loss, because outlays in many cases would be included in the taxable income of beneficiaries.

The only legislation affecting tax expenditures enacted since the First Budget Resolution for Fiscal Year 1984 was reported was the Social Security Amendments Act of 1983. CBO estimates that this legislation substantially reduces two existing tax expenditures by treating as taxable income that portion of social security and some railroad retirement benefits which exceed a certain threshold. The reductions in these income tax exclusions will raise revenues by about $7 billion over fiscal years 1984–86.

Whatever one's views of tax expenditure theory, the deficit impact of the revenues foregone by the numerous incentives in the tax code is undeniable. With efforts to reduce the growth in Federal spending intensifying, and competition for room in the budget increasingly keen, it becomes all the more important that Congress scrutinize tax provisions as carefully as spending practices in choosing deficit reduction measures consistant with sustaining economic recovery and enhancing equity. The list of tax expenditures in Tables 1 and 3 includes possible options for revenue increases.

TABLE 1.—JOINT TAX COMMITTEE'S TAX EXPENDITURE ESTIMATES BY FUNCTION [1]

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1983	1984	1985	1986	1987	1988	1983	1984	1985	1986	1987	1988
National defense:												
Exclusion of benefits and allowances to Armed Forces personnel							2,205	2,250	2,380	2,520	2,670	2,820
Exclusion of military disability pensions							165	160	165	175	185	195
International affairs:												
Exclusion of income earned abroad by United States citizens							1,285	1,300	1,365	1,435	1,505	1,580
Deferral of income of domestic international sales corporations (DISC)	1,390	1,185	1,075	1,050	1,075	1,110						
Deferral of income of controlled foreign corporations	430	345	375	390	420	455						
General science, space, and technology:												
Expensing of research and development expenditures	2,165	2,370	2,360	2,425	2,485	2,535	105	120	125	125	130	135
Credit for increasing research activities	615	650	660	305	65	25	30	35	40	30	5	(2)
Suspension of regulations relating to allocation under section 861 of research and experimental expenditures	120	60	(2)									
Energy:												
Expensing of exploration and development costs:												
Oil and gas	660	440	590	740	835	895	875	800	815	855	900	950
Other fuels	30	30	35	35	40	40						
Excess of percentage over cost depletion:												
Oil and gas	375	430	445	465	510	555	1,425	1,275	1,305	1,410	1,505	1,625
Other fuels	325	350	355	380	410	440	15	15	15	15	15	20
Capital gains treatment of royalties from coal	35	40	40	45	50	55	140	145	160	175	190	205
Alternative fuel production credit	5	20	25	40	105	285						
Alcohol fuel credit [3]	5	5	5	5	5	5						
Exclusion of interest on State and local government industrial development bonds for energy production facilities	15	20	30	40	55	70	5	10	15	20	20	25
Residential energy credits:												
Supply incentives							340	450	610	700	70	
Conservation incentives							330	305	305	260		
Alternative, conservation and new technology credits:												
Supply incentives	215	200	175	100	35	20	10	10	5			
Conservation incentives	135	35	15	5	(2)		(2)	(2)	(2)			
Energy credit for intercity buses	5	5	5	(2)								

TABLE 1.—JOINT TAX COMMITTEE'S TAX EXPENDITURE ESTIMATES BY FUNCTION [1]—Continued

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1983	1984	1985	1986	1987	1988	1983	1984	1985	1986	1987	1988
Natural resources and environment:												
Expensing of exploration and development costs, nonfuel minerals	55	60	65	75	80	85	(2)	(2)	(2)	(2)	(2)	(2)
Excess of percentage over cost depletion, nonfuel materials	270	295	310	335	355	380	10	10	15	15	15	15
Capital gains treatment of certain timber income	275	390	430	500	575	595	95	125	150	175	205	230
Investment credit and seven-year amortization for reforestation expenditures	(2)	(2)	(2)	(2)	(2)	(2)	10	10	10	10	10	10
Capital gains treatment of iron ore	5	5	5	5	5	10	5	5	5	5	5	10
Exclusion of interest on State and local government pollution control bonds	900	1,025	1,140	1,255	1,375	1,510	440	505	565	620	680	745
Exclusion of payments in aid of construction of water, sewage, gas, and electric utilities	45	75	75	80	75	70						
Tax incentives for preservation of historic structures	65	90	110	140	185	240	130	165	215	275	355	460
Agriculture:												
Expensing of certain capital outlays	85	90	95	100	100	105	475	495	510	530	545	565
Capital gains treatment of certain income	30	35	35	40	40	45	455	475	500	530	545	565
Deductibility of patronage dividends and certain other items of cooperatives	950	980	1,010	1,040	1,075	1,110	−390	−400	−410	−425	−435	−450
Exclusion of certain cost-sharing payments							50	45	40	30	25	25
Commerce and housing:												
Dividend exclusion							445	435	440	450	460	480
Reinvestment of dividends in stock of public utilities							365	415	450	230		
Net interest exclusion									1,110	3,095	3,480	3,945
Exclusion of interest on State and local government industrial development bonds	2,355	2,790	3,265	3,875	4,385	4,615	570	675	800	985	1,180	1,310
Exclusion of interest on certain savings certificates							2,355	550				
Exemption of credit union income	170	185	200	220	240	260						
Exclusion of interest on life insurance savings							4,805	5,170	5,805	6,640	7,590	8,675
Excess bad debt reserves of financial institutions	335	575	785	930	1,060	1,030						
Deductibility of nonmortgage interest in excess of investment income							7,735	8,160	8,815	9,590	10,550	11,645
Deductibility of mortgage interest on owner-occupied homes							25,065	27,945	30,130	32,785	35,305	37,950
Deductibility of property tax on owner-occupied homes							8,765	9,535	10,480	11,710	13,215	14,980
Exclusion of interest on State and local government housing bonds for owner-occupied housing	1,060	1,190	1,190	1,145	1,105	1,070	450	485	475	445	415	385
Exclusion of interest on State and local government housing bonds for rental housing	585	735	880	1,035	1,185	1,345	285	355	430	510	585	665
Deferral of capital gains on home sales							3,770	4,895	5,625	6,000	6,480	7,830
Exclusion of capital gains on home sales for persons age 55 and over							1,255	1,630	1,875	2,000	2,160	2,345

Depreciation on rental housing in excess of straightline	120	155	165	170	180	185	575	665	720	760	795	820
Depreciation on buildings other than rental housing in excess of straightline	175	200	215	240	265	295	150	165	185	210	230	250
Accelerated depreciation on equipment other than leased property	9,510	15,865	18,860	17,445	14,110	13,890	1,015	2,460	2,845	2,825	2,255	1,915
Safe harbor leasing:												
Accelerated depreciation and deferral	1,745	1,885	1,635	1,285	1,040	525						
Investment credit	1,625	915	705	710	515	280						
Amortization of business start-up costs	15	20	25	30	35	40	105	160	230	285	315	355
Capital gains other than agriculture, timber, iron ore and coal	1,770	2,075	2,130	2,305	2,475	2,695	14,955	14,320	15,365	16,440	17,590	18,820
Capital gains at death							3,975	3,565	3,665	3,920	4,195	4,490
Reduced rates on the first $100,000 of corporate income	5,690	6,525	7,025	8,060	8,765	9,090						
Investment credit, other than ESOPs, rehabilitation of structures, reforestation and leasing	9,965	12,315	16,075	19,870	21,650	22,860	3,220	3,350	3,615	3,945	4,245	4,595
Transportation:												
Amortization of motor carrier operating rights	70	70	50	15	5	(3)	5	5	5	5	(3)	
Deferral of tax on shipping companies	30	40	40	45	45	45						
Exclusion of interest on State and local government mass transit bonds	45	65	75	75	65	75	15	25	20	15	10	20
Community and regional development:												
Five-year amortization for housing rehabilitation	20	25	25	25	25	25	30	35	35	35	35	35
Investment credit for rehabilitation of structures other than historic structures	175	200	185	195	215	235	160	165	160	165	180	200
Education, training, employment, and social services:												
Exclusion of scholarship and fellowship income							415	375	395	410	435	460
Exclusion of interest on State and local government student loan bonds	150	200	260	320	390	460	70	100	125	155	190	225
Parental personal exemption for students age 19 or over							995	950	885	895	905	920
Exclusion of employee meals and lodging (other than military)							680	725	795	870	945	1,030
Employer educational assistance							40	20				
Exclusion of contributions to prepaid legal services plans							25	25	10			
Exclusion for employer provided child care							10	25	55	85	120	155
Tax credit for ESOPs	1,250	1,375	1,875	2,235	2,330	950						
Deductibility of charitable contributions (education)	280	345	360	415	480	525	495	495	580	735	660	615
Deductibility of charitable contributions, other than education and health	350	425	445	515	590	645	6,795	6,765	7,930	10,030	9,030	8,370
Credit for child and dependent care expenses							1,520	1,765	2,190	2,465	2,765	3,160
Targeted jobs credit	215	395	355	155	30	5	75	70	30	(3)		
Deduction for two-earner married couples							3,555	5,835	6,350	6,935	7,600	8,460
Deduction for adoption expenses							10	10	10	10	15	15
Health:												
Exclusion of employer contributions for medical insurance premiums and medical care							18,645	21,300	24,280	27,680	31,555	35,975
Deductibility of medical expenses							3,105	2,630	3,070	3,370	3,740	4,165
Exclusion of interest on State and local government hospital bonds	795	960	1,115	1,265	1,420	1,580	385	470	545	625	700	780
Deductibility of charitable contributions (health)	175	215	225	255	295	325	995	990	1,160	1,470	1,320	1,225
Tax credit for orphan drug research	10	15	15	10								

TABLE 1.—JOINT TAX COMMITTEE'S TAX EXPENDITURE ESTIMATES BY FUNCTION [1]—Continued

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1983	1984	1985	1986	1987	1988	1983	1984	1985	1986	1987	1988
Income security:												
Exclusion of social security benefits:												
Disability insurance benefits							1,690	1,660	1,695	1,755	1,840	1,930
OASI benefits for retired workers							15,685	16,680	18,070	19,640	21,275	23,045
Benefits for dependents and survivors							3,765	3,870	4,095	4,355	4,630	4,920
Exclusion of railroad retirement system benefits							780	765	765	745	755	775
Exclusion of workerman's compensation benefits							1,870	2,090	2,395	2,755	3,170	3,645
Exclusion of special benefits for disabled coal miners							170	165	165	160	160	165
Exclusion of untaxed unemployment insurance benefits							3,260	3,020	2,585	2,405	2,265	2,120
Exclusion of public assistance benefits							430	430	440	455	470	485
Exclusion of disability pay							145	135	130	130	130	130
Net exclusion of pension contributions and earnings:												
Employer plans							49,700	56,560	66,365	78,310	92,405	109,035
Plans for self-employed							1,065	1,050	1,070	1,115	1,165	1,220
Individual retirement plans							2,695	3,180	3,705	4,240	4,745	5,360
Exclusion of other employee benefits:												
Premiums on group term life insurance							2,100	2,250	2,465	2,715	2,985	3,285
Premiums on accident and disability insurance							115	120	125	130	135	140
Additional exemption for the blind							35	35	35	35	35	35
Additional exemption for elderly							2,365	2,410	2,570	2,720	2,410	3,130
Tax credit for the elderly							135	135	135	135	135	135
Deductibility of casualty and theft losses							575	380	470	520	590	670
Earned income credit [4]							385	330	290	215	155	210
Veterans benefits and services:												
Exclusion of veterans disability compensation							1,820	1,830	1,950	1,995	2,070	2,145
Exclusion of veterans pensions							310	290	280	275	275	275
Exclusion of GI bill benefits							130	130	115	100	90	65
General government:												
Credits and deductions for political contributions							190	200	220	220	230	240
General purpose fiscal assistance:												
Exclusion of interest on general purpose State and local government debt	6,985	7,850	8,695	9,530	10,370	11,280	3,435	3,870	4,295	4,715	5,130	5,580

Deductibility of nonbusiness State and local government taxes other than on owner-occupied homes							20,060	21,770	26,605	29,970	34,125	39,010
Tax credit for corporations receiving income from doing business in U.S. possessions	1,350	1,075	1,135	1,240	1,375	1,525						
Interest:												
Deferral of interest on savings bonds							50	160	225	290	355	410

[1] All estimates are based on the tax law enacted through the 97th Congress.
[2] Less than $2,500,000. All estimates have been rounded to the nearest $5 million.
[3] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts, net of the income tax effect, of approximately $40 million for 1983, $60 million for 1984, $80 million for 1985, $95 million for 1986, and $110 million for 1987 and 1988.
[4] The figures in the table indicate the effect of the earned income credit on receipts. The increase in outlays is: $1,197 million in 1983, $1,119 million in 1984, $1,032 million in 1985, $1,004 million in 1986, $968 million in 1987, and $910 million in 1988.

TABLE 2.—SUM OF THE EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1983–88

[In millions of dollars]

Fiscal year	Corporations and individuals	Corporations	Individuals
1983	295,280	56,225	239,055
1984	327,455	67,915	259,540
1985	369,330	77,475	291,855
1986	411,575	83,210	328,365
1987	446,725	84,600	362,125
1988	490,850	86,495	404,355

Note.—These totals represent the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in the table. The limitations of the use of the totals are explained in the text.

Source: Staffs of the Joint Committee on Taxation and the Treasury Department.

TABLE 3.—TREASURY DEPARTMENT'S REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION

[In millions of dollars]

Description	Fiscal years— Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel				1,785	1,895	2,030
Exclusion of military disability pensions				130	125	125
International affairs:						
Exclusion of income earned abroad by United States citizens				1,285	1,300	1,405
Deferral of income of domestic international sales corporations (DISC)	950	870	940			
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method	560	615	680			
1983 and 1984 budget method						
General science, space, and technology:						
Expensing of research and development expenditures	835	1,170	710	35	65	50
Credit for increasing research activities	600	645	655	15	20	25
Suspension of the allocation of research and experimentation expenditures	105	55				
Energy:						
Expensing of exploration and development costs:						
Oil and gas	1,800	760	1,075	1,360	1,055	1,135
Other fuels	30	30	35			
Excess of percentage over cost depletion:						
Oil and gas	490	330	340	790	890	810
Other fuels	255	280	280	10	10	10
Capital gains treatment of royalties on coal	35	40	40	145	140	155
Exclusion of interest on State and local industrial development bonds for certain energy facilities	130	145	155	40	40	40
Residential energy credits:						
Supply incentives				325	370	470
Conservation incentives				285	260	305
Alternative, conservation and new technology credits:						
Supply incentives	215	150	160	35	25	25
Conservation incentives	45	5	(*)	5		
Alternative fuel production credit	10	20	25			
Alcohol fuel credit [1]	(*)	(*)	(*)			
Energy credit for intercity buses	10	10	10			

TABLE 3.—TREASURY DEPARTMENT'S REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

[In millions of dollars]

Description	Fiscal years—					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	55	60	65			
Excess of percentage over cost depletion, nonfuel minerals	280	315	365	10	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities	930	1,040	1,105	290	295	295
Tax incentives for preservation of historic structures	95	115	130	175	205	250
Capital gains treatment of iron ore	5	5	5	10	10	10
Capital gains treatment of certain timber income	275	390	430	95	125	155
Investment credit and seven-year amortization for reforestation expenditures	15	20	20	(*)	(*)	5
Agriculture:						
Expensing of certain capital outlays	85	90	95	475	495	510
Capital gains treatment of certain income	30	35	35	585	550	575
Commerce and housing credit:						
Dividend exclusion				465	455	460
Net interest exclusion						920
Exclusion of interest on small issue industrial development bonds	1,050	1,090	1,085	775	895	960
Exemption of credit union income	140	165	185			
Excess bad debt reserves of financial institutions	405	635	810			
Exclusion of interest on life insurance savings				4,335	4,720	5,180
Deductibility of interest on consumer credit				9,215	10,040	10,845
Deductibility of mortgage interest on owner-occupied homes				20,800	22,985	25,130
Deductibility of property tax on owner-occupied homes				8,010	8,775	9,640
Exclusion of interest on State and local housing bonds for owner-occupied housing	1,090	1,255	1,160	270	335	320
Exclusion of interest on State and local debt for rental housing	430	545	660	280	355	420
Capital gains (other than agriculture, timber, iron ore and coal)	1,770	2,075	2,130	15,335	14,660	15,720
Deferral of capital gains on home sales				1,325	1,700	1,800
Exclusion of capital gains on home sales for persons age 55 and over				600	755	805
Carryover basis of capital gains at death				3,535	3,860	4,355
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	18,070	23,590	26,495	3,175	3,160	3,190
Accelerated depreciation on rental housing:						
Pre-1983 budget method	120	155	165	575	665	720
1983 and 1984 budget method						
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	175	200	215	150	165	185
1983 and 1984 budget method						
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	10,430	16,885	23,650	490	1,510	2,335
1983 and 1984 budget method						
Safe harbor leasing rules	3,370	2,800	2,340			
Amortization of start-up costs	15	20	25	105	160	230
Exclusion of interest on certain savings certificates				1,225	320	
Reinvestment of dividends in public utility stock				365	415	450
Reduced rates on the first $100,000 of corporate income:						
Pre-1983 budget method	4,500	5,645	5,905			
1983 and 1984 budget method						

TABLE 3.—TREASURY DEPARTMENT'S REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

[In millions of dollars]

Description	Fiscal years— Corporations 1983	1984	1985	Individuals 1983	1984	1985
Transportation:						
Deferral of tax on shipping companies	30	40	40			
Exclusion of interest on State and local bonds for mass commuting vehicles	50	80	100	10	15	25
Deduction for motor carrier operating rights	70	70	50	5	5	5
Community and regional development:						
Five-year amortization for housing rehabilitation	25	25	25	35	35	35
Investment credit for rehabilitation of structures (other than historic)	175	200	185	160	165	160
Exclusion of interest on IDBs for airports, docks and sports and convention facilities	335	370	400	105	105	100
Education, training, employment, and social services:						
Exclusion of scholarship and felowship income:						
Pre-1983 budget method				560	565	570
1983 and 1984 budget method						
Exclusion of interest on State and local student loan bonds	140	210	295	65	100	140
Exclusion of interest on State and local debt for private nonprofit education facilities	85	105	125	25	35	40
Parental personal exemption for students age 19 or over				1,025	980	1,020
Deductibility of charitable contributions (education)	290	375	415	680	705	810
Employer educational assistance				40	20	
Exclusion of employer provided child care				20	40	70
Exclusion of employee meals and lodging (other than military)				680	725	795
Exclusion of contributions to prepaid legal services plans				40	40	45
Investment credit for ESOPs	1,250	1,375	1,875			
Credit for child and dependent care expenses				1,520	1,695	1,905
General jobs credit	85	(*)				
Targeted jobs credit	390	585	650	65	110	80
Deduction for two earner married couples				3,120	6,200	6,635
Deductibility of charitable contributions, other than education and health	360	465	510	9,275	9,635	11,055
Deductions for certain adoption expenses				10	10	10
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				15,270	17,625	20,165
Deductibility of medical expenses				3,415	3,150	3,410
Exclusion of interest on State and local debt for private nonprofit health facilities	770	960	1,115	250	315	365
Deductibility of charitable contributions (health)	180	235	255	1,355	1,410	1,620
Tax credit for orphan drug research	10	15	15			
Social Security and Medicare:						
Exclusion of Social security benefits:						
Disability insurance benefits				1,310	1,225	1,105
OASI benefits for retired workers				14,035	13,895	12,975
Benefits for dependents and survivors				3,775	3,755	3,765
Income security:						
Exclusion of railroad retirement system benefits				780	615	450
Exclusion of workmen's compensation benefits				1,885	2,020	2,215
Exclusion of public assistance benefits:						
Pre-1983 budget method				515	495	510
1983 and 1984 budget method						
Exclusion of special benefits for disabled coal miners				160	155	155
Exclusion of untaxed unemployment insurance benefits				2,960	2,305	1,800
Exclusion of disability pay				120	75	

TABLE 3.—TREASURY DEPARTMENT'S REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

[In millions of dollars]

Description	Fiscal years— Corporations 1983	Corporations 1984	Corporations 1985	Individuals 1983	Individuals 1984	Individuals 1985
Net exclusion of pension contributions and earnings:						
Employer plans				46,585	50,535	56,340
Individual Retirement Accounts				8,855	9,190	9,840
Keoghs				1,460	1,475	1,530
Exclusion of other employee benefits:						
Premiums on group term life insurance				2,040	2,170	2,380
Premiums on accident and disability insurance				120	120	125
Income of trusts to finance supplementary unemployment benefits				20	20	20
Additional exemption for the blind				45	45	45
Additional exemption for elderly				2,505	2,510	2,675
Tax credit for the elderly				110	145	210
Deductibility of casualty losses				485	370	415
Earned income credit [2]				355	315	285
Veterans benefits and services:						
Exclusion of veterans disability compensation				1,815	1,810	1,855
Exclusion of veterans pensions				345	335	340
Exclusion of GI bill benefits				155	130	115
Exclusion of interest on State and local debt for veterans housing	180	185	210	45	45	55
General government:						
Credits and deductions for political contributions				270	275	295
General purpose fiscal assistance:						
Exclusion of interest on public purpose State and local debt	6,735	7,270	7,715	2,345	2,530	2,675
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes				18,070	19,840	21,634
Tax credit for corporations receiving income from doing business in United States possessions	1,350	1,075	1,135			
Interest:						
Deferral of interest on savings bonds				566	721	771

* $2.5 million or less. All estimates have been rounded to the nearest $5 million.

[1] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $160 million in 1983, $210 million in 1984, and $190 million in 1985.

[2] The figures in the table indicate the effect of the earned income credit on receipts. The effect on outlays is: 1983, $1,213 million; 1984, $1,123 million; 1985, $1,044 million.

N.B. This year's Treasury Department estimate of tax expenditures attempts to conform with current CBO and Joint Tax Committee usage, indicating alternative estimates where differences of treatment exist.

APPENDIX D—DESCRIPTION OF FUNCTIONS

FUNCTION 050: NATIONAL DEFENSE

051: Department of Defense—Military
053: Atomic Energy Defense Activities
054: Defense-Related Activities

Description of Function

Funds in this function are provided to develop, maintain, and equip the military forces of the United States, and to finance defense-related activities of the Department of Energy. Major areas of funding include pay and benefits to active military and civilian personnel including an accrual charge for the costs of future military retirement benefits; research, development, testing, and evaluation; procurement of weapons systems and supporting equipment; military construction including family housing; and operations and maintenance of the defense establishment. Funding is also provided for the development and procurement of nuclear weapons and naval reactors.

Major Federal Programs in This Function:

Department of Defense—Military
Atomic Energy Defense Activities
Defense-Related Activities

Major Federal Departments and Agencies in This Function:

Department of Defense
Department of Energy
(Nuclear Weapons and Naval Reactors)

FUNCTION 150: INTERNATIONAL AFFAIRS

151: Foreign Economic and Financial Assistance
152: International Security Assistance
153: Conduct of Foreign Affairs
154: Foreign Information and Exchange Activities
155: International Financial Programs

Description of Function:

Funds in this function are provided to finance the foreign affairs establishment, including embassies and other diplomatic missions abroad; sale of U.S. commodities under the Food for Peace programs; foreign aid loan and technical assistance activities in the less developed countries; security assistance to foreign governments; foreign military sales made through the Foreign Military Sales Trust fund, U.S. contributions to the international financial institutions, Export-Import Bank activities, and refugee assistance.

Major Federal Programs in This Function:

Foreign Affairs
Foreign Aid
Food for Peace
Security Assistance
Foreign Military Sales
Export Promotion
U.S. Contributions to International Financial Institutions
Refugee Assistance

Major Federal Departments and Agencies in This Function:

Department of State
Department of Defense
Department of Treasury
Department of Agriculture
Agency for International Development
United States Information Agency
Export-Import Bank

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

251: General Science and Basic Research
253: Space Flight
254: Space Science, Applications, and Technology
255: Supporting Space Activities

Description of Function:

This function includes space research and technology, general science, and basic research not specifically covered by other functional areas. The programs in this function are the primary source of funding for the physical and engineering sciences. The budgets for the National Science Foundation (NSF), certain research programs of the Department of Energy (DOE), and the National Aeronautics and Space Administration (NASA)—except for its air transportation programs—are within this category.

Major Federal Programs in This Function:

General Science and Basic Research
Space Flight, Research, Technology and Applications

Major Federal Departments and Agencies in This Function:

National Science Foundation (NSF)
National Aeronautics and Space Administration (NASA)
Department of Energy (high energy physics programs)

FUNCTION 270: ENERGY

271: Energy Supply
272: Energy Conservation
274: Emergency Energy Preparedness
276: Energy Information, Policy, and Regulation

Description of Function:

This function represents a consolidation of nearly all Federal energy and energy-related programs.

Major Federal Programs in This Function:

Energy Supply
Energy Research, Development and Demonstration
Synthetic Fuels Program
Energy Conservation
Strategic Petroleum Reserve
Nuclear Regulation
TVA Power Program
Bonneville Power Administration Programs

Major Federal Departments and Agencies in This Function:

Department of Energy
Nuclear Regulatory Commission
Tennessee Valley Authority

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

301: Water Resources
302: Conservation and Land Management
303: Recreational Resources
304: Pollution Control and Abatement
306: Other Natural Resources

Description of Function:

Programs in this function are primarily designed to develop, manage, and maintain the Nation's natural resources and protect public health by ensuring a clean environment.

Major Federal Programs in This Function:

Conservation, Forestry, and Land Management Programs
Water Resources Programs
Sewage Treatment Plant Construction Grant Program
Protection of the Environment
Development, Regulation, and Conservation of Minerals
Management and Preservation of the Public Lands
Weather and Oceanic Research and Information Programs

Major Federal Departments and Agencies in This Function:

Department of the Interior
Department of Agriculture
Army Corps of Engineers
Environmental Protection Agency
National Oceanic and Atmospheric Administration

FUNCTION 350: AGRICULTURE

351: Farm Income Stabilization
352: Agricultural Research and Services

Description of Function:

Federal agricultural programs are intended primarily to limit economic harm to farmers from price fluctuations and to maintain farm income. Programs in this function are designed to assist food producers, provide market information and services, and support food research. Food producers are assisted through deficiency payments, disaster payments, product purchases, insurance, nonrecourse loans, and regular loans. Market information and services include Department of Agriculture administration, animal disease prevention, distribution of market information, and numerous regulatory activities. Research provides for direct support of Federal biological research facilities, grants for State-supported facilities, and economic analyses.

Major Federal Programs in This Function:

Price Support and Related Programs (Commodity Credit Corporation)
Federal Crop Insurance
FmHA Farm Loans
Research Programs
Extension Programs
Consumer Protection, Marketing and Regulatory Programs
Economic Intelligence

Major Federal Departments and Agencies in This Function:

Department of Agriculture

FUNCTION 370: COMMERCE AND HOUSING CREDIT

371: Mortgage Credit and Thrift Insurance
372: Postal Service
376: Other Advancement of Commerce

Description of Function:

This function, which is highly volatile from year to year because of changing economic conditions and transactions like mortgage asset sales, provides support to mortgage credit markets, deposit insurance, the Postal Service, and other forms of commerce, including small business.

Major Federal Programs in This Function:

Mortgage Insurance Programs
Rural Housing Loans
Loans and Financing to Support Subsidized Housing
Subsidy Payment to the Postal Service
Small Business Loans
Thrift and Deposit Insurance
Regulatory Activities

Major Federal Departments and Agencies in This Function:

Department of Housing and Urban Development: FHA and GNMA
Department of Agriculture: FmHA
Department of Commerce
Postal Service
Small Business Administration
Regulatory Agencies
Federal Deposit Insurance Corporation
Federal Home Loan Bank Board
Federal Savings and Loan Insurance Corporation

FUNCTION 400: TRANSPORTATION

401: Ground Transportation
402: Air Transportation
403: Water Transportation
407: Other Transportation

Description of Function:

This function provides assistance for transportation activities including ground (highway, railroads, and mass transportation), air and water transportation programs. The transportation activities include major grant-in-aid programs to support State and local activities.

Major Federal Programs in This Function:

Highway and Bridge Construction, Repair, and Safety
Mass Transit
Railroad Assistance
Airways and Airports
Maritime Subsidies
Coast Guard

Major Federal Departments and Agencies in This Function:

Department of Transportation
NASA: Aeronautical Research and Development

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

451: Community Development
452: Area and Regional Development
453: Disaster Relief and Insurance

Description of Function:

This function provides for urban and rural economic assistance, area and regional development programs and disaster assistance programs. Community development block grants account for almost half of the outlays in this function. The balance is made up of a wide variety of urban and rural development, Indian assistance, and other grant and loan assistance programs.

Major Federal Programs in This Function:

Community Development Block Grants
Urban Development Action Grants
Rural Development Assistance
Economic Development Assistance
Indian Assistance Programs
Disaster Relief and Disaster Loans
Flood Insurance

Major Federal Departments and Agencies in This Function:

Department of Housing and Urban Development
Department of Agriculture: Farmers Home Loan Administration
Department of Commerce: Economic Development Administration
Department of Interior: Bureau of Indian Affairs
Small Business Administration

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

501: Elementary, Secondary, and Vocational Education
502: Higher Education
503: Research and General Education Aids
504: Training and Employment
505: Other Labor Services
506: Social Services

Description of Function:

This function includes programs designed to promote the general extension of knowledge and skills and to assist individuals to become self-supporting members of society: child development, elementary, secondary, vocational, and higher education programs; employment and training programs; and grants to States for general social services and rehabilitation services. Funds in this function may be made available as income support directly related to training or education; cash payments (scholarships, loans or stipends) to persons to enable them to participate in education or training programs; grants to States, local governments, Indian tribes, or public and private institutions to operate local educational, employment, training, social service programs; and direct research and departmental management expenditures.

Major Federal Programs in This Function:

Elementary and Secondary Education (ESEA)
Occupational, Vocational and Adult Education
Higher Education Student Assistance
Higher and Continuing Education
Job Training Partnership Act (JTPA)
Grants to States for Social and Child Welfare Services
Human Development Services
National Endowment for the Arts
National Endowment for the Humanities

Major Federal Departments and Agencies in This Function:

Department of Education
Department of Health and Human Services
Department of Labor
Department of Interior
ACTION, and Various Other Independent Agencies

FUNCTION 550: HEALTH

551: Health Care Services
552: Health Research
553: Education and Training of Health Care Work Force
554: Consumer and Occupational Health and Safety

Description of Function:

The major purpose of programs in this function is to promote the physical and mental health of the population. Programs include financing of health care for certain population groups such as American Indians, low-income Americans, migrants, grants to States, localities, and community groups to support health services programs. The function also includes research into the causes and cures of diseases; promotion of consumer and occupational health and safety; training support for health workers and researchers; and food, drug, and other product safety and inspection programs.

Major Federal Programs in This Function:

Grants to States for Medical Assistance Programs (Medicaid)
Block Grants to States
National Institutes of Health (NIH)
Alcoholism, Drug Abuse and Mental Health Research, and Training
Health Resources Development
Health Services to Designated Population Groups
Disease Prevention and Control

Major Federal Departments and Agencies in This Function:

Department of Health and Human Services
Department of Labor
Office of Personnel Management
Department of Agriculture: Food Safety and Quality Service

FUNCTION 570: SOCIAL SECURITY AND MEDICARE

571: Social Security
572: Medicare

Description of Function:

The major purpose of the programs in this function is to provide income security and health benefits to one in every six aged and disabled American.

Major Federal Programs in This Function:

Old-Age and Survivors' Insurance Trust Fund
Disability Insurance Trust Fund
Hospital Insurance Trust Fund
Supplementary Medical Insurance Trust Fund

Major Federal Departments and Agencies in This Function:

Department of Health and Human Services
- Social Security Administration
- Health Care Financing Administration

FUNCTION 600: INCOME SECURITY

601: General Retirement and Disability Insurance
602: Federal Employee Retirement and Diasability
603: Unemployment Compensation
604: Housing Assistance
605: Food and Nutrition Assistance
606: Other Income Security

Description of Function:

Programs in this function help meet the needs of individuals by insuring against loss of income resulting from retirement, disability, death, or unemployment of a wage earner, and by assisting those who are unable to provide for themselves. This function includes retirement and disability programs for Federal civilian workers and military personnel, railroad employees, and coal miners. This function also includes programs for unemployment compensation, food and nutrition assistance, housing assistance, and other income security.

Major Federal Programs in This Function:

Railroad Retirement
Special Benefits for Disabled Coal Miners
Federal Civilian and Military Retirement
Federal Employee Disability
Unemployment Compensation
Supplemental Security Income (SSI)
Grants to States for Assistance Payments (Primarily AFDC)
Housing Assistance
Food Stamps
Child Nutrition
Child Support Enforcement
Special Supplemental Food (WIC)
Refugee Assistance
Low-Income Energy Assistance
Earned Income Tax Credit

Major Federal Departments and Agencies in This Function:

Office of Personnel Management
Department of Agriculture: Food and Nutrition Service
Department of Health and Human Services
Department of Housing and Urban Development
Department of Labor
Railroad Retirement Board
Department of State

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FUNCTION 700: VETERANS BENEFITS AND SERVICES

701: Income Security for Veterans
702: Veterans Education, Training, and Rehabilitation
703: Hospital and Medical Care for Veterans
704: Veterans Housing
705: Other Veterans Benefits and Services

Description of Function:

Most programs in this function are administered by the Veterans Administration in support of former members of the armed services and their survivors and dependents. Over half of the outlays in this function are for income security programs: compensation, pensions, and life insurance, and slightly more than one-third of the outlays are targeted at hospital and medical care for veterans. Veterans education, training, rehabilitation, housing and other benefits comprise the remainder. Nearly the entire function requires current action by Congress, yet most of these outlays are virtually uncontrollable because of the entitlement nature of the major programs.

Major Federal Programs in This Function:

Veterans Disability Compensation
Veterans Pensions
Veterans Education and Training (GI Bill)
Veterans Hospital and Medical Care
Veterans Guaranteed Housing Loans
Veterans Life Insurance

Major Federal Department and Agencies in This Function:

Veterans' Administration

FUNCTION 750: ADMINISTRATION OF JUSTICE

751: Federal Law Enforcement Activities
752: Federal Litigative and Judicial Activities
753: Federal Correctional Activities
754: Criminal Justice Assistance

Description of Function:

This function includes law enforcement operations of the Federal Bureau of Investigation, Customs Service, Immigration and Naturalization Service, the Drug Enforcement Administration, and other agencies which together constitute 57 percent of total outlays in this function. Approximately 32 percent of total outlays is used by Federal litigative and judicial activities. The balance of 11 percent of outlays is used for criminal justice assistance and correctional activities.

Major Federal Programs in This Function:

Alcohol, Tobacco, and Firearms Investigation (ATF)
Federal Bureau of Investigation (FBI)
Drug Enforcement Assistance (DEA)
Immigration and Naturalization Service (INS)
Legal Services Corporation
U.S. Customs Service
U.S. Prisons
Federal Judiciary System
Law Enforcement Assistance
Juvenile Delinquency Prevention
Secret Service

Major Federal Departments and Agencies in This Function:

Department of Justice
Department of Treasury
Legal Services Corporation

FUNCTION 800: GENERAL GOVERNMENT

801: Legislative Functions
802: Executive Direction and Management
803: Central Fiscal Operations
804: General Property and Records Management
805: Central Personnel Management
806: Other General Government
809: Deductions for Offsetting Receipts

Description of Function:

This function covers the general overhead costs of the Federal Government. By far the largest proportion of new budget authority and outlays are attributable to operations of the Treasury Department (including the Internal Revenue Service). The balance is distributed among a large number of relatively small accounts. The Legislative Branch typically accounts for about one-fifth of the net total.

Major Federal Programs in This Function:

Legislative Branch Activities
Federal Buildings Fund
Income-Tax Administration

Major Federal Departments and Agencies in This Function:

Congress and its Agencies
Executive Office of the President
Department of Treasury
General Services Administration
Office of Personnel Management
Department of Interior: Office of Territories

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

851: General Revenue Sharing
852: Other General Purpose Fiscal Assistance

Description of Function:

The General Revenue Sharing program accounts for about 70 percent of this function. The balance of the function is comprised of payments and loans to the District of Columbia, along with the return of portions of certain taxes and other charges to States, local governments, and territories.

Major Federal Programs in This Function:

General Revenue Sharing
District of Columbia Federal Payment
Payments in Lieu of Taxes to States and Counties (PILT)
Payments to Territories

Major Federal Departments and Agencies in This Function:

Department of Treasury
Department of Interior

FUNCTION 900: NET INTEREST

901: Interest on the Public Debt
902: Interest Received by Trust Funds
908: Other Interest

Description of Function:

This function is composed principally of interest on the public debt, to which are added minor amounts of other interest paid by the Federal Government (interest on income tax refunds, for example) and from which are deducted offsetting receipts, such as interest received by trust funds and interest paid by the Federal Financing Bank on its off-budget borrowings from the Treasury. The Treasury Department accordingly accounts for almost all of the transactions in this function.

Major Federal Programs in This Function:

Interest on the Public Debt
Interest Received by Trust Funds
Interest Received from Off-Budget Agencies

Major Federal Departments and Agencies in This Function:

Department of Treasury

FUNCTION 920: ALLOWANCES

Description of Function:

This function includes an amount for the civilian agency pay raises which are assumed for the budget year and projected for future years. It also may include amounts for contingencies or other budget initiatives, where the specific funding levels, by function, have not yet been determined.

Major Federal Programs in This Function:

Civilian Agency Pay Raise
Increased Employing Agency Payments for Employee Retirement
Contingencies for Other Requirements

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

951: Employer Share Employee Retirement
953: Rents and Royalties on the Outer Continental Shelf

Description of Function:

Undistributed offsetting receipts involve financial transactions that are deducted from budget authority and outlays of the Government as a whole. The two items in this function are the employer's share of employee retirement programs, composed of the Federal Goverment's contribution to its employee retirement plans, receipts from the sale of leases on Outer Continental Shelf (OCS) lands, from annual rental fees, and from royalties on oil and gas production from leased Federal lands.

APPENDIX E—MULTIYEAR PERSPECTIVES

Function 050: National Defense

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	143.85	134.00
1981 actual	180.00	157.50
1982 actual	216.55	185.30
1983 actual	245.05	209.90
Fiscal year 1984 administration's request (Feb. 1, 1984)	265.30	237.55
Administration's request reestimated by CBO	264.50	234.30
CBO current policy baseline (Mar. 7, 1984)	264.05	234.40
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	313.40	272.05
Administration's request reestimated by CBO	313.75	273.50
CBO current policy baseline (Mar. 7, 1984)	297.30	263.40
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	359.00	310.55
Administration's request reestimated by CBO	359.00	315.30
CBO current policy baseline (Mar. 7, 1984)	329.00	294.60
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	389.10	348.60
Administration's request reestimated by CBO	389.10	352.45
CBO current policy baseline (Mar. 7, 1984)	367.20	329.00

Function 150: International Affairs

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	15.65	10.90
1981 actual	24.95	11.25
1982 actual	15.40	10.10
1983 actual	7.20	9.00
Fiscal year 1984:		
Administration's request (Feb. 1, 1984)	22.95	13.50
Administration's request reestimated by CBO	22.15	12.25
CBO current policy baseline (Mar. 7, 1984)	21.00	12.00
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	22.35	17.50
Administration's request reestimated by CBO	21.25	16.05
CBO current policy baseline (Mar. 7, 1984)	16.20	13.35
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	22.35	17.85
Administration's request reestimated by CBO	22.40	16.50
CBO current policy baseline (Mar. 7, 1984)	17.25	12.95

	Budget authority	Outlays
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	22.35	18.85
Administration's request reestimated by CBO	22.35	17.80
CBO current policy baseline (Mar. 7, 1984)	18.25	13.40

Function 250: General Science, Space, and Technology

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	6.15	5.75
1981 actual	6.55	6.35
1982 actual	7.05	7.10
1983 actual	7.95	7.75
Fiscal year 1984 administration's request (Feb. 1, 1984)	8.55	8.30
Administration's request reestimated by CBO	8.55	8.30
CBO current policy baseline (Mar. 7, 1984)	8.55	8.30
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	9.05	8.80
Administration's request reestimated by CBO	9.05	8.70
CBO current policy baseline (Mar. 7, 1984)	8.90	8.65
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	9.50	9.35
Administration's request reestimated by CBO	9.50	9.30
CBO current policy baseline (Mar. 7, 1984)	9.05	8.90
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	10.00	9.80
Administration's request reestimated by CBO	10.00	9.85
CBO current policy baseline (Mar. 7, 1984)	9.35	9.20

Function 270: Energy

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	36.45	6.30
1981 actual	6.75	10.30
1982 actual	3.25	4.70
1983 actual	4.10	4.00
Fiscal year 1984 administration's request (Feb. 1, 1984)	3.40	3.45
Administration' request reestimated by CBO	3.00	3.00
CBO current policy baseline (Mar. 7, 1984)	3.00	3.00
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	3.15	3.15
Administration's request reestimated by CBO	3.30	3.50
CBO current policy baseline (Mar. 7, 1984)	4.45	4.00
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	3.05	2.90
Administration's request reestimated by CBO	3.15	3.25
CBO current policy baseline (Mar. 7, 1984)	4.45	4.30
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	2.55	2.50

	Budget authority	Outlays
Administration's request reestimated by CBO	2.80	2.75
CBO current policy baseline (Mar. 7, 1984	4.40	4.20

Function 300: Natural Resources and Environment

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	13.10	13.85
1981 actual	11.15	13.55
1982 actual	11.25	13.00
1983 actual	13.30	12.65
1984 administration's request (Feb. 1, 1984)	11.50	12.30
Administration's request reestimated by CBO	11.65	12.30
CBO current policy baseline (Mar. 7, 1984)	11.55	12.25
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	10.85	11.35
Administration's request reestimated by CBO	11.25	11.55
CBO current policy baseline (Mar. 7, 1984)	11.95	12.00
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	10.65	10.65
Administration's request reestimated by CBO	11.20	11.30
CBO current policy baseline (Mar. 7, 1984)	12.35	12.15
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	10.45	10.20
Administration's request reestimated by CBO	11.15	11.05
CBO current policy baseline (Mar. 7, 1984)	12.75	12.20

Function 350: Agriculture

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	5.05	4.85
1981 actual	6.60	5.55
1982 actual	18.80	14.90
1983 actual	31.05	22.20
1984 administration's request (Feb. 1, 1984)	4.25	10.70
Administration's request reestimated by CBO	4.25	10.10
CBO current policy baseline (Mar. 7, 1984)	4.15	10.10
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	12.10	14.30
Administration's request reestimated by CBO	14.45	14.70
CBO current policy baseline (Mar. 7, 1984)	14.65	14.85
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	11.75	12.05
Administration's request reestimated by CBO	14.00	13.90
CBO current policy baseline (Mar. 7, 1984)	15.75	15.60
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	11.30	11.95
Administration's request reestimated by CBO	13.90	13.75
CBO current policy baseline (Mar. 7, 1984)	17.10	16.95

Function 370: Commerce and Housing Credit

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	10.50	7.80
1981 actual	6.55	3.95
1982 actual	6.40	3.85
1983 actual	5.25	4.40
Fiscal year 1984 administration's request (Feb. 9, 1984)	5.50	3.80
Administration's request reestimated by CBO	5.60	4.05
CBO Current policy baseline (Mar. 7, 1984)	5.60	4.05
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	5.05	1.15
Administration's request reestimated by CBO	5.20	1.80
CBO current policy baseline (Mar. 7, 1984)	6.55	2.65
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	5.05	0.55
Administration's request reestimated by CBO	5.40	1.60
CBO current policy baseline (Mar. 7, 1984)	6.55	2.50
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	6.40	1.15
Administration's request reestimated by CBO	6.80	2.70
CBO current policy baseline (Mar. 7, 1984)	8.20	3.85

Function 400: Transportation

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	20.20	21.15
1981 actual	24.95	23.40
1982 actual	21.25	20.55
1983 actual	27.05	21.40
Fiscal year 1984 administration's request (Feb. 1, 1984)	29.45	26.10
Administration's request reestimated by CBO	29.35	25.80
CBO current policy baseline (Mar. 7, 1984)	29.30	25.75
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	29.45	27.05
Administration's request reestimated by CBO	29.40	26.85
CBO current policy baseline (Mar. 7, 1984)	29.25	27.15
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	30.15	28.30
Administration's request reestimated by CBO	30.15	28.25
CBO current policy baseline (Mar. 7, 1984)	30.45	28.75
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	30.00	28.85
Administration's request reestimated by CBO	30.00	29.20
CBO current policy baseline (Mar. 7, 1984)	31.55	29.95

Function 450: Community and Regional Development

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	10.10	10.05
1981 actual	8.15	9.40
1982 actual	6.60	7.15
1983 actual	8.70	6.95
Fiscal year 1984 administration's request request (Feb. 1, 1984)	7.25	7.60
Administration's request reestimated by CBO	7.25	7.60
CBO current policy baseline (Mar. 7, 1984)	7.20	7.80
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	6.35	7.60
Administration's request reestimated by CBO	6.45	8.05
CBO current policy baseline (Mar. 7, 1984)	7.00	8.45
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	6.65	7.10
Administration's request reestimated by CBO	6.65	7.45
CBO current policy baseline (Mar. 7, 1984)	7.75	8.25
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	6.65	6.85
Administration's request reestimated by CBO	6.65	7.25
CBO current policy baseline (Mar. 7, 1984)	8.20	8.40

Function 500: Education, Training, Employment, and Social Services

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	30.65	30.80
1981 actual	30.60	31.40
1982 actual	25.90	26.35
1983 actual	28.20	26.60
Fiscal year 1984 administration's request (Feb. 1, 1984)	31.20	28.70
Administration's request reestimated by CBO	31.20	28.00
CBO current policy baseline (Mar. 7, 1984)	31.40	28.15
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	27.50	27.90
Administration's request reestimated by CBO	27.25	27.80
CBO current policy baseline (Mar. 7, 1984)	30.15	29.30
Fiscal year 1986:		
Administration's request	27.80	27.70
Administration's request reestimated by CBO	27.30	27.15
CBO current policy baseline (Mar. 7, 1984)	31.50	30.45
Fiscal year 1987:		
Administration's request	27.85	27.60
Administration's request reestimated by CBO	27.45	27.10
CBO current policy baseline (Mar. 7, 1984)	32.95	31.80

Function 550: Health

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	24.00	23.15
1981 actual	27.00	26.85
1982 actual	27.45	27.45
1983 actual	25.05	28.65
Fiscal year 1984 administration's request (Feb. 1, 1984)	31.60	30.65
Administration's request reestimated by CBO	31.60	30.80
CBO current policy baseline (Mar. 7, 1984)	31.60	30.80
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	31.80	32.90
Administration's request reestimated by CBO	32.05	33.20
CBO current policy baseline (Mar. 7, 1984)	33.40	34.30
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	34.75	34.70
Administration's request reestimated by CBO	35.05	35.00
CBO current policy baseline (Mar. 7, 1984)	36.95	36.55
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	37.35	37.25
Administration's request reestimated by CBO	37.50	37.40
CBO current policy baseline (Mar. 7, 1984)	39.90	39.35

Function 570: Social Security and Medical

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	150.35	150.65
1981 actual	176.50	178.75
1982 actual	199.40	202.55
1983 actual	230.55	223.30
Fiscal year 1984 administration's request (Feb. 1, 1984)	238.70	240.20
Administration's request reestimated by CBO	237.90	239.45
CBO current policy baseline (Mar 7, 1984)	237.90	239.45
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	268.65	260.30
Administation's request reestimated by CBO	271.50	258.00
CBO current policy baseline (Mar. 7, 1984)	271.40	259.10
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	295.25	280.65
Administation's request reestimated by CBO	300.05	277.55
CBO current policy baseline (Mar. 7, 1984)	300.05	279.75
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	323.85	303.65
Administation's request reestimated by CBO	328.10	300.50
CBO current policy baseline (Mar. 7, 1984)	328.70	304.10

Function 600: Income Security

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	118.65	86.40
1981 actual	129.20	99.25
1982 actual	120.85	107.00
1983 actual	134.90	122.15
Fiscal year 1984 administration's request (Feb. 1, 1984)	134.15	112.45
Administration's request reestimated by CBO	117.25	96.85
CBO current policy baseline (Mar. 7, 1984)	118.50	97.35
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	139.20	114.35
Administration's request reestimated by CBO	140.25	113.40
CBO current policy baseline (Mar. 7, 1984)	145.95	115.45
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	151.60	117.95
Administration's request reestimated by CBO	153.75	117.25
CBO current policy baseline (Mar. 7, 1984)	156.05	120.70
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	163.30	121.95
Administration's request reestimated by CBO	165.65	122.15
CBO current policy baseline (Mar. 7, 1984)	165.65	126.20

Function 700: Veterans Benefits and Services

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	21.20	21.20
1981 actual	23.15	23.00
1982 actual	25.00	23.95
1983 actual	25.35	24.85
Fiscal year 1984 administration's request (February 1, 1984)	26.30	25.80
Administration's request reestimated by CBO	26.05	25.45
CBO current policy baseline (Mar. 7, 1984)	26.15	25.80
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	27.30	26.70
Administration's request reestimated by CBO	27.20	26.30
CBO current policy baseline (Mar. 7, 1984)	27.10	26.40
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	28.40	27.80
Administration's request reestimated by CBO	28.20	27.65
CBO current policy baseline (Mar. 7, 1984)	27.30	26.95
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	29.60	28.95
Administration's request reestimated by CBO	28.90	28.45
CBO current policy baseline (Mar. 7, 1984)	28.00	27.60

Function 750: Administration of Justice

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	4.40	4.60
1981 actual	4.40	4.75
1982 actual	4.75	4.70
1983 actual	5.35	5.10
Fiscal year 1984 administration's request (Feb. 1, 1984)	6.05	6.00
Administration's request reestimated by CBO	5.95	5.95
CBO current policy baseline (Mar. 7, 1984)	5.90	5.95
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	6.05	6.15
Administration's request reestimated by CBO	6.05	6.10
CBO current policy baseline (Mar. 7, 1984)	6.20	6.15
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	6.15	6.10
Administration's request reestimated by CBO	6.15	6.15
CBO current policy baseline (Mar. 7, 1984)	6.35	6.30
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	6.30	6.15
Administration's request reestimated by CBO	6.30	6.25
CBO current policy baseline (Mar. 7, 1984)	6.45	6.45

Function 800: General Government

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	4.25	4.15
1981 actual	4.90	4.40
1982 actual	4.70	4.45
1983 actual	5.55	4.80
Fiscal year 1984 administration's request (Feb. 1, 1984)	5.55	5.65
Administration's request reestimated by CBO	5.45	5.50
CBO current policy baseline (Mar. 7, 1984)	5.25	5.45
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	5.80	5.75
Administration's request reestimated by CBO	5.85	5.70
CBO current policy baseline (Mar. 7, 1984)	5.70	5.55
Fiscal year 1986:		
Administration's request (Feb. 2, 1984)	5.90	5.70
Administration's request reestimated by CBO	5.90	5.80
CBO current policy baseline (Mar. 7, 1984)	5.95	5.75
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	5.85	5.65
Administration's request reestimated by CBO	6.00	5.85
CBO current policy baseline (Mar. 7, 1984)	6.05	5.90

Function 850: General Purpose Fiscal Assistance

[In billions of dollars]

	Budget authority	Outlays
Fiscal Year:		
1980 actual	8.65	8.60
1981 actual	6.25	6.85
1982 actual	6.40	6.40
1983 actual	6.35	6.45
Fiscal year 1984 administration's request (Feb. 1, 1984)	6.75	6.75
Administration's request reestimated by CBO	6.80	6.80
CBO current policy baseline (Mar. 7, 1984)	6.80	6.80
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	6.65	6.65
Administration's request reestimated by CBO	6.55	6.55
CBO current policy baseline (Mar. 7, 1984)	6.65	6.65
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	6.80	6.80
Administration's request reestimated by CBO	6.60	6.60
CBO current policy baseline (Mar. 7, 1984)	6.75	6.75
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	6.95	6.95
Administration's request reestimated by CBO	6.70	6.70
CBO current policy baseline (Mar. 7, 1984)	7.10	7.05

Function 900: Net Interest

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	52.50	52.50
1981 actual	68.75	68.75
1982 actual	85.00	85.00
1983 actual	89.80	89.80
Fiscal year 1984 administration's request (Feb. 1, 1984)	108.25	108.25
Administration's request reestimated by CBO	109.50	109.50
CBO current policy baseline (Mar. 7, 1984)	109.65	109.65
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	116.15	116.15
Administration's request reestimated by CBO	125.00	125.00
CBO current policy baseline (Mar. 7, 1984)	125.65	125.65
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	124.25	124.25
Administration's request reestimated by CBO	143.30	143.30
CBO current policy baseline (Mar. 7, 1984)	144.55	144.55
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	130.85	130.85
Administration's request reestimated by CBO	164.85	164.85
CBO current policy baseline (Mar. 7, 1984)	167.00	167.00

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Function 920: Allowances

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	([1])	([1])
1981 actual	([1])	([1])
1982 actual	([1])	([1])
1983 actual	([1])	([1])
Fiscal year 1984 administration's request (Feb. 1, 1984)		
Administration's request reestimated by CBO	0.45	0.55
CBO current policy baseline (Mar. 7, 1984)	0.65	0.70
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	0.95	0.95
Administration's request reestimated by CBO	0.95	0.95
CBO current policy baseline (Mar. 7, 1984)	1.00	1.05
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	4.15	4.05
Administration's request reestimated by CBO	3.95	4.10
CBO current policy baseline (Mar. 7, 1984)	2.75	2.90
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	6.35	6.30
Administration's request reestimated by CBO	6.05	6.30
CBO current policy baseline (Mar. 7, 1984)	4.70	4.95

[1] Not available.

Function 950: Undistributed Offsetting Receipts

[In billions of dollars]

	Budget authority	Outlays
Fiscal year:		
1980 actual	−19.95	−19.95
1981 actual	−28.05	−28.05
1982 actual	−26.10	−26.10
1983 actual	−34.00	−34.00
Fiscal year 1984 administration's request (Feb. 1, 1984)	−34.05	−34.05
Administration's request reestimated by CBO	−15.20	−15.20
CBO current policy baseline (Mar. 7, 1984)	−15.20	−15.20
Fiscal year 1985:		
Administration's request (Feb. 1, 1984)	−35.25	−35.25
Administration's request reestimated by CBO	−34.45	−34.45
CBO current policy baseline (Mar. 7, 1984)	−33.80	−33.80
Fiscal year 1986:		
Administration's request (Feb. 1, 1984)	−42.90	−42.90
Administration's request reestimated by CBO	−38.15	−38.15
CBO current policy baseline (Mar. 7, 1984)	−36.75	−36.75
Fiscal year 1987:		
Administration's request (Feb. 1, 1984)	−45.85	−45.85
Administration's request reestimated by CBO	−40.15	−40.15
CBO current policy baseline (Mar. 1, 1984)	−38.65	−38.65

XII. VIEWS

ADDITIONAL VIEWS OF HON. PAT WILLIAMS, HON. HOWARD WOLPE, HON. MIKE LOWRY, HON. TIMOTHY E. WIRTH, AND HON. LEON PANETTA

The Budget Committee this year projects significant continuing growth in the National Defense budget function, but at more moderate rates than those in last year's Congressional projections. We want to emphasize that this more moderate growth is necessary in order to set the budget on a path toward significantly reduced deficits by the end of the decade.

The Budget Resolution does not, of course, specify how, precisely, Congress ought to reach the budget targets for defense set out in the Resolution, and it is not in the purview of the Budget Committee to prescribe exactly which of the Administration's program proposals ought to be trimmed in order to reach the funding level which we endorse. It is within the purview of the Budget Committee, however, to consider carefully the long-term budgetary implications of funding decisions which are made now. In military spending, especially, commitments to go ahead with particular programs have their major effect on the budget only several years later. For a number of reasons, we are persuaded that Congress needs to begin, this year, to perform some selective, but not minor, surgery on those programs whose costs will grow most in the future, in order to meet long-term spending targets without creating severe problems.

Already, we are beginning to see symptoms of potentially serious difficulties in our military posture which could grow progressively worse if we fail to make choices among major investment programs. Although it is possible, in the short run, to meet Budget Resolution targets simply by stretching out procurement programs and by trimming various other accounts, a number of reports imply that we would merely be putting off into the future, and making more difficult, a series of problems created by our inability to set priorities. These problems include:

(1) *Maintaining readiness.*—As several analyses have noted, "investment" in new weapons and related programs has grown, during the Reagan military buildup, at more than twice the rate of growth in "operating" accounts. In itself this doesn't necessarily prove that the Administration is shortchanging the "readiness" of military forces in order to finance its favored weapons projects—many "readiness" related programs are funded in procurement and other "investment" accounts; for that matter, not all "operating" expenses add to readiness (landscaping around the golf course, for example). However, recent reports that fewer Army and Air Force units are considered "fully or substantially" combat ready today

than in 1980 must concern us. Some of the decline, to be sure, is for technical reasons, and by some other indices, the situation has improved in recent years as the attention to readiness, which began in the Carter Administration, has continued. Still, it distorts the record to suggest, as the Administration did using an across-the-services average of these readiness ratings, that such measures show an overall improvement. In fact, we have a number of very good reasons to be concerned that readiness will come under considerable pressure over the next few years:

- Many knowledgeable experts argue that the military will have a hard time absorbing the large number of new weapons systems which are coming on line all at the same time—the pace of weapons modernization may be so rapid as to disallow efficient integration of new systems into training and logistics programs.
- Perhaps more ominously, earlier studies (especially Frankin Spinney's "Defense Facts of Life," of 1980), contend that defense planners have historically underestimated long-term operating costs of new weapons systems even more seriously than they hvae underestimated procurement costs. With so many new, untried systems entering the inventory at once, this is a matter of great concern. We simply do not have enough experience to predict operating costs of all these new systems accurately, and we are risking a very substantial shortfall of funds as a result.
- Finally, to the extent that we trim long-term spending for defense, but fail either to eliminate costly weapons programs entirely or to hedge against procurement and operating cost growth, it becomes increasingly likely that readiness-related programs will bear a larger and larger share of any year-to-year reductions in the budget which become necessary.

All of this suggests, at the very least, that reductions which Congress makes in the military budget should be biased toward trimming major procurement programs, rather than operating expenses or other readiness-related accounts.

(2) *The affordability of procurement programs.*—The CBO and GAO have each recently released studies suggesting that the costs of procurement programs, once again, are being badly underestimated. Franklin Spinney, and the Air Force panel which prepared the "Affordable Acquisition Approach" report, have pointed out the negative consequences of failing to hedge adequately against cost growth. For its part, the Reagan Administration has tried to start up a host of new procurement programs, whose costs are small at the beginning, but which grow substantially over time (the "funding wedge" or "bow wave"). The effect of underestimating costs across-the-board, therefore, given the size of the procurement buildup, could be much worse now than ever before.

(3) *Controllability of the military budget.*—Under current plans, by 1989, 41 percent of the military budget will be determined by prior year commitments (up from 34 percent in FY 84). The problem is difficult, because once new programs are

well into production, we can't really shut them down. This means that if problems do arise in the military buildup—if we do encounter unexpected procurement or operating cost increases—we will be more and more hard pressed to deal with them.

There is more than enough blame to go around for the very difficult situation we face now. All the experts told us that it would be most efficient to build up military strength at a steady, sustainable pace. For its part, the Administration used the big increase in military spending in its first years to lock into the budget funds for its pet projects, whatever the long-term effect (e.g., strategic programs, which grew in cost from $13.3 billion in FY 1980, to a proposed $40.3 billion next year; and the Navy, which structured in huge long-term budget increases to pay for two new carrier task forces and four new "Surface Action Groups"). In effect, the Administration's way of planning was to give a blank check to whichever of the services was first in line with its wish list—which isn't even a good way to give out Superbowl tickets, let alone plan military policy. Given the nature of the problem, and the reasons for it, there are several approaches which we need to take:

- Above all, we need to stick to rigid, long-term limits on the rate of growth of military spending. If we back off from the long-term constraint we projected last year, we are reinforcing a destructive pattern in which military planners fail to budget to realistic, long-term funding limits.
- Beyond that, a somewhat slower rate of growth is in order as a way of encouraging the Pentagon itself to begin setting priorities among programs and hedging against cost growth. Although DoD officials criticize Congress when we stretch out programs or shave O&M budgets, so far, that's all they've done themselves whenever they've been forced to reach slightly lower budget targets. Surely the Defense Department can do better. In the "Affordable Acquisition Approach" report, Air Force advisors came up with a prioritized list of weapons programs, and suggested eliminating programs at the bottom. That's the kind of procedure we ought to encourage.
- In the absence of help from the DoD, we need to begin, as much as possible, to set some priorities ourselves. Given that we apparently can't afford to pay for all the programs we currently have coming on line at full production rates, we should consider first, limiting any "new starts." Thus, we should freeze funding for the "Strategic Defense Initiative" and other "strategic defense" programs at last year's level, and, perhaps, cancel or delay the DDG–51 program—we should not open up any big new funding "wedges" without first finding space for them in the budget. Beyond that, we should take a very close look at areas of the budget which have grown most in recent years—especially strategic nuclear weapons programs and the Navy. The best candidate for cancellation is the MX, since we may not be able to afford the big increase in the structure of the Navy which is projected, we should consider eliminating one or more of the planned carrier battle groups—if it's too late to cancel one of the new Nimitz-class carriers, we could retire one or two older carriers scheduled for overhaul in the

"Service Life Extension Program." Finally, we should search out some perhaps less than fully successful weapons programs to cancel—the DIVAD might be one candidate, the IIR Maverick another—and we should shift the money we save into readiness related areas.

Pat Williams.
Tim Wirth.
Leon Panetta.
Howard Wolpe.
Mike Lowry.

ADDITIONAL VIEWS OF HON. PAT WILLIAMS AND HON. BRIAN DONNELLY

Congress' attempts to this date to reduce domestic spending have address the largest component of federal spending, entitlement programs, on a disjointed, piecemeal basis. Entitlement programs account for 46 percent of the federal budget, and 85 percent of all entitlement spending goes to non-means-tested entitlements, the fasted single growing segment of the federal budget.

In analyzing the piecemeal approach, we have chosen to review what has happened to the Civil Service Retirement System as a primary example.

The Civil Service Retirement System (CSRS) paid approximately $20.8 billion in benefits to about 1.3 million retirees and almost a half million survivors in FY83. Retiree benefits averaged about $1,075; survivor benefits less than $500 monthly. Payroll taxes (equal employee and employer "contributions") pay only 40 percent of the projected cost of benefits, and general revenue, some in the form of interest payments, accounts for the rest.

Before the 97th Congress, CSRS benefits were fully adjusted for inflation twice each year, in March and September. As a result of the Ominbus Budget Reconciliation Act of 1981, the September 1981 adjustment was skipped and benefits became scheduled for annual adjustment starting in March 1982.

In its second session, the 97th Congress made numerous other changes to CSRS (P.L. 97-253). Among the most important, Congress agreed to: (1) limit COLA to all federal annuitants under age 62 to half the "assumed increase" in the consumer price index (CPI) for the year, (2) deny any COLA to military retirees employed in the Civil Service; and (3) delay all federal COLA by one month for each of the next three fiscal years—placing the COLA on a 13-month schedule.

Most action relating to CSRS in the first session of the 98th Congress concerned coverage of federal employment by Social Security (P.L. 98-21). Resolving an issue that had surfaced periodically since Social Security's origins in 1935, Congress expanded the program's coverage to all new employees hired after the beginning of 1984 and to certain current workers. Toward the end of the session, Congress made certain changes to the treatment of workers so covered, in order to maintain a kind of "contribution comparability" between workers remaining only in CSRS and those who also became covered by Social Security. In addition, Congress enacted legislation phasing out advantages received by workers whose work careers caused them to be entitled to both CSRS and Social Security.

The FY84 Budget Resolution adopted a 6-month delay for the CSRS benefit COLA, thereby making the next adjustment due in checks issued in January 1985. The resolution also made permanent the reduced COLA for nondisabled retirees under age 62, a change that had been made for 3 years only. The next two reduced adjustments will be based upon the CBO projections written into the law when the change was adopted as part of the FY83 budget reconciliation.

Thus, under the resolution, retirees receiving a "diet" COLA were to receive a guaranteed increase of 3.6 percent in January 1985, even though the Consumer Price Idex (CPI), the measurement to which CSRS indexing is normally linked, might not actually yield a COLA that high for retirees receiving an unreduced COLA.

The House-passed Reconciliation Act (H.R. 4169), however, deleted reference to the age 62 COLA split and instead adopted a permanent annual December adjustment based on the percent increase in the CPI average for the third quarter of an adjustment year over the average in the third quarter of the last year in which an adjustment was made. CBO estimates that this change will save $534 million in fiscal year 1984, and $2.5 billion over 3 years. The House passed H.R. 4169 on October 25, 1983. As of the end of the first session of the 98th Congress, H.R. 4169 was pending on the Senate calendar. As of 1984, the Senate has not acted. Current law provides that CSRS retirees over age 62 would receive a fiscal year 1984 COLA of 3.3 percent, and nondisabled retirees under age 62, 3.6 percent payable as of May 1, 1984, and first received in June checks.

In addition to this detailed example of the action of the Congress on non-means-tested entitlement programs, the Congress has enacted major spending cuts affecting the means-tested entitlement programs which go to the poorest people in our society. The fact of the matter is that they are the slowest growing parts of all the entitlement programs. The disparity of these program cuts can be illustrated by a few examples.

The child nutrition programs, which provide subsidies for school lunch programs and other meals for children, were reduced by 28 percent, the largest reduction in any means-tested entitlement program. AFDC and food stamps have been cut by 13 percent. According to a recent congressional budget analysis, about 40 percent of the federal savings from changes in benefit programs have come from cuts affecting families with income below $10,000 per annum.

As the soaring deficit makes apparent, such unevenly distributed cuts are not only unfair, they are ineffective as a means of balancing the federal budget.

There has not yet been time for the analytic arms of the Congress to recalculate the impact on entitlement changes that have been enacted. Dramatic changes have occurred in the structure of benefits, tax law, and after-tax impact.

We strongly recommend that this Committee add its weight to the other relevant committees of the Congress to create a temporary hiatus in new legislation affecting entitlements in order to request and study updated comparative data. What we are saying is that the vital signs and other conditions of the patient have already changed right here on the operating table and we may want to "call time" until we can determine the effect of the last operation.

We believe that an ad-hoc Committee on entitlements should be established to review options for the 99th Congress. This committee could be composed of members of the House Budget, Ways & Means, Appropriations, Education & Labor, Energy & Commerce, and Post Office and Civil Service Committees, all of which will have a role in any broad-based package of future entitlement reforms.

PAT WILLIAMS.
BRIAN DONNELLY.

ADDITIONAL VIEWS OF HON. LEON PANETTA

The House Budget Committee has developed a budget resolution that deserves the enthusiastic support of all House members. It addresses the most dangerous problem facing Congress—enormous federal deficits—with a realistic, achievable, three-year $182 billion deficit reduction package, including $12 billion worth of reconciliation spending cuts. It recognizes the plight of low-income Americans by providing for an increase of $5 billion over current policy for programs designed to meet their needs. It proposes placing defense spending on a real growth path of 3.5 percent over the next three years, basically the growth rate passed by Congress and signed into law by the President last year. Finally, it implements for the first time a pay-as-you-go procedure, which we hope will focus the House on the need to match federal spending increases with equivalent tax increases.

ADDRESSING THE DEFICIT CRISIS

The major challenge facing this nation is to sustain a strong economic recovery. While statistics tell us that unemployment is falling, inflation is moderating, retail spending is increasing, and economic growth is improving, the danger signs of high interest rates and record trade deficits make it clear that long-term economic recovery is impossible unless we come to grips with the massive federal deficits projected for the rest of this decade.

The Congressional Budget Office projects that deficits will top $300 billion by fiscal year 1989 if Congress fails to act to narrow the gap between spending and revenue. What is often overlooked is that this projection assumes five percent real growth in defense spending (as opposed to the President's request of 13 percent real growth) and very optimistic economic assumptions: moderate inflation (under 5 percent a year), interest rates (three-month T-bills falling to 7.8 percent by 1989) and unemployment (6.5 percent by the end of the decade). In other words if we should fall upon economic hard times—another recession—we can expect to see deficits soar to the $400 billion level late in this decade.

The threats to the economy posed by deficits of this size are real. Warning about the dangers of large deficits during the current economic recovery may seem a little like crying wolf, but the implications of continued high federal borrowing are clear.

We can point to the economic recovery, bury our heads in the sand and ignore the deficit crisis, but by doing this we gamble with the nation's economic future.

LARGER AND MORE REALISTIC DEFICIT REDUCTION PLAN

This past January, the President challenged the Congress to develop a three-year package of deficit reductions totalling $100 billion—a sum that would have had very little impact on the annual $200 billion projected deficits. Subsequently he agreed with Senate Republicans on a package of savings totalling $152 billion that largely emphasizes the same Administration priorities of high defense spending and severe domestic program reductions.

The House Budget Committee resolution proposes a three year package of deficit reductions, totalling $182.4 billion, made up of the following elements:

[In billions]

	3-year total
Revenues	49.8
Entitlements	10.2
Defense	95.6
Non-Defense Discretionary	4.6
Grace Commission	2.0
Offsetting receipts	−1.4
Interest	21.6
Total	182.4

Enactment of this resolution will reduce the President's original projected deficits by $107 billion over three years, and his compromise budget plan deficits by $34 billion over three years.

DEFICIT COMPARISON

[In billions of dollars]

	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
President's original budget	192	211	233
President's compromise budget	181	184	198
House Budget Committee plan	175	172	182

While the projected FY 86 and FY 87 deficits remain relatively high under any approach, the hope is that Congress will do more after the 1984 elections to further reduce the projected deficits. The key is that the deficit reduction plan prepared by the House Budget Committee is not only larger than the alternatives, but is more realistic, and it can be enforced this year.

Fair Freeze

In an attempt to achieve fiscal discipline, the Committee resolution proposes a three year modified freeze of 3.5% nominal growth, except for Social Security and other entitlements based on trust funds, defense, and means-tested entitlements such as Medicaid, Food Stamps and AFDC.

In addition, the Budget Committee resolution proposes a 3-year package, totaling $5 billion, for increases over current policy in such key low-income programs as WIC, Head Start, Low-Income Energy Assistance, Low-Income Housing, Legal Services, Community Services Block Grant, Job Training, Maternal and Child Health, Child Nutrition, Food Stamps, Compensatory Education, Migrant Health, Disability Insurance and CHAP.

The reality is that if any freeze approach to spending is to be fair, it must recognize the need to fully maintain the social safety net programs that have suffered the largest reductions over the last three years. The Budget Committee's resolution maintains an essential national commitment to programs targeted at the most vulnerable individuals in our society.

Pay-as-You-Go

For the first time in the history of the budget process the Committee is proposing a pay-as-you-go procedure for new federal spending. The pay-as-you-go concept, developed by Congressman George Miller, contains a rather simple, but novel, idea: we should pay for increases in federal spending on a year-to-year basis with an equivalent amount of new revenue.

The Committee proposes pay-as-you-go in two areas which experience real increases (increases over inflation) in our resolution: defense spending and spending for low-income programs. The increases in these programs over inflation—$44 billion in defense and $5 billion in low-income programs—are matched by an equivalent amount of revenue increases. It is no secret that this revenue increase number is almost identical to the tax increase level proposed by the Ways and Means and Senate Finance Committees, and endorsed by President Reagan.

Enforcement Through Reconciliation

For the fifth straight year the House Budget Committee has approved a reconciliation package to implement spending reductions in the entitlement area. This year eight House committees will be asked to develop $12 billion in deficit reductions—an essential part the $182 billion deficit reduction package proposed in the resolution. As in past years, each committee will be given a spending reduction target, but what changes in law are made to reach that target are totally within the discretion of each committee.

It is my hope that each of the eight committees can move quickly in the coming days to fulfill the reconciliation instructions prior to the Easter congressional recess. with the shortened session this year, and with the November elections getting closer, it makes sense for the Congress to act expeditiously on this essential part of the three-year deficit reduction package.

Summary

The challenge facing the Budget Committee this year was to design a budget resolution that would deal with the deficit problem, address the needs of low-income Americans, and that would put defense spending on a more rational growth path. I believe we have put together a package that addresses these areas, that is achievable and enforceable.

I hope members will join the Budget Committee in supporting the resolution on the House floor.

Leon Panetta.

ADDITIONAL VIEWS OF HON. GEORGE MILLER

The Budget Committee has taken a bold and non-partisan step to control habitual spending by the president and the Congress, and to reduce our dangerous national deficit.

As the originator of the "Pay-As-You-Go" deficit reduction budget plan, I believe that the consensus resolution approved by the Budget Committee deserves the strong support of every member of Congress who is committed to relieving the chronic deficits which jeopardize our Nation's economic future.

While not as rigorous as I originally proposed (and would still prefer), the Committee's "Pay As You Go" resolution reflects the concerns of a wide ideological range within the Committee. The policies contained in this resolution take a great step towards controlling runaway spending and reducing the deficit in a responsible, equitable and effective manner.

This bold departure is urgently needed. The fiscal and budgetary policies proposed by the Administration and adopted by the Congress over the last three years have utterly failed to achieve the fundamental goals set forth by President Reagan at the outset of his Administration. "For decades, we have piled deficit upon deficit," Mr. Reagan declared in his Inaugural Address, "mortgaging our future and our children's future for the temporary convenience of the present."

President Reagan proposed radical tax cuts, deep reductions in domestic programs aimed at the poorest and most vulnerable of our fellow citizens. He has promoted the most massive peacetime military build-up in our Nation's history, paid for almost exclusively through deficit financing. Congress unwisely has adopted those policies, but the results have been almost exactly the opposite of those promised by the President.

Those policies will add $1.1-trillion to the national debt during President Reagan's four-year term of office—$306-billion more than in all the Administrations combined from George Washington through Jimmy Carter. Under the budget proposed by the President in February, we would spend $116-billion next year just to pay the interest on the debt—$19-billion more than in the current fiscal year.

Under this Administration's policies, interest payments on the debt have risen nearly 60 percent, according to the Wall Street Journal, even faster than defense. At this rate of growth, the cost of interest by 1987 will more than eclipse the total reduction in domestic spending achieved by the Congress since 1981. Indeed, if we followed the Reagan Administration's proposals, we would in all likelihood be spending more to pay just interest on the debt by 1987 than for all domestic discretionary programs combined.

Yet the President and his supporters on the Budget Committee want to "stay the course." They call for more of the same. The

President urged Congress to cut an additional $9.2-billion in FY85 for programs for our neediest citizens, and over $32-billion through FY87. Forty percent of all budget cuts recommended by the President would come from programs which serve the poorest of our people, despite the fact that these programs constitute just 19 percent of the budget and have already absorbed the deepest cuts of any segment of the budget.

This is the President who, in his State of the Union address, intoned: "Our children come first."

Not in his budget.

The President would slash a quarter of a billion dollars from child nutrition, throw as many as half a million high-risk pregnant women and infants off supplemental feeding programs, cut housing for the elderly and the handicapped, gut rural and public housing, and slash student loans and services for children and youth.

At the same time, the Administration proposed a $47-billion increase for the military, whose budget authority already has grown by more than 70 percent since 1981. Under this proposal, the budget for the military would exceed $700-million every single day of the year. Even in the "new" Reagan budget unveiled two weeks ago, military spending would grow by nearly 7 percent—twice the real increase approved by Congress last year.

Yet the Administration continues to oppose competitive bidding on military projects. Defense officials also are actively lobbying the Congress to repeal the new law requiring arms manufacturers to give taxpayers warranties for the multi-billion dollar weapons systems we purchase.

Clearly, the budget proposed by the President makes little economic sense. Even Mr. Reagan's own chief economic adviser has confessed that "the things that raise the deficit are defense spending, interest on the debt, and the tax reduction." According to the analysis of Dr. Feldstein, whose candor almost cost him his job, the Reagan budget is a prescription for economic disaster.

The Budget Committee wisely has determined that a new course is required, a new approach which breaks with the traditional way of developing a budget. The "Pay-As-You-Go" budget is novel for the Congress, but far from untested. Over forty state governments—and most of our constituents—operate on just such a basis.

The plan was first embraced by Thomas Jefferson who wrote, in 1820, "It is incumbent on every generation to pay its own way as it goes." President Jefferson, who denounced reliance on the deficit, produced eight budget surpluses in his eight years in the White House (and purchased the Louisiana Territory, to boot). By contrast, President Reagan, who ran for office in 1980 condemning the $70-billion deficit of his predecessor, will triple that deficit this year and more than double the national debt in his four years in office.

Two years ago, I first stood on the House floor and proposed that the House adopt a "Pay-As-You-Go" budget.

"The adoption of this 'Pay-As-You-Go' budget would be an historic moment for this Congress," I said, "because at that moment we will have torn up the national credit card. We will tell our constituents that we will no longer hide the true cost of running this Government. We will tell the taxpayers of this country the true cost of providing essential services and activities of this Government, instead of passing along a multi-billion-dollar bill to future generations.

"The [American people] do not expect miracles, but they do expect the truth. They want us to control Federal spending, but not by victimizing whole segments of our population. They want rational defense spending, not waste in the name of defense. They want security for the elderly and vital services for those who have nowhere else to turn. And equally important, whether liberal or conservative, they want us to reduce the deficit.

"The American people are expecting more from this Congress than partisan brick-throwing. They want answers, and to give them those answers requires a new process."

The resolution approved by the Budget Committee this year establishes that new process and brings accountability and fairness into the budget. We do not mindlessly slash away at essential human service programs, but we do cut $37.35-billion from domestic programs. We fund a responsible growth in defense, to assure us a military capability second to none, but we trim the gargantuan demands of the Pentagon by $95.6-billion over three years. We save over $20-billion in interest payments on the debt, and overall, cut the deficit by $182-billion—35 percent more than the most recent budget plan offered by the President and his allies in the Senate.

Most important, we set this Congress on a course of fiscal discipline by requiring that we temper our appetite to spend with a willingness to raise the revenues necessary to pay for new spending. Real growth in defense and domestic discretionary programs alike will be strictly conditioned on the agreement of the Congress to pay simultaneously for those new spending decisions. In this way, spending above the baseline will not add one penny to the federal deficit.

"Pay-As-You-Go" is simple, but it is not easy. Of course, some on the Committee and in the House will demean this effort to impose discipline on the budget process. It is instructive to note that these negativists advocate budgets with far higher deficits, and propose to fund their new spending through even deeper reductions in programs for the poor and the elderly, programs for our schools and our cities, efforts to improve our transportation and housing systems and to protect our environment. That is the unfair and ineffective policy we have wrongly followed, on instructions of the White House, for three years. It has failed in the past, and it will surely fail in the future.

If the Congress has the courage to adopt this "Pay-As-You-Go" budget, we will set ourselves on a certain course to fiscal responsibility that will earn the respect of the people of this country. We will have adopted, for the first time, a budget which is not simply a mass of confusing numbers or the product of some vague ideology, but a budget which is based on a proven system for controlling spending and reducing the deficit.

GEORGE MILLER.

MINORITY VIEWS OF HON. DELBERT L. LATTA, HON. BILL FRENZEL, HON. JACK KEMP, HON. ED BETHUNE, HON. PHIL GRAMM, HON. LYNN MARTIN, HON. BOBBIE FIEDLER, HON. WILLIS D. GRADISON, HON. TOM LOEFFLER, AND HON. CONNIE MACK

Overview

As the Congress begins its deliberations on the First Concurrent Budget Resolution for fiscal year 1985, it should be reminded that it will be doing so within the context of an economic recovery that is both stronger and more balanced than anyone was predicting a year ago. For example, the Congressional Budget Office's May 1982 forecast for real economic growth in 1983 was 4.4 percent on a fourth-quarter-over-fourth-quarter basis. One year later, the CBO forecast for 1983 real growth was lowered to 3.9 percent. When the books were closed on 1983, actual real economic growth from the fourth quarter of 1982 to the fourth quarter of 1983 was 6.2 percent.

CBO and other forecasters continued to underestimate the vigor of the economic expansion underway. CBO's forecast for the first quarter of 1984 shows only a 4.8 percent real GNP growth. However, the Commerce Department has just reported a preliminary figure of 7.2 percent for the first quarter, compared with a 5-percent rate in the final quarter of 1983.

Nor is the recovery unbalanced, as had been widely predicted. All major sectors of the economy, consumer spending, capital goods and housing, are advancing at a rapid pace. Overall industrial output has risen 18.5 percent since the beginning of the recovery, faster than the average for the equivalent phase of recovery periods since World War II.

To a considerable extent, both the vigor and balance of this recovery can be attributed to the economic policies put into place by the Reagan administration and Congress since 1981. We should not forget this fact in our debates over the Budget Resolution for fiscal year 1985. The Democrats have been unwilling from the start to admit the strength of the recovery, and now the economic expansion. That fact is reflected in the economic assumptions underlying their Budget Resolution this year as well as last year.

We should not forget that we have succeeded in stabilizing the overall federal tax burden at close to the average of the 1960s and 1970s, whereas in the late 1970s and early 1980s it was rising to economically debilitating levels. The rollback in the tax burden has been a key factor in the current broad-based economic expansion. We should also not forget that we have succeeded in restoring a better balance between defense and non-defense spending, and that the modernization of our defense capability, so neglected during the 1970s, is also a key factor explaining the strength of the economic expansion.

What we have not succeeded in doing, in large part because of the Democrats' resistance, is to check the overall growth rate of government spending, which, under current policy, will rise from 23.9 percent of GNP in 1984 to 24.9 percent in 1989, according to CBO. The key to restraining government spending—and deficits—while maintaining the improved balance of defense to non-defense spending, is to reduce the growth in those areas of domestic spending that are still advancing much too rapidly.

In this context the House Budget Committee has reported a very unbalanced budget plan that does not begin to address the most fundamental elements for meaningful long-term deficit reduction—incentives for greater economic expansion and checking the growth in overall government spending.

The House Budget Committee plan, including the so-called "pay-as-you-go" amendment, would save a total of $133 billion in outlays over the 1985–1987 period. Of this amount, defense cuts account for $96 billion or 72 percent of the total. If we exclude assumed interest savings from the total, looking only at "legislated" cuts, defense reductions equal 86 percent of the total spending reductions. To cut budget deficits in this fashion is to take the easy way out because the constituency for increased national security is both more diffuse and more ephemeral than those for many domestic programs. Preserving a strong national defense has always been a matter of leadership, except in times of war or crisis. While there is widespread agreement that economies can be made in defense spending, to concentrate the bulk of the budget cutting in this area not only compromises our national defense efforts, but represents a failure to recognize that the real engine of federal spending growth over the last 15–20 years has been in domestic programs, not defense.

By contrast, the Committee's efforts at cutting domestic spending were meager indeed. Only $37 billion of domestic savings were achieved. Excluding assumed interest savings, only $16 billion in three-year domestic spending cuts were actually proposed. This represents only 14 percent of the total non-interest cuts contained in the Committee budget plan, while domestic spending is 70 percent of the budget. To put the unbalanced nature of these cuts in perspective, baseline domestic spending will account for about 69 percent of total spending over the 1985–1987 period. Yet domestic spending cuts contained in the committee plan represent only 0.6 percent of total spending during that period. We will examine that more closely on the following pages.

Procedures

We strongly object to the procedures used in the markup of the fiscal year 1985 budget resolution. Though the minority agreed at the outset of mark-up that the debate should reflect concepts and overall budget priorities rather than the line-item approach that has been so prevalent the last few years, the actual debate never reflected those goals. At no time did the Democratic majority justify their plan for 0 percent real growth for defense spending. At no time did they describe or explain the levels in the credit budget. At no point did they justify their creation of new entitlements. Members did not even have the language of the budget resolution in front of them until about 10:00 a.m. Wednesday morning (scarcely 3 hours before the final vote), language which included no procedures to enforce the meager savings assumed in the resolution and which contained exemptions for several programs from any Budget Act enforcement.

More importantly, we object to their abdication of our role as a Budget Committee. In 1983, budget conferees devised the concept of a "reserve fund." By this device, Members were able to vote on a budget resolution which accommodated the increased spending desired by certain constituencies, but whose bottom line spending and deficit figures didn't reflect that higher spending. Members could have their cake and eat it too.

This year the Democrats on the House Budget Committee have continued their budget gimmickry. Expanding on last year's reserve fund idea, they have devised a new procedure which relegates the Budget Committee Democrats to an administrative arm of the Democratic leadership. Couched in the catch phrase "pay-as-you-go," the Democratic budget is more accurately termed "you pay-as-they-go."

This is the effect of "pay-as-you-go." The Committee refused to put its name up front on a real budget resolution. It instead reported a basic plan which seriously compromises the national security of the United States by allowing zero real growth. That plan contained no new taxes. The Committee also sent a committee amendment, in report language only, to the Committee on Rules. That amendment would raise revenues by $49 billion, increasing defense spending to 3.5 percent real growth, and expanding certain entitlement and low income programs.

By the use of this procedural gimmick, the committee allows the Democrat-controlled Rules Committee and the Democrat leadership to package this resolution they as they feel is most politically palatable. They could fold the committee amendment into the resolution, to be sent to the floor in one package, as if the Budget Committee has reported it that way, or they could make the committee amendment in order separately on the floor, allowing a separate vote on increased defense spending and increased taxes. With these kinds of procedural gimmicks, we can expect that by this time next year, the Budget Committee Democrats will simply vote a budget resolution containing no numbers or assumptions, and simply let the Rules Committee write the bill. One might well ask, why have a Budget Committee any longer? Simply let CBO do the technical calculations necessary to implement the budget that the Democratic leadership wants.

Pay-As-You-Go Flawed

The pay-as-you-go concept utilized by the majority is fatally flawed. It proposes to treat defense differently than any other program in the federal budget. The CBO baseline for defense this year assumed a 5 percent annual rate of real growth in budget authority in order to continue the policies the Congress agreed to in the Budget Resolution last year. That concept of continuing current policy is the same baseline convention applied to entitlement spending and discretionary spending.

Under the Democrats' plan entitlement spending will increase by over 6 percent in 1985 and over 7 percent in 1986. That represents growth of one and two percent respectively for those years above the inflation rate. Why does the committee not include entitlement spending in the pay-as-you-go approach? Why not increase taxes to fund the 3.5 percent increase for non-defense discretionary programs?

National Security

The zero real growth budget plan (based on the DOD inflation forecast) voted out of Committee by the Democratic majority would slash the defense spending request in the President's budget by $192.0 billion in budget authority and $140.5 billion in outlays over 3 years. If adopted, this plan would hamper President Reagan's efforts to resuscitate our nation's defense capability left weakened by years of decline through the Carter Administration.

Even if the misnamed "pay-as-you-go" amendment is adopted on the floor of the House, the total package would still slash $129.7 billion in BA and $95.6 billion in outlays from the President's defense request over three years, thus allowing only an average 3.5 percent real growth for FY 1985–87, again based on the DOD inflation forecast.

Last year's House Democrat budget actually proposed substantially higher spending for defense in FY 1985 and 1986 than does this year's budget proposal. The basic zero growth plan for FY 1985 cuts BA by $14.4 billion and outlays by $6.1 billion while slashing $28.1 billion in BA and $22.7 billion in outlays for FY 1986. When the Committee's 3.5 percent real growth is factored in it still falls significantly short of the Democrat majority plan adopted last year by a total of $12.2 billion in BA and $8.9 billion in outlays over the two years 1985–86. Is this whimsical, trendy approach to cutting the deficit a responsible one for any political party desiring to govern the country? Is it based on an accurate assessment of our national and international security needs and responsibilities? No. It is based on a mentality of cutting the red ink by increasing the red threat.

From FY 1955 to FY 1970, defense spending averaged 44 percent of total federal outlays, and never fell below 38 percent. Throughout the decade of the 1970s, the share of federal outlays devoted to defense spending declined, falling to 23 percent by FY 1980.

During the first half of the 1970s, inflation-adjusted spending on procurement RDT&E and Military Construction fell by more than 40 percent. Procurement spending alone fell by more than half. As late as FY 1980, real procurement outlays were still 20 percent below the average of FY 1955-FY 1970.

Another widely used measure of the resources devoted to national defense is the share of gross national product represented by defense spending. From FY 1955 to FY 1970, DOD outlays averaged 8.4 percent of GNP, and fell below 8 percent of GNP in only two out of sixteen years. That percentage declined steadily throughout the 1970s, reaching a thirty-year low of 4.9 percent by the end of the decade. In FY 1984 this will have edged back up to 6.4 percent, still well below the share of resources devoted to defense throughout the 1950s and 1960s. The Democrats zero real growth budget would check this essential reordering of our spending priorities.

While it is the Republican position that no more should be spent on defense than is necessary for the security of the nation, the Committee Democrats have demonstrated that they are prepared to enforce unwise cuts which severely threaten this nation's military posture.

Cuts of this magnitude would send exactly the wrong signal to our European allies who are fighting an uphill battle to maintain and strengthen the NATO alliance in the face of mounting domestic unilateral disarmament movements. Furthermore, it would seriously undermine this Administration's effort to persuade the Russians that it is in their best interest to engage in meaningful arms control negotiations.

Entitlement Spending

Between 1965 and 1984, overall federal spending has increased from 18.0 percent of GNP to 23.9 percent. Entitlement spending during that same period rose from 5.4 percent of GNP to 11.2 percent, thereby accounting for the entire increase in federal spending. Four-fifths of those entitlement increases, according to CBO, are principally the result of the explosive expansion of Social Security Medicare and Medicaid.

The Democratic Budget Resolution, advertised as a freeze on entitlements, is certainly not. In the next three years, baseline non-interest entitlement spending will total $1.4 trillion. To this the Democrats manage to make $10.2 billion in reductions. If that appears miniscule, it is because the cuts represent only 0.7 percent of the total non-interest entitlement budget.

On the other hand, the Budget Resolution exempts from the "freeze" $988 billion in 3-year entitlement outlays. That represents 71 percent of total baseline non-interest entitlement spending. Social Security is rightly exempted. However, all of the Hospital Insurance Trust Fund and 25 percent of the Supplemental Medical Insurance Fund are allowed to grow at the baseline level. In addition, all of the means-tested entitlements are fuly funded, and that includes Medicaid, one of the fastest growing programs.

Using the "pay-as-you-go" theme as their promotional tool, the Democrats justify the $2.15 billion they add back to entitlement programs without revealing clearly in their resolution the purposes of the extra funds.

Approximately $1.1 billion of the increase is for the Disability Insurance amendments that passed the House overwhelmingly. An additional $500 million is added for entitlement health programs after more money is provided discretionary health programs. No effort is made to hold down these costs, even though controlling health costs was a major theme of the Democratic Caucus Manifesto entitled "A Democratic Blueprint for Our Nation's Future."

Unspecified in the entitlement increases is $600 million. The Budget Resolution also provides adequate funds for discretionary low income programs in the 3.5 percent real growth amendment. The particular programs and their increases, however, have not been enumerated. If the Democratic party is going to ask the taxpayers to "pay up," they should tell them how the money will be spent.

In short, by failing to truly freeze the major part of entitlement spending and then expanding already growing programs, the Committee's resolution leaves the "uncontrollable" portion of the budget still uncontrollable. The "controllable" discretionary spending category also has almost $3 billion in extra spending although the Committee does not specifically indicate where. If the Majority is not going to control spending, then they should tell the public what they are doing with their tax dollars before they ask them to pay up.

DELBERT LATTA.
BILL FRENZEL.
JACK KEMP.
ED BETHUNE.
PHIL GRAMM.
LYNN MARTIN.
BOBBI FIELDLER.
WILLIS D. GRADISON, Jr.
TOM LOEFFLER.
CONNIE MACK.

ADDITIONAL MINORITY VIEWS OF HON. BILL FRENZEL

I have signed the Minority views to this budget because I, too, do not like the procedures used during consideration of the budget, and because the Committee-reported budget is unacceptable. It cuts one function only, and should be replaced with a comprehensive, across-the-board deficit-reduction plan of greater magnitude.

The very short time given to the Minority to examine the Committee bill did not allow a realistic or fair consideration of the budget. I am pleased it was possible even with this very short notice to include a provision requiring responsible budget reporting, substantially improving the scorekeeping abilities of the Committee.

On the other hand, I am displeased that language was included in the bill waiving a point of order against the consideration of over-budget bills. More timely notice by the Majority would have allowed the discovery and closure of this completely unacceptable loophole which vitiates the section 311 point of order procedure.

The "pay as you go" scheme, while worthy of consideration, is packaged in a sham amendment which asserts that we really only have to "pay" for a small portion of the spending increase included in this bill. If "Pay as you go" is ever to be more than a discredited political maneuver, it will have to be a better constructed policy which begins with a balanced budget and requires tax increases for every program increase. All programs, even the popular ones, have to be paid for.

I also believe that budget recommendation as a whole is a poor one. As the Committee recommends, I concur that reductions have to be made in the defense baseline. The Administration's recommendations, even as amended, are, simply, too high. 6.9 percent real growth means an 11 percent or 12 percent increase. We cannot ask other elements of society to sacrifice if we continue to spend at that rate for the military.

Unfortunately, the Committee took a timid approach to domestic baseline reductions. No substantial reductions were made, even though Members piously intone that deficit reduction should be our first priority this year.

I am even more disturbed that my amendment to make taxes apply only for deficit reductions was rejected by the Committee. That's a clear signal that the Committee majority is not seriously intentioned on spending controls.

I differ with some of my colleagues because I believe the recommended reductions in defense are appropriate. My judgment is that additional savings, above those made by the Administration, should be made. I do not believe that if we cut further, we will have to mothball the Navy or retire the Army. Responsible modifications can be made to our defense baseline spending without crippling our armed forces. The spending base for defense has been raised so high in the past three years that it is beginning to look like a "Great Society" spending program.

It is a terrible mistake, though, to do as this budget suggests and make defense reductions the single whipping boy for deficit reductions. Defense reductions will be completely in vain if there are no real, immediate domestic savings. Real deficit reduction will come only with shared, across-the-board sacrifice.

In my judgment, it is possible, and essential, to make a $200 billion down payment on deficit reduction this year with no more than the $50 billion tax increase. That will still leave us plenty of work next year. A partly-thawed freeze allowing for CPI or equivalent growth in spending would do that easily.

This budget is not a real down payment. It should be rejected. Members who are interested in deficit reductions plans are probably, under our rules, not going to be able to vote on any good plan. As things now stand, it is probably better to go back to the drawing board.

BILL FRENZEL.

XIII. HOUSE CONCURRENT RESOLUTION AND COMMITTEE AMENDMENT

H. CON. RES. 282

CONCURRENT RESOLUTION REVISING THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEAR 1984 AND SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1985, 1986, AND 1987.

Resolved by the House of Representatives (the Senate concurring), That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1984 is hereby revised and replaced, the first concurrent resolution on the budget for fiscal year 1985 is hereby established, and the appropriate budgetary levels for fiscal years 1986 and 1987 are hereby set forth:

(a) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1983, October 1, 1984, October 1, 1985, and October 1, 1986:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1984: $664,900,000,000.
Fiscal year 1985: $733,000,000,000.
Fiscal year 1986: $794,900,000,000.
Fiscal year 1987: $863,500,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1984: $1,900,000,000.
Fiscal year 1985: $0.
Fiscal year 1986: $0.
Fiscal year 1987: $0.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1984: $915,500,000,000.
Fiscal year 1985: $991,050,000,000.
Fiscal year 1986: $1,064,950,000,000.
Fiscal year 1987: $1,142,800,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1984: $853,900,000,000.
Fiscal year 1985: $911,550,000,000.
Fiscal year 1986: $969,000,000,000.
Fiscal year 1987: $1,040,600,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1984: $189,000,000,000.
Fiscal year 1985: $178,550,000,000.
Fiscal year 1986: $174,100,000,000.
Fiscal year 1987: $177,100,000,000.

(5) The appropriate levels of the public debt are as follows:
Fiscal year 1984: $1,595,800,000,000.
Fiscal year 1985: $1,837,300,000,000.
Fiscal year 1986: $2,086,150,000,000.
Fiscal year 1987: $2,347,250,000,000.
and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:
Fiscal year 1984: $105,800,000,000.
Fiscal year 1985: $241,500,000,000.
Fiscal year 1986: $248,850,000,000.
Fiscal year 1987: $261,100,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1983, October 1, 1984, October 1, 1985, and October 1, 1986, are as follows:

Fiscal year 1984:
(A) New direct loan obligations, $37,600,000,000.
(B) New primary loan guarantee commitments, $105,150,000,000.
(C) New secondary loan guarantee commitments, $68,250,000,000.

Fiscal year 1985:
(A) New direct loan obligations, $37,500,000,000.
(B) New primary loan guarantee commitments, $111,150,000,000.
(C) New secondary loan guarantee commitments, $68,250,000,000.

Fiscal year 1986:
(A) New direct loan obligations, $39,950,000,000.
(B) New primary loan guarantee commitments, $117,400,000,000.
(C) New secondary loan guarantee commitments, $68,250,000,000.

Fiscal year 1987:
(A) New direct loan obligations, $40,450,000,000.
(B) New primary loan guarantee commitments, $123,150,000,000.
(C) New secondary loan guarantee commitments, $68,250,000,000.

(b) The Congress hereby determines and declares the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations and new loan guarantee commitments for fiscal years 1984 through 1987 for each major functional category are:

(1) National Defense (050):

Fiscal year 1984:
(A) New budget authority, $264,500,000,000.
(B) Outlays, $234,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1985:
(A) New budget authority, $276,000,000,000.
(B) Outlays, $250,200,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1986:
(A) New budget authority, $289,400,000,000.
(B) Outlays, $261,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1987:
(A) New budget authority, $303,200,000,000.
(B) Outlays, $279,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1984:
(A) New budget authority, $22,200,000,000.
(B) Outlays, $12,350,000,000.
(C) New direct loan obligations, $9,100,000,000.
(D) New primary loan guarantee commitments, $8,650,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1985:
(A) New budget authority, $17,950,000,000.
(B) Outlays, $13,450,000,000.
(C) New direct loan obligations, $10,550,000,000.
(D) New primary loan guarantee commitments, $9,250,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1986:
(A) New budget authority, $16,850,000,000.
(B) Outlays, $13,450,000,000.
(C) New direct loan obligations, $11,600,000,000.
(D) New primary loan guarantee commitments, $10,250,000,000.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1987:
(A) New budget authority, $17,500,000,000.
(B) Outlays, $13,600,000,000.
(C) New direct loan obligations, $12,850,000,000.
(D) New primary loan guarantee commitments, $10,600,000,000.
(E) New secondary loan guarantee commitments, $0.

(3) General Science, Space, and Technology (250):

Fiscal year 1984:
(A) New budget authority, $8,550,000,000.
(B) Outlays, $8,300,000,000.
(C) New direct loan obligations, $150,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1985:
(A) New budget authority, $8,750,000,000.
(B) Outlays, $8,550,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $8,800,000,000.
(B) Outlays, $8,700,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $8,950,000,000.
(B) Outlays, $8,850,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(4) Energy (270):
Fiscal year 1984:
(A) New budget authority, $3,000,000,000.
(B) Outlays, $3,000,000,000.
(C) New direct loan obligations, $4,700,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $4,350,000,000.
(B) Outlays, $3,950,000,000.
(C) New direct loan obligations, $4,800,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $4,250,000,000.
(B) Outlays, $4,200,000,000.
(C) New direct loan obligations, $4,850,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $4,100,000,000.
(B) Outlays, $4,000,000,000.
(C) New direct loan obligations, $5,000,000,000.
(D) New primary loan guarantee commitments, $50,000,000.
(E) New secondary loan guarantee commitments, $0.
(5) Natural Resources and Environment (300):
Fiscal year 1984:
(A) New budget authority, $12,000,000,000.
(B) Outlays, $12,400,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $11,800,000,000.
(B) Outlays, $11,900,000,000.

(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $12,050,000,000.
(B) Outlays, $11,950,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $12,300,000,000.
(B) Outlays, $11,900,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(6) Agriculture (350):
Fiscal year 1984:
(A) New budget authority, $4,250,000,000.
(B) Outlays, $10,800,000,000.
(C) New direct loan obligations, $11,200,000,000.
(D) New primary loan guarantee commitments, $4,700,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $14,550,000,000.
(B) Outlays, $14,800,000,000.
(C) New direct loan obligations, $11,450,000,000.
(D) New primary loan guarantee commitments, $3,100,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $14,900,000,000.
(B) Outlays, $14,750,000,000.
(C) New direct loan obligations, $12,950,000,000.
(D) New primary loan guarantee commitments, $3,100,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $15,300,000,000.
(B) Outlays, $15,200,000,000.
(C) New direct loan obligations, $11,850,000,000.
(D) New primary loan guarantee commitments, $3,150,000,000.
(E) New secondary loan guarantee commitments, $0.
(7) Commerce and Housing Credit (370):
Fiscal year 1984:
(A) New budget authority, $5,600,000,000.
(B) Outlays, $4,050,000,000.
(C) New direct loan obligations, $6,150,000,000.
(D) New primary loan guarantee commitments, $50,000,000,000.
(E) New secondary loan guarantee commitments, $68,250,000,000.

Fiscal year 1985:
(A) New budget authority, $6,500,000,000.
(B) Outlays, $2,600,000,000.
(C) New direct loan obligations, $6,500,000,000.
(D) New primary loan guarantee commitments, $52,500,000,000.
(E) New secondary loan guarantee commitments, $68,250,000,000.
Fiscal year 1986:
(A) New budget authority, $6,550,000,000.
(B) Outlays, $2,450,000,000.
(C) New direct loan obligations, $6,550,000,000.
(D) New primary loan guarantee commitments, $54,800,000,000.
(E) New secondary loan guarantee commitments, $68,250,000,000.
Fiscal year 1987:
(A) New budget authority, $8,050,000,000.
(B) Outlays, $3,750,000,000.
(C) New direct loan obligations, $6,750,000,000.
(D) New primary loan guarantee commitments, $56,650,000,000.
(E) New secondary loan guarantee commitments, $68,250,000,000.
(8) Transportation (400):
Fiscal year 1984:
(A) New budget authority, $29,400,000,000.
(B) Outlays, $25,900,000,000.
(C) New direct loan obligations, $1,150,000,000.
(D) New primary loan guarantee commitments, $450,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $29,100,000,000.
(B) Outlays, $27,050,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $450,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $30,200,000,000.
(B) Outlays, $28,600,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $500,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $31,200,000,000.
(B) Outlays, $29,650,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $500,000,000.
(E) New secondary loan guarantee commitments, $0.

(9) Community and Regional Development (450):
Fiscal year 1984:
(A) New budget authority, $7,250,000,000.
(B) Outlays, $7,750,000,000.
(C) New direct loan obligations, $1,650,000,000.
(D) New primary loan guarantee commitments, $350,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $7,000,000,000.
(B) Outlays, $8,250,000,000.
(C) New direct loan obligations, $1,700,000,000.
(D) New primary loan guarantee commitments, $350,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $7,550,000,000.
(B) Outlays, $8,050,000,000.
(C) New direct loan obligations, $1,700,000,000.
(D) New primary loan guarantee commitments, $350,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $7,800,000,000.
(B) Outlays, $8,150,000,000.
(C) New direct loan obligations, $1,750,000,000.
(D) New primary loan guarantee commitments, $400,000,000.
(E) New secondary loan guarantee commitments, $0.
(10) Education, Training, Employment, and Social Services (500):
Fiscal year 1984:
(A) New budget authority, $31,350,000,000.
(B) Outlays, $28,150,000,000.
(C) New direct loan obligations, $800,000,000.
(D) New primary loan guarantee commitments, $7,400,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $29,950,000,000.
(B) Outlays, $29,250,000,000.
(C) New direct loan obligations, $850,000,000.
(D) New primary loan guarantee commitments, $7,750,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $31,100,000,000.
(B) Outlays, $30,200,000,000.
(C) New direct loan obligations, $850,000,000.
(D) New primary loan guarantee commitments, $8,000,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $32,350,000,000.
(B) Outlays, $31,350,000,000.

(C) New direct loan obligations, $850,000,000.
(D) New primary loan guarantee commitments, $8,150,000,000.
(E) New secondary loan guarantee commitments, $0.

(11) Health (550):
Fiscal year 1984:
(A) New budget authority, $31,600,000,000.
(B) Outlays, $30,800,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $200,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $33,250,000,000.
(B) Outlays, $34,250,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $150,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $36,700,000,000.
(B) Outlays, $36,400,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $150,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $39,550,000,000.
(B) Outlays, $39,050,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $150,000,000.
(E) New secondary loan guarantee commitments, $0.

(12) Social Security and Medicare (570):
Fiscal year 1984:
(A) New budget authority, $237,900,000,000.
(B) Outlays, $239,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $270,400,000,000.
(B) Outlays, $258,050,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $298,700,000,000.
(B) Outlays, $278,300,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $327,050,000,000.
(B) Outlays, $302,350,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(13) Income Security (600):
Fiscal year 1984:
(A) New budget authority, $118,450,000,000.
(B) Outlays, $97,050,000,000.
(C) New direct loan obligations, $1,000,000,000.
(D) New primary loan guarantee commitments, $14,700,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $146,150,000,000.
(B) Outlays, $114,950,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $14,700,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $156,150,000,000.
(B) Outlays, $119,350,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $14,700,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $165,700,000,000.
(B) Outlays, $124,250,000,000.
(C) New direct loan obligations, $50,000,000.
(D) New primary loan guarantee commitments, $14,700,000,000.
(E) New secondary loan guarantee commitments, $0.
(14) Veterans Benefits and Services (700):
Fiscal year 1984:
(A) New budget authority, $26,150,000,000.
(B) Outlays, $25,800,000,000.
(C) New direct loan obligations, $1,350,000,000.
(D) New primary loan guarantee commitments, $18,650,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $26,850,000,000.
(B) Outlays, $25,950,000,000.
(C) New direct loan obligations, $1,200,000,000.
(D) New primary loan guarantee commitments, $22,850,000,000.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $27,200,000,000.
(B) Outlays, $26,550,000,000.
(C) New direct loan obligations, $1,000,000,000.
(D) New primary loan guarantee commitments, $25,500,000,000.
(E) New secondary loan guarantee commitments, $0.

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Fiscal year 1987:
(A) New budget authority, $27,450,000,000.
(B) Outlays, $27,150,000,000.
(C) New direct loan obligations, $950,000,000.
(D) New primary loan guarantee commitments, $28,800,000,000.
(E) New secondary loan guarantee commitments, $0.
(15) Administration of Justice (750):
Fiscal year 1984:
(A) New budget authority, $5,950,000,000.
(B) Outlays, $5,950,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $6,150,000,000.
(B) Outlays, $6,100,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $6,250,000,000.
(B) Outlays, $6,150,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $6,350,000,000.
(B) Outlays, $6,350,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(16) General Government (800):
Fiscal year 1984:
(A) New budget authority, $5,450,000,000.
(B) Outlays, $5,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $5,650,000,000.
(B) Outlays, $5,550,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $5,850,000,000.
(B) Outlays, $5,700,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $5,950,000,000.
(B) Outlays, $5,850,000,000.

(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(17) General Purpose Fiscal Assistance (850):
Fiscal year 1984:
(A) New budget authority, $6,800,000,000.
(B) Outlays, $6,800,000,000.
(C) New direct loan obligations, $250,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $6,650,000,000.
(B) Outlays, $6,650,000,000.
(C) New direct loan obligations, $250,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $6,750,000,000.
(B) Outlays, $6,750,000,000.
(C) New direct loan obligations, $250,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $7,100,000,000.
(B) Outlays, $7,050,000,000.
(C) New direct loan obligations, $250,000,000.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(18) Net Interest (900):
Fiscal year 1984:
(A) New budget authority, $109,650,000,000.
(B) Outlays, $109,650,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, $124,500,000,000.
(B) Outlays, $124,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $140,050,000,000.
(B) Outlays, $140,050,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $157,200,000,000.
(B) Outlays, $157,200,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

(19) Allowances (920):
Fiscal year 1984:
(A) New budget authority, $650,000,000.
(B) Outlays, $750,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, −$650,000,000.
(B) Outlays, −$600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, $2,000,000,000.
(B) Outlays, $2,150,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, $3,300,000,000.
(B) Outlays, $3,500,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
(20) Undistributed Offsetting Receipts (950):
Fiscal year 1984:
(A) New budget authority, −$15,200,000,000.
(B) Outlays, −$15,200,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1985:
(A) New budget authority, −$33,850,000,000.
(B) Outlays, −$33,850,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1986:
(A) New budget authority, −$36,350,000,000.
(B) Outlays, −$36,350,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.
Fiscal year 1987:
(A) New budget authority, −$37,600,000,000.
(B) Outlays, −$37,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

RECONCILIATION

SEC. 2. (a) Not later than May 1, 1984, the House committees named in subsections (b) through (i)(1) of this section shall submit their recommendations to the House Budget Committee. After receiving those recommendations, the Committee on the Budget shall report to the House a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

(b) The House Committee on Agriculture shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority by $50,000,000 and outlays by $50,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of budget authority by $800,000,000 and outlays by $800,000,000 in fiscal year 1986; and requires decreases of budget authority by $1,700,000,000 and outlays by $1,700,000,000 in fiscal year 1987.

(c) The House Committee on Armed Services shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce outlays by $300,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of outlays by $650,000,000 in fiscal year 1986; and requires decreases of outlays by $1,000,000,000 in fiscal year 1987.

(d) The House Committee on Education and Labor shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce outlays by $150,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of outlays by $150,000,000 in fiscal year 1986; and requires decreases of outlays by $200,000,000 in fiscal year 1987.

(e) The House Committee on Energy and Commerce shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority by $1,000,000,000 and outlays by $1,000,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of budget authority by $1,350,000,000 and outlays by $1,350,000,000 in fiscal year 1986; and requires decreases of budget authority by $1,650,000,000 and outlays by $1,650,000,000 in fiscal year 1987.

(f) The House Committee on Post Office and Civil Service shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce outlays by $550,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of outlays by $1,300,000,000 in fiscal year 1986; and requires decreases of outlays by $1,800,000,000 in fiscal year 1987.

(g) The House Committee on Small Business shall report changes in laws within the jurisdiction of that committee sufficient to reduce outlays by $200,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of $150,000,000 in budget authority and $200,000,000 in outlays in fiscal year 1986; and requires decreases of $250,000,000 in budget authority and $200,000,000 in outlays in fiscal year 1987.

(h) The House Committee on Veterans' Affairs shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority by $150,000,000 and outlays by $400,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of budget authority by $50,000,000 and outlays by $250,000,000 in fiscal year 1986; and requires decreases of budget authority by $250,000,000 and outlays by $250,000,000 in fiscal year 1987.

(i)(1) The House Committee on Ways and Means shall report changes in laws within the jurisdiction of that committee which provide spending authority as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority by $1,000,000,000 and outlays by $1,000,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires decreases of budget authority by $1,400,000,000 and outlays by $1,400,000,000 in fiscal year 1986; and requires decreases of budget authority by $1,750,000,000 and outlays by $1,750,000,000 in fiscal year 1987.

GENERAL PROVISIONS

SEC. 3. (a) For fiscal years 1985, 1986, and 1987, any revenues raised by legislation enacted on or after March 15, 1984, shall only be used to reduce the Federal budget deficits for such fiscal years except to the extent that such legislation earmarks all or any part of such revenues for specific spending programs.

(b) Pursuant to subsection (a) of this section and notwithstanding the spending levels contained in section 1 of this resolution, funding for specific low-income programs, such as—

(1) an employment initiative for disadvantaged youth;

(2) public works jobs for community renewal;

(3) increased funding for the Aid to Families with Dependent Children program and the State component of the Supplemental Security Income program to ensure that the purchasing power of recipients is maintained;

(4) increased funding for title XX of the Social Security Act; and

(5) an increase in the earned income tax credit;

would be appropriate if the authorizations for such programs are enacted and if sufficient revenues or outlay reductions are also enacted to ensure that the legislation is deficit neutral.

ADMINISTRATIVE SAVINGS

SEC. 4. It is the sense of the Congress that the Executive Branch achieve at least $2 billion in savings over fiscal years 1985 through 1987 by implementing those recommendations of the President's Private Sector Survey on Cost Control requiring administrative action within that branch of Government. It is further the sense of the Congress that the President shall report to Congress each year, in conjunction with the annual budget submission, on the progress made in achieving the savings required by this section.

AUTOMATIC SECOND BUDGET RESOLUTION

SEC. 5. (a) If Congress has not completed action by October 1, 1984, on the concurrent resolution on the budget required to be reported under section 310(a) of the Congressional Budget Act of 1974 for the 1985 fiscal year, then this concurrent resolution shall be deemed to be the concurrent resolution required to be reported under section 310(a) of such Act, for the purposes of the prohibitions contained in section 311 of such Act, notwithstanding congressional action or inaction on any reconciliation requirements contained in this concurrent resolution.

(b) Section 311(a) of the Congressional Budget Act of 1974, as made applicable by subsection (a) of this section, shall not apply to bills, resolutions, or amendments within the jurisdiction of a committee, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

would not cause the appropriate allocation for such committee of new discretionary budget authority or new spending authority as described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 made pursuant to section 302(a) of such Act for fiscal year 1985 to be exceeded.

(c) The provisions of this section shall cease to apply when Congress completes action on a subsequent concurrent resolution on the budget for fiscal year 1985 pursuant to section 304 or 310 of the Congressional Budget Act of 1974.

"PAY AS YOU GO" TRUST FUND AMENDMENT

SEC. 6. (a) For purposes of the spending levels for fiscal year 1985 contained in section 1 of this resolution, and the assumptions upon which they are based, and for purposes of determining whether or not a committee exceeds its section 302(a) allocation of new discretionary budget authority or new spending authority for the prohibition contained in section 5 of this resolution, any new discretionary budget authority or new spending authority contained in a bill, resolution, amendment, or conference report shall be disregarded if the budget authority for outlays which will result from such new discretionary budget authority or such new spending authority is derived from any trust fund—

(1) the expenditures from which are available for highway, mass transit, or aviation purposes;

(2) for which new or expanded user fees or taxes were enacted during the 97th Congress; and

(3) which is described in section 401(d)(1)(B) of the Congressional Budget and Impoundment Act of 1974.

(b) For purposes of the spending levels for fiscal year 1985 contained in section 1 of this resolution, and the assumptions upon which they are based, and for purposes of determining whether or not a committee exceeds its section 302(a) allocation of new discretionary budget authority or new spending authority for the prohibition contained in section 5 of this resolution, any new discretionary budget authority contained in a bill, resolution, amendment, or conference report to fund programs under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 shall be disregarded to the extent that such bill, resolution, amendment, or conference report contains revenue sufficient to cover such new spending, or to the extent that sufficient revenue to cover such increases is included in the Comprehensive Environmental Response, Compensation and Liability Act of 1980.

SECTION 302(b) FILING REQUIREMENT

SEC. 7. (a) It shall not be in order in the House of Representatives to consider any bill or resolution, or amendment thereto, providing—

(1) new budget authority for fiscal year 1985;

(2) new spending authority described in section 401(c)(2)(C) of the Congressional Budget Act first effective in fiscal year 1985; or

(3) direct loan authority, primary loan guarantee authority, or secondary loan guarantee authority for fiscal year 1985;

within the jurisdiction of any committee which has received an allocation pursuant to section 302(a) of the Congressional Budget Act of discretionary budget authority or new spending authority, as described above, for such fiscal year, unless and until such committee makes the allocation or subdivisions required by section 302(b) of the Congressional Budget Act, in connection with the most recently agreed to concurrent resolution on the budget.

(b) The prohibition contained in subsection (a) shall not apply until twenty-one days of continuous session, as defined in section 1011(5) of the Impoundment Control Act of 1974, after Congress completes action on this concurrent resolution.

COMMITTEE AMENDMENT TO THE FIRST CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1985

In section 1, strike out paragraphs (1) through (5) in subsection (a) and insert in lieu thereof the following:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1984: $664,900,000,000.
Fiscal year 1985: $742,700,000,000.
Fiscal year 1986: $812,550,000,000.
Fiscal year 1987: $885,950,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1984: $1,900,000,000.
Fiscal year 1985: $9,700,000,000.
Fiscal year 1986: $17,650,000,000.
Fiscal year 1987: $22,450,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1984: $915,500,000,000.
Fiscal year 1985: $1,002,100,000,000.
Fiscal year 1986: $1,087,950,000,000.
Fiscal year 1987: $1,179,250,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1984: $853,900,000,000.
Fiscal year 1985: $918,150,000,000.
Fiscal year 1986: $984,850,000,000.
Fiscal year 1987: $1,067,950,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1984: $189,000,000,000.
Fiscal year 1985: $175,450,000,000.
Fiscal year 1986: $172,300,000,000.
Fiscal year 1987: $182,000,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1984: $1,595,800,000,000.
Fiscal year 1985: $1,834,200,000,000.
Fiscal year 1986: $2,081,250,000,000.
Fiscal year 1987: $2,347,250,000,000.

and the amounts by which the statutory limits on such debt should be accordingly increased are as follows:

Fiscal year 1984: $105,800,000,000.
Fiscal year 1985: $238,400,000,000.
Fiscal year 1986: $247,050,000,000.
Fiscal year 1987: $266,000,000,000.

In section 1, strike out subsection (b)(1) and insert in lieu thereof the following:

(1) National Defense (050):

Fiscal year 1984:

(A) New budget authority, $264,500,000,000.
(B) Outlays, $234,600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1985:

(A) New budget authority, $285,700,000,000.
(B) Outlays, $255,900,000,000.
(C) New direct obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1986:

(A) New budget authority, $310,000,000,000.
(B) Outlays, $275,800,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1987:

(A) New budget authority, $336,100,000,000.
(B) Outlays, $303,900,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

In section 1, strike out subsection (b)(19) and insert in lieu thereof the following:

(19) Allowances (920):

Fiscal year 1984:

(A) New budget authority, $650,000,000.
(B) Outlays, $750,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1985:

(A) New budget authority, $700,000,000.
(B) Outlays, $300,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1986:

(A) New budget authority, $4,400,000,000.
(B) Outlays, $3,800,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Fiscal year 1987:

(A) New budget authority, $6,850,000,000.
(B) Outlays, $5,950,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(E) New secondary loan guarantee commitments, $0.

Section 2(i) is amended by inserting at the end thereof the following new paragraph:

(2) The House Committee on Ways and Means shall report changes in laws within the jurisdiction of that committee sufficient to increase revenues by $9,700,000,000 in fiscal year 1985; further the Congress finds that to attain the policy of this resolution in future years requires increases of $17,650,000,000 in revenues in fiscal year 1986; and requires increases of $22,450,000,000 in revenues in fiscal year 1987.

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