

96TH CONGRESS }
2d Session

HOUSE OF REPRESENTATIVES

{ REPORT
No. 96-857

**FIRST CONCURRENT RESOLUTION
ON THE BUDGET—FISCAL
YEAR 1981**

R E P O R T

OF THE

**COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES**

TO ACCOMPANY

H. Con. Res. 307

**SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE
UNITED STATES GOVERNMENT FOR THE FISCAL YEAR 1981
AND REVISING THE CONGRESSIONAL BUDGET FOR THE
UNITED STATES GOVERNMENT FOR THE FISCAL YEAR 1980**

TOGETHER WITH

**SUPPLEMENTAL, ADDITIONAL, AND DISSENTING
VIEWS**



**MARCH 26, 1980.—Committed to the Committee of the Whole House on the
State of the Union and ordered to be printed**

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FIRST CONCURRENT RESOLUTION ON THE
BUDGET—FISCAL YEAR 1981

MARCH 26, 1980.—Committed to the Committee of the Whole House
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Mr. GIAMMO, from the Committee on the Budget,
submitted the following

R E P O R T

[To accompany H. Con. Res. 307]

I. WHY A BALANCED BUDGET?

The challenge the Budget Committee is offering to the House of Representatives is to accept and implement a set of revenue and spending recommendations that would not only balance the budget but create a surplus for the first time in more than a decade. The Committee believes the actions recommended in this resolution constitute the appropriate fiscal policy in a comprehensive Federal effort to curb the inflationary pressures in the Nation's economy. It is one important step in the right direction.

The demand for a balanced budget is broadly based and deeply felt. Thirty State legislatures have passed resolutions in support of a constitutional amendment to require a balanced Federal budget. Businessmen, workers, State and local government officials, farmers, and a host of leading interest groups and organizations, all known for their independent thought and diversity of opinion, agree on one point: The most important immediate action the President and Congress can take to combat rising inflation is to balance the Federal budget. The Committee shares this view and believes it has recommended the appropriate response to this demand.

The Committee is fully aware that its target of a budget in balance will not in and of itself result in an immediate and dramatic reversal of the current inflationary trends. The Committee's recommendation must be viewed in its proper perspective. That is, a balanced budget is the first step which, when taken in conjunction with actions by the President, the Federal Reserve, State and local governments, and the private sector of our economy, will lead us ultimately to a solution to our inflation problems. The desired results will not occur overnight. Solving the inflation problem must be viewed as a long-term undertaking. But past efforts to break the momentum of Federal spending have failed. The time for dramatic action is now.

Balancing the budget is complicated by several factors. First, although there is widespread demand for and support of the necessity for a balanced Federal budget, there is little unanimity of opinion about how it should be done. Second, inflation itself has caused some spending to increase automatically, including the entitlement payments that are tied to the Consumer Price Index. Third, defense, which is hit harder by soaring fuel costs than any other function of government, must, at this critical time of international tensions, be allowed a modest real spending growth. Finally, it is manifest that the poor and the handicapped must not be made to bear an unfair burden in halting inflation since they already bear too heavily the burden of inflation itself.

Despite these difficulties, the Committee has reached the conclusion that the budget should be balanced by restraint in Federal spending to demonstrate clearly and unmistakably to the American people that

the Congress is determined to do its part to reverse the inflationary spiral. Furthermore, it is the firm policy of this Committee that all segments of our economy affected by fiscal policy must be prepared to share in the restraint in Federal spending necessary to balance the budget. Every function of government has been carefully scrutinized to insure that the Committee's recommendations are fair and reasonable and do not benefit one group at the expense of another.

Said differently, the policy of this Committee is to balance the budget through reductions in Federal spending and not through increases in Federal taxes. The Committee's inclusion of the President's oil import fee, which increases revenues by approximately \$10.3 billion, is offset by a recommendation that a targeted productivity anti-inflationary tax reduction be enacted following the implementation of the appropriate spending policy recommended in this resolution. Likewise, the Committee's endorsement of the proposal to subject dividends and interest to withholding is not a new tax but is intended to spread the burden of balancing the budget. We can begin to restore confidence in our fiscal policy only when we restrain spending and achieve a balanced Federal budget. We then can consider major tax reductions and reforms that are consistent with a policy of spending no more than we take in.

The Committee is fully cognizant that the immediate impact of a balanced budget on the economy in terms of the inflation rate may be relatively small. The Committee is convinced, nonetheless, that a balanced budget does make a substantial difference in the manner in which fiscal policy impacts on our overall economy in the long term. The persistent policy of the Federal Government over the past decade has been to conduct its affairs through deficit financing. This has perpetuated in the minds of the American people the notion that we have unlimited resources and can spend our way out of any dilemma. This behavior also has convinced the world community that we are incapable of consistently applying a rational or reasoned fiscal and monetary policy, which is the bulwark of the defense of the value of the dollar. Beyond this, if the current rise in private debt is used as the criterion, individual Americans, in order to "beat" inflation, are following the Federal Government's historic pattern of spending more money than they take in. This unproductive and negative psychology and its insidious impact on inflationary pressures must be stopped. A balanced budget will be a clear signal to the American people and the world community that this Congress intends to take the appropriate steps to protect the basic structure and integrity of the American economy.

II. A. ECONOMIC OUTLOOK

The assumptions reflect the current economic dilemma which faces us and make the actions recommended by the Committee that much more imperative. They are not the goals of the Committee but a reflection of reality. Basically, the high rate of inflation in recent years has eroded consumer purchasing power, expanded household debt, and will continue to exact a heavy toll on the economy.

The economic forecast on which the recommended budget resolution is based assumes a mild recession in 1980 followed by a modest recovery in 1981. Real GNP (economic growth adjusted for inflation) is expected to decline before the middle of this year but start to recover by the end of 1980. Inflation is expected to remain high in the first half of 1980, begin to slow after the onset of the recession, and fall gradually through 1981. Relief from double-digit inflation is not expected until late this year. The rate of unemployment will rise to above 7.0 percent by the end of 1980 and remain near 7.5 percent through 1981. Interest rates are expected to remain at high levels until the inflation rate starts to fall. While interest rates should drop before the end of this year, they are not expected to fall to pre-1979 levels even by the end of 1981.

House Budget Committee Economic Assumptions:

	Calendar years (percent change)			
	1980		1981	
	4th quarter	Year average	4th quarter	Year average
GNP:				
Real (1972 dollars).....	-1.0	0	2.3	1.1
Nominal (current dollars).....	8.8	9.3	12.1	11.0
Inflation:				
GNP deflator.....	9.9	9.3	9.5	9.7
CPI (all urban consumers).....	11.6	13.0	9.9	9.6
	4th quarter level	Annual average	4th quarter level	Annual average
Unemployment: Unemployment rate.....	7.3	6.8	7.6	7.5
Interest rate: 3-mo Treasury bill rate.....	11.1	12.4	9.7	9.6

Additional explanations of the economy's performance as measured by each major indicator and each sector of the Gross National Product can be found in Appendix B of this report. In that section the Committee assumptions are compared to the forecasts of the major commercial econometric forecasting companies.

II. B. CURBING SPENDING TO BALANCE THE BUDGET

To reiterate, it is the policy of the Committee to balance the budget through restraints in Federal spending, not through increases in taxes.

At the time of its consideration of the First Budget Resolution for Fiscal Year 1981, the Committee had before it the President's budget submitted in January as reestimated by the Congressional Budget Office. These reestimates are based on the economic path adopted by the Committee and reflect the latest information available on the spending rates of the various departments and agencies. As the following table indicates, the President's budget, as reestimated, totals \$628.3 billion. The Budget Committee recommends total outlays of \$611.8 billion resulting in a total outlay reduction of \$16.5 billion from the President's budget reestimated.

FISCAL YEAR 1981 BUDGET OUTLAY REDUCTIONS

(In billions of dollars)

President's Budget (January 28)-----	615.8
Plus: Reestimates due to economic assumptions-----	7.6
Reestimates due to programmatic assumptions-----	5.1
Equals: President's budget reestimated-----	¹ 628.3
Less: Budget Committee's total outlay recommendation-----	611.8

¹ Total does not add due to rounding.

During its deliberations the Committee reviewed a variety of budget reduction options including those produced by the Congressional Budget Office, the General Accounting Office, and Members of Congress. The Committee decided on an approach that embodied several strategies to achieve restraint in Federal spending. Examples of the restraints proposed under each of these categories are provided at the end of this section but the general categories themselves are set forth as follows:

- I. Eliminate certain ongoing and proposed programs.
- II. Delay the effective dates for certain new initiatives proposed in the President's budget.
- III. Slow down the rate of obligation and expenditure primarily for certain ongoing construction programs.
- IV. Target programs better to the people they are intended to benefit.
- V. Bring several programs now receiving two cost-of-living adjustments in a year into line with the once a year adjustment now applied to social security recipients.
- VI. Reduce program levels for certain discretionary programs through the appropriation process.
- VII. Tighten the Federal belt through a variety of measures to reduce waste and improve efficiency.

One of the most important considerations of the Committee in its effort to balance the budget through restraint in Federal spending was that the poor and disadvantaged not be unfairly burdened. The Committee believes it has met that objective. Close to half of the budget is composed of entitlement programs, many of which do benefit the poor and the disadvantaged and many of which are automatically adjusted for inflation. The Committee specifically decided not to target reductions at this block of programs. In fact, the recommendation includes

real growth for these programs of over 5 percent, in a budget which overall has a real growth rate of -1.6 percent. Defense is the only other area in the budget which shows real growth.

The Committee's specific recommendations to balance the budget on the remaining target areas were not disproportionately applied to human resources programs, as the following table clearly indicates:

TOTAL COMMITTEE REDUCTIONS FROM PRESIDENT'S BUDGET REESTIMATED

[In billions of dollars]

	Amount	Percent
I. State local/assistance:		
● Both general and categorical assistance to State and local governments, such as elimination of State portion of general revenue sharing, the proposed countercyclical program, the Law Enforcement Assistance Grant program, and reduced funding for local public works and economic development.....	\$3.7	22
II. Human resources programs:		
● Delaying the effective dates for new human resources programs such as the Youth Education Employment initiative, the Child Health Assurance program, and welfare reform.....	1.4	9
● Reform of certain human resources programs such as tightened eligibility and benefits for food stamps, public assistance, and low-income energy assistance, and bringing adjustments in the Food Stamp and Child Nutrition programs into line with the once a year cost-of-living adjustment now applied to social security recipients.....	1.0	6
● Other reductions in human resources programs such as CETA, education assistance, discretionary health, social services, veterans programs; and termination of unemployment benefits for CETA workers, and the termination of the Youth Conservation Corps program.....	2.3	14
III. Other reductions:		
● Defense, energy, foreign assistance, natural resources, agriculture; several Federal belt-tightening measures, such as higher pay absorption, a general administrative and operating cost reduction; bringing Federal retirees into line with the once a year cost-of-living adjustment now applied to social security recipients; program slowdowns such as water projects, Federal highways, EPA construction grants, and Strategic Petroleum Reserve; elimination of Saturday and some portion of bulk mail subsidies, and others.....	8.1	49
Total reductions from President's budget reestimated.....	16.5	100

Examples of Savings From President's Budget

Recommended by House Budget Committee

[Outlays in millions of dollars]

I. Elimination of Programs

- = Elimination of subsidies for Saturday mail delivery and some portion of subsidy for bulk mail.....

-836

Committee assumes no reduction in subsidy for rural post offices and free mail delivery for blind and handicapped. Reduction still leaves intact a Federal postal subsidy of \$757 million. Eliminating one day of postal deliveries would impose less hardship on public than other cuts which could affect vital government services to lower- and moderate-income persons. Cut in delivery to 5 days could also save energy by reducing fuel consumption by Postal Service.

- Elimination of State share of revenue sharing -1,714
Committee assumes non-renewal of Federal funds for the State share of revenue sharing but continuation of the \$4.6 billion in Federal payments to local governments. Compared to Federal government States are in a relatively healthy fiscal condition. More than 50 percent of State governments are expected to run significant surpluses during 1980.
- Elimination of Youth Conservation Corps -55
Enrollment in YCC is not targeted to young persons in greatest economic need. Work performed by YCC enrollees is only marginally essential to maintenance of public lands. Work could probably be done by regular Federal employees in a more-cost effective manner.
- Elimination of Law Enforcement Assistance Administration grant program -100
Committee believes Federal funds no longer have significant impact on improvements in local law enforcement and criminal justice. Useful local projects previously funded by LEAA should be supported from State and local revenues. Recommendation assumes continuation of Federal support for research and statistics activities at a \$49.5 million funding level.
- Elimination of proposed new Countercyclical Assistance Initiative -1,000
Committee believes that in of severe fiscal restraint only the most urgent new initiatives should be enacted. Further this money would be targeted to local governments, not to individuals.
- Elimination of unemployment benefits for former CETA employees -200
Committee assumes legislation to deny Federally-financed unemployment benefits to former CETA employees on grounds that since CETA workers have up to 18 months of public employment they have had ample time to make transition to regular employment. States and localities could assume the cost of these unemployment benefits if they choose to do so.

II. Delay Effective Dates for New Initiatives

- Youth education—employment initiative -150
Committee assumes that legislation to increase future employability of disadvantaged youths will be enacted and includes \$1.2 billion of additional budget authority for this purpose in fiscal year 1981. However, Committee assumes that legislation will be enacted late in 1981 and that outlays will not occur until 1982. Committee further assumes that current level of services under Youth Employment and Demonstration Projects Act of 1977 (YEDPA) will continue throughout fiscal year 1981.
- Child Health Assurance program (CHAP) -360
Committee endorses efforts to close gaps in services to low-income children and pregnant women and assumes \$40 million to initiate the CHAP program in late fiscal year 1981. Delay in implementation is proposed mainly because of budgetary constraints. However, delay in start of program will give administration sufficient time to develop guidelines and procedures to assure that problems experienced with existing medicaid programs for children will not be repeated.
- Welfare Reform -850
Because of severe overall constraints, Committee assumes the cost provisions of welfare reform, including about \$550 million in State fiscal relief provisions, will be deferred until 1982.
- Medicare-Medicaid program expansions -70
President proposed \$170 million for medicare-medicaid program improvements such as expanded coverage for home health services, medicaid coverage of comprehensive health clinics, and expanded coverage of outpatient psychiatric care. Committee recognizes importance of expanding these benefits but believes fiscal situation prevents full funding at this time. Recommendation still assumes \$100 million for these expansions in 1981.
- Inland Energy Impact Assistance -38
Committee deferral of the proposed \$150 million funding level for this assistance until fiscal year 1982. Committee believes major program initiatives should not be undertaken during a period of severe fiscal restraint. Moreover, infrastructure development activities can be funded through existing Federal programs.

III. Program Slowdowns

- Slowdown oil purchase for Strategic Petroleum Reserve -1,000
While program is important, Committee believes overall budget requirements argue against significant outlays for this activity in 1981. Committee recommendation would allow purchase of 7 million barrels of oil for reserve. Alternatively it might be possible to purchase the 36 million barrels the President proposed in his budget if the oil were purchased at "old oil" prices. Committee assumes no reduction in the budget authority for the Reserve requested by the President.

- Slowdown of EPA Construction grant program..... -100
Committee believes a modest slowdown in program is appropriate in view of need for fiscal restraint. Recommended reduction is from estimated fiscal year 1981 outlays of \$4 billion.
- Slowdown of Water Projects..... -100
Recommendation assumes slowdown in outlays for ongoing construction projects due to need for fiscal restraint. Recommendation does not assume termination of any projects.
- Slowdown of Park Lands Acquisition..... -150
Committee assumes a reduction in both the federal land acquisition programs and a reduction in the Federal portion of the state grants program. Reduction in Federal land acquisition program is based on need to promote less costly alternatives to full title land acquisition and need to encourage more consistent federal land acquisition policy. Reduction in Federal portion of state grants program is based on shifting responsibility for state recreation programs to state taxpayers who are main beneficiaries.
- Reduction in obligation calling for Federal Highways..... -400
Committee assumes fiscal year 1981 outlay savings of \$400 million based on prompt deferral action to reduce fiscal year 1980 obligation calling for Federal highways by about \$1 billion in fiscal year 1980, and a similar reduction in the obligation ceiling in fiscal year 1981. Would allow obligation ceilings of about \$7.75 billion in fiscal year 1980 and between \$7.85 and \$6.35 billion in fiscal year 1981. Recommendation is based on need to control Federal spending and assumption that improved program management can increase program efficiency.
- Reduction in funding for local public works and economic development projects..... -200
Reduction reflects Committee's view that President's proposed increases in 1980 and 1981 result in too rapid a buildup in program levels. Committee also believes it is undesirable to implement a sizeable new program this late in fiscal year 1980. For fiscal year 1981 recommendation still contains \$863 million in budget authority and \$618 million in outlays.

IV. Better Targeting

- Tightened eligibility for low-income energy assistance..... -200
Recommendation is \$200 million below the President's request but still \$600 million over the 1980 appropriation of \$1.6 billion. Committee assumes reduction can be achieved by better targeting of benefits to persons who are truly needy and are responsible for paying their own heating costs.
- Elimination of work incentive (WIN)/CETA overlap..... -50
Committee assumes that there will be a more coordinated effort within the Labor Department in providing services under both the WIN and CETA programs. Currently, both programs provide many of the same services to similar clientele. Recommendation assumes that \$50 million in outlays could be saved in the WIN program if overlapping services were eliminated.
- Changes in food stamp eligibility..... -130
Committee assumes savings totaling \$130 million from reforms in eligibility for food stamp benefits for certain groups who have relatively less need for assistance. Reforms include severe restrictions on the eligibility of students for benefits, a reduction in the amount of liquid assets which an individual can have and receive food stamps, and use of a poverty level for eligibility which is more consistent with the official census definition than the one currently used by the Department of Agriculture.
- Changes in Public Assistance benefit determination..... -221
Committee assumes savings of \$221 million in budget authority and outlays could be achieved from more frequent reporting of income by welfare recipients and basing benefits on past rather than anticipated income. Both reforms are contained in the Social Welfare Amendments of 1979 (H.R. 4904) but were scheduled to be first effective in fiscal year 1982. Committee assumes that these reforms could be made effective in fiscal year 1981.

V. Annual (Rather than Semi-Annual) Adjustments for Inflation

- Retirement benefits for Federal civilian and military retirees..... -1,100
Under current law benefits received by military and Federal civilian retirees are adjusted twice a year for changes in the Consumer Price Index (CPI). Recommendation assumes changes in current law to provide an annual adjustment which will put Federal retirees on same adjustment basis as social security recipients.

- Food Stamp program -300
Committee assumes savings of \$300 million would be achieved in fiscal year 1981 by adopting a system in which all automatic adjustments for inflation, including the amount of food stamps plus the allowable deductions, would be made each January rather than twice a year as under current law.
- Child nutrition program -75
Committee assumes savings of \$75 million in Child Nutrition programs by making adjustments for reimbursement rates to schools and other institutions each July rather than twice a year, as is the case under current law. Assumes annual adjustments would go into effect in July so that changes would not be necessary during the academic year.

VI. Other Program Reductions

- CETA funding level -1,000
Committee assumes a reduction in CETA program funding, other than the youth programs under YEDPA and President's youth initiative. Committee assumes that these reductions can be made in the following ways: (1) reducing the title VI PSE enrollment level by 50,000 jobs to a total of 150,000; (2) eliminating the welfare jobs demonstration projects under title III; (3) reducing the enrollment level of the title VIII Young Adult Conservation Corps (YACC); and other actions.
- Department of Defense Level of Purchases -1,000
Each year during appropriations process reductions are made in many line items and result from a variety of causes including schedule slippages, redefinition of requirements and identification of operating efficiencies. Sum of these reductions is quite significant. Committee assumes that the Appropriations Committees will again make these types of reductions in fiscal year 1981. (In addition, other adjustments to the National Defense function result in a total reduction of \$1.4 billion below the President's reestimated budget.)
- Higher Education Funding -200
Committee assumes a fiscal year 1980 BEOGs rescission to reduce each basic grant by \$50, allowing grants to range from \$150 to a maximum of \$1,750. Assumes that the maximum grant will be \$1800 in fiscal year 1981 rather than \$1,900 as proposed by the President. Further assumes that Congress will reform the guaranteed student loan program holding total costs to the level in the President's budget.
- Foreign Assistance Programs -400
Committee assumes reductions in the President's request for multilateral assistance programs such as contributions to international organizations and multilateral banks; programs of the Agency for International Development; shipment of commodities abroad under PL 480 Food for Peace programs, in military assistant grants, and other programs. Reductions will result in a real decline in the funding levels of these programs as opposed to the real growth levels which had been provided by Congress in recent years.

VII. Federal Belt Tightening

- An across-the-board reduction in Federal government and administrative costs including a freeze in civilian personnel levels -1,000
Committee assumes a reduction in agency overhead and administrative costs which will reduce civilian agency costs by \$0.6 billion and civilian cost in Defense by \$0.4 billion. Operating costs can be reduced through hiring freezes, filling vacancies at lower grade levels, slowing down promotions and step increases, using less consumable supplies such as paper or electricity, and implementing more restrictive policies on travel or contract services.
- Increase civilian pay absorption to reflect levels achieved in recent years -200
Committee recommends that civilian agencies absorb 35 percent of the cost of the fiscal year 1981 pay raise through greater management efficiency and tightening of related expenses rather than the 21 percent absorption assumed in President's budget. Recommendation will save almost \$0.2 billion. (These cutbacks in overhead costs are in addition to the general cut discussed above.)
- Delay Cost-of-Living Increases for Members of Congress and Other Administrative Savings -61
Committee assumes that Members of Congress will not receive cost-of-living increases in fiscal year 1981. Further assumes, the legislative branch would be required to achieve other administrative savings to complement similar cost-savings measures proposed for the executive branch.
- Elimination of administration's contingency allowance -600
Committee recommends elimination of the contingency allowance for fiscal year 1981. Contingency allowance is not a request for the appropriation of a contingency fund;

rather it is leeway provided in the budget so that the President may later request additional appropriations for specific purposes should the need arise.

- Eliminate waste from purchase of furniture for Federal agencies.....

—200

Committee believes that federal agencies and General Services Administration have seriously mismanaged their purchases of office furniture. Committee supports President's March 1 freeze on requisition of new furniture and urges that expenditures for furniture be given the most careful scrutiny through the appropriations process. Committee notes that large amounts of useable furniture are currently in storage and therefore assumes that savings of \$200 million, about one year's worth of furniture costs, can be achieved in the fiscal year 1981 budget.

USER CHARGES

In a further attempt to achieve equity in its task of balancing the budget, the Committee considered the issue of user charges for goods and services provided by the Federal Government. Specific recommendations assumed in the Resolution cover only a small number of Government services, but the Committee believes that these recommendations help spread the burden of balancing the budget and provide a renewed focus on the whole subject of user fees. The Committee in specific recommendations proposes invoking Coast Guard user charges and increasing general aviation and inland waterway user charges.

Aviation User Charges.—The Committee recommends continuation of the 8 percent passenger tax. The recommendation also assumes the President's proposed fiscal year 1981 general aviation revenue will increase from \$100 million per annum to \$350 million per annum. In addition, the Committee recommends that beginning in fiscal year 1982 the general aviation user class should pay 50 percent of their share of benefits received, which would result in an additional \$200 million in revenue per annum above the President's request. At present, general aviation users are estimated to pay only 14 percent of their share of system costs. As a matter of equity, an increase to 50 percent is recommended and strengthens the whole concept of users paying for the benefits they receive.

Coast Guard User Charges.—The Committee recommendation assumes the institution of Coast Guard user charges for commercial shippers who utilize Coast Guard navigational aids such as buoys and other channel markings. The user charges would be treated as offsetting receipts to Function 400 Transportation and are estimated at \$150 million for fiscal year 1981.

Inland Waterway User Charges.—The Committee recommendation does not assume any increase in the waterways user fee for fiscal year 1981. However, it does assume that Congress will act before fiscal year 1982 to bring the user fee closer than currently mandated to recover actual Corps of Engineers construction and/or operations and maintenance costs. The President's budget for fiscal year 1981 requests about \$470 million in construction costs for inland waterway navigation projects. In addition, the President's request would provide about \$250 million in operations and maintenance costs associated with these construction activities. The currently mandated user fee of 4¢ in fiscal year 1981 is applied only to construction costs and would cover 6 percent of those costs.

II. C. TAX POLICY

Once the crucial decision was made that the budget for fiscal year 1981 should not be balanced by legislating new tax increases for either individuals or corporations, the Committee considered the role of tax policy in the context of total fiscal policy options and the economy.

There has been a growing consensus among economists that some tax reduction is inevitable for a wide variety of reasons: To counteract the long-predicted recession, to offset added inflation resulting from oil import fees and decontrol, and to stimulate productivity and hence combat inflation. Some also believe there should be an adjustment in the increasing tax burdens for individuals resulting from inflationary bracket creep. The only questions remaining in the opinions of most are when and how.

The Committee appreciates these viewpoints and indeed shares many of them. Furthermore, it believes it is possible to fashion a tax package which would achieve most of these aims. However, sound fiscal policy dictates that any tax reduction, even a highly targeted one, be part of a balanced budget.

Specifically, to adopt a tax reduction package, no matter how well thought out, before the budget were in balance would serve only to confuse a vital and needed signal. In the Committee's opinion, the main value of balancing the budget is the clear signal it would give the financial markets, both foreign and domestic, as well as the consumer and the investor, that the vicious psychological cycle which is fueling inflation has been broken at a central point—the Government's budget. For the first time in 12 years, the budget would be in balance. To create a deficit for any reason, even for tax reduction, would confuse this message. No explanation could undo the damage which would have been done. Given the psychology of the economy, it is the opinion of a majority of this Committee that a tax reduction, no matter how carefully targeted, before the budget is in balance would contribute to inflation. Yet, the goal of tax relief is important to many Members and the commitment to this goal is explicit in this Resolution.

Once the goal of a balanced budget is achieved, the Committee believes the best tax reduction package would be one which offsets inflation, while encouraging productivity. This would not be the time for across-the-board, let-the-chips-fall-where-they-may relief. Rather a majority of the Committee envisions a highly targeted package along the lines of a combination of some form of accelerated depreciation and an offset to the scheduled increase in the payroll tax next January as the responsible way to proceed.

In keeping with its twin objectives of neither balancing the budget through tax increases nor creating a deficit through tax reductions, the Committee is clear in its intent that the proceeds of the President's announced oil import fee be reserved for use in funding the

tax package mentioned previously. Not one penny of revenues from this source is intended to be used for balancing the budget.

However, to insure that the battle against inflation is spread equitably throughout the economy and not just on those groups most dependent on Federal grant programs, the Committee endorses a proposal to subject dividends and interest to withholding. While the proposal would generate an additional \$3.4 billion in revenues for fiscal year 1981, it would do so without levying new taxes, but rather by increasing compliance with existing law and speeding up collection initially. Together with the revenues from the President's proposal to speed up the deposit of withheld taxes by corporations, they constitute the only significant additional revenue contribution toward balancing the budget.

If there is any new direction of tax policy that has been given a major boost by balance-the-budget considerations, it is the concept of user fees which are discussed in an earlier section of this Report. It is the opinion of a majority of this Committee, in keeping with the aim of reducing future deficits and lowering the general tax burden, that wherever possible government services which benefit particular groups or businesses in the economy be substantially supported by those beneficiaries rather than the general taxpayer.

III. RECONCILIATION AND OTHER ENFORCEMENT MEASURES

The Committee is determined that the Federal budget for fiscal year 1981 will be balanced in fact and not just on paper. But if the Congress is to begin the new fiscal year with its books in the black for the first time in over a decade, Congress must act to cut back on existing programs as well as hold the line on budgetary increases. This means that the authorizing committees must report and the Congress enact changes in existing law to realize \$9.059 billion in outlay savings. In addition, the Committee recommends changes in present tax laws that will result in \$22.2 billion in new revenues to the Federal treasury.

Failure to take the steps necessary to realize these legislative savings and new revenues will result in a budget deficit of \$29.3 billion rather than a surplus of \$2.0 billion. To insure that the goal of a budget surplus is not illusory, the Committee recommends implementation of two as yet unused procedural devices: The reconciliation process and a procedure whereby certain spending bills would be held at the Speaker's desk rather than being enrolled and sent to the President for signature.

THE RECONCILIATION PROCESS

The Budget Act contemplated that it might be necessary to implement an extraordinary 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, due to the necessity of acting quickly and effectively to balance the budget and realizing that there may not be time to act on reconciliation instructions before the end of the Second Session of the 96th Congress, the Committee has included reconciliation instructions in the First Budget Resolution.

Section 301(b) (2) of the Budget Act provides the authority for this action. This 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 1981 direct 8 House authorizing committees and 8 Senate authorizing committees to report legislation saving \$9.059 billion in outlays in fiscal year 1981. The following Senate Committees are affected by reconciliation instructions: Armed Services, Finance, Labor and Human Resources, Governmental Affairs, Veterans' Affairs, Environmental and Public Works, Commerce, and Agriculture, Nutrition and Forestry. The following House Committees are affected by reconciliation instructions: Ways and Means, Interstate and Foreign Commerce, Post Office

and Civil Service, Veterans Affairs, Public Works and Transportation, Education and Labor, Agriculture, and Armed Services.

[In millions of dollars]

	Budget authority	Outlays
House committee:		
Ways and Means.....	-717	-1,869
Interstate and Foreign Commerce.....	-200	-270
Post Office and Civil Service.....	-3,639	¹ -4,204
Veterans' Affairs.....	-400	¹ -400
Public Works and Transportation.....	-150	¹ -550
Education and Labor.....	-839	-786
Agriculture.....	-520	¹ -520
Armed Services.....	-3,263	-3,188
Total.....	² -6,925	² -9,059
Senate committee:		
Armed Services.....	-460	-460
Finance.....	-917	-2,079
Labor and Human Resources.....	-306	-349
Governmental Affairs.....	-3,639	-4,204
Veterans' Affairs.....	-400	-400
Environment and Public Works.....		-400
Commerce.....	-150	-150
Agriculture, Nutrition and Forestry.....	-1,053	-1,027
Total.....	-6,925	-9,059

¹ A portion of these sums is spending authority under the Appropriations Committee jurisdiction.

² These do not total due to \$2,803 in budget authority and \$2,728 in outlays referred jointly to the Armed Services and Post Office and Civil Services Committee.

Although the Committee may suggest certain specific reform in making its reconciliation recommendations, the authorizing committees are free to determine what provisions of law will be changed and how those changes will be made. The only requirement is that the committee realize the total amount of savings specified in the reconciliation instruction.

In addition to spending savings, the Committee has included reconciliation instructions that apply to the Committees on Ways and Means and Finance with respect to revenue initiatives. The reconciliation language directs the tax-writing committees to report legislation increasing revenues through a variety of reforms.

Again, while the Committee makes a number of suggestions as to how those savings could be realized, it is up to the tax writing committees to determine what specific legislation should be reported. The Committee has included no reconciliation language with respect to the productivity or anti-inflation tax cut targeted in the budget resolution since the Committee assumes that this tax initiative will not be considered until after the budget has been brought into balance.

How the Reconciliation Process Works.—The reconciliation language directs committees to submit reconciliation recommendations by June 15, 1980. Under the reconciliation procedures, the recommendations submitted by the various committees will be referred to the Budget Committee which will assemble the various measures into one omnibus reconciliation bill. It is the Committee's hope that this recon-

ciliation bill then would be considered promptly and adopted by the Congress.

DELAYED ENROLLMENT OF CERTAIN SPENDING BILLS

In addition to recommending implementation of the reconciliation process, the Committee has included language in the budget resolution providing that all spending bills, including both appropriation and entitlement bills, which are reported after enactment of the First Budget Resolution for Fiscal Year 1981 and which exceed the allocation in the budget resolution under section 302(b) of the Budget Act not be enrolled until after the second budget resolution in the fall has been agreed to, and, if additional reconciliation is required in the second budget resolution, until Congress has completed final action on that process. For purposes of determining the status of committee action under the enrollment requirement, the Committee will be implementing a system of tracking bills at various stages prior to enrollment. This will permit those spending bills which are offset by appropriate legislative savings bills both within the same section 302(b) subdivision to proceed to enrollment. Of course, bills which are consistent with the budget resolution targets will be sent to the President for his signature immediately. Legislation already reported from committee will not be subject to deferred enrollment.

Just as the reconciliation process provides a means to realize savings required by changes in existing law, the special enrollment procedure provides a means to insure that targets in the budget resolution are not breached by new appropriation and entitlement bills.

The Committee has identified certain areas in which the legislative savings assumed in the recommendation could be made. However, there are many other areas in which the committees could make these savings and the Committee encourages them to seek out any other alternatives to meet the reconciliation totals. Some of the areas in which outlay savings could be achieved are:

[In millions of dollars]

	Budget authority	Outlays
Health programs:		
Hospital cost containment.....	-100	-780
Revision to make medicare benefits for the working aged supplementary to private insurance.....		
Elimination of bonus to hospitals for provision of routine nursing services to medicare beneficiaries.....		
Limitation on payments to hospitals to the nursing home rate for long-term case services.....	-117	-520
Implementation of joint audit for medicare and medicaid.....		
Establishment of financial penalties to deter abuse of medicare and medicaid programs.....		
Competitive bid purchasing for equipment and services.....		
Other health care cost control proposals.....		
Federal compensation reform.....	-2,803	-2,728
Income security programs:		
Disability insurance reforms, including revision of benefit computations, increased work incentives, improved administration and other changes.....		-69

[In millions of dollars]

	Budget authority	Outlays
Income Security Programs—Continued		
Food Stamp program reforms.....	—520	—520
Child nutrition and special milk program reforms.....	—533	—507
Changes to the Public Assistance program.....	—500	—500
Reform of the railroad retirement program to restore the solvency of the railroad industry pension fund.....		—70
Annual cost of living for retirees:		
Civilian.....		—640
Military.....	—460	—460
Federal worker compensation reforms.....	—5	—5
Veterans benefits and services:		
Elimination of GI bill benefits for correspondence courses and general flight training.....		
Elimination of certain dental benefits.....	—400	—400
Reimbursement by health insurers for certain medical care given insured veterans.....		
Guaranteed student loans.....	—301	—274
Unemployment benefits for former CETA workers.....	—200	—200
Postal subsidies.....	—836	—836
Highway ceiling.....		—400
Coast Guard user fees.....	—150	—150
Total.....	—6,925	—9,059

In the revenue area possibilities could include implementation of oil and a hazardous substances cleanup fund, increase in airport and airway trust fund taxes, withholding on interest and dividends, phase-in removal of tax exempt housing bonds, change in railroad retirement taxes.

IV. EXPANDED BUDGET CONTROLS

A. CREDIT BUDGET RECOMMENDATION

For the first time, the Committee recommends an aggregate target for Federal credit activity as a part of the First Budget Resolution. This recommendation is consistent with the President's budget request for fiscal year 1981 which proposes a Federal credit budget to allow consideration of Federal credit activities along with the unified budget.

The growth of Federal credit programs in recent years has been dramatic (see Figure 1). In some cases credit programs have grown more rapidly than direct spending programs. Most credit programs are off-budget and are, therefore, outside of the traditional budget process which focuses on direct spending and taxing. Between 1976 and 1979, Federal expenditures increased by 35 percent while new loans guaranteed increased 108 percent and new direct loans by off-budget agencies increased by 70 percent. Direct loans by on-budget agencies increased by only 35 percent. Growth in loan guarantees was greatest in fiscal years 1977 and 1979 (98 percent and 58 percent, respectively). Direct loans by off-budget agencies increased rapidly in 1975 (99 percent) and continued in 1976 (53 percent). Direct loans by on-budget agencies increased fastest in 1977 and 1978 (42.5 and 44 percent, respectively).

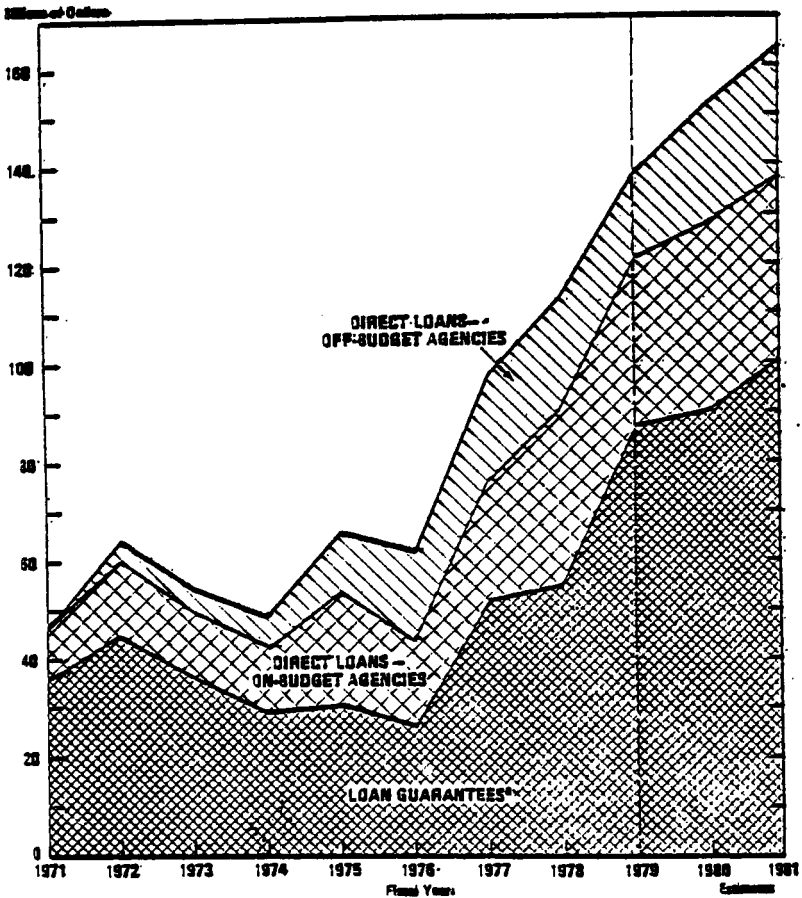
Presumably, one reason for this growth of Federal credit programs is their favorable budgetary treatment. Loan guarantees are excluded by statute from the definition of budget authority, and are, therefore, beyond the control of the budget process. In addition, some direct loans by on-budget agencies are effectively transferred off-budget because of sales of assets to the Federal Financing Bank (FFB)—the largest off-budget agency—and purchases by the FFB of guaranteed loan obligations.

President's Budget

The President's proposed Federal credit budget consists of new obligations for direct loans and new commitments for loan guarantees. For fiscal year 1981, the President's proposed credit budget totals \$142 billion, almost one-fourth of the size of the proposed Federal budget outlays. In addition, the administration is requesting annual appropriation limitations for selected Federal credit programs totaling \$59.7 billion.

The administration's proposal represents a limited first step in the development of a credit control system. The system would place controls only on the principal amount of direct loans, not on any interest subsidies or other special terms; and for guaranteed lending, only on the amount of loan principal that is actually guaranteed by the Federal Government. The proposal excludes two general categories

Growth of Total New Commitments for Federal Credit, 1971-1981



SOURCE: Budget of the United States Government, Special Analysis on Credit, Fiscal Years 1973-1981.

* Primary guarantees: excludes secondary guarantees and guaranteed loans acquired by on- and off-budget agencies.

of programs from the proposed limitations: (1) Emergency credit assistance programs (e.g., disaster loans) and credit insurance (e.g., Federal Deposit Insurance Corporation); and (2) Entitlement programs (e.g., all veterans credit programs). These programs have been excluded because annual limitations could reduce flexibility to respond to unanticipated contingencies or in the case of entitlement programs, qualified recipients have a legal right to loans or loan guarantees. Exemptions are also proposed for housing credit activities for fiscal year 1981 because of current economic conditions; for the Commodity Credit Corporation, so as not to restrict the President's authority to expand agricultural export activities; and for the Federal Financing Bank, since it does not conduct credit programs on its own.

The result of this approach is that the fastest growing sectors of Federal credit activity (i.e., some loan guarantee programs and direct lending by the off-budget FFB) are excluded from the proposed system.

The President's proposed credit budget contains several new initiatives for direct loan and loan guarantee programs in fiscal year 1981: (1) \$2.0 billion for loan guarantees for the development of synthetic fuel production facilities; (2) \$250 million in loans and over \$300 million for loan guarantees to support rail freight restructuring for railroads other than ConRail; and (3) \$1.2 billion for a basic student loan program to replace the existing insured loan program.

House Committees' Views and Estimates

The Appropriations Committee strongly supports the proposed credit budget, and points out that "bringing all credit programs into the budget process will help coordinate credit policy with fiscal policy, and help synchronize the allocative aspects of Federal credit activity with budget allocations."

The Banking Committee report is largely consistent with the President's Budget for credit programs under its jurisdiction, with the exception of recommending a higher limitation for business loan guarantees for the Economic Development Administration.

The Small Business Committee recommendation objects to the imposition of the proposed appropriation limitations for each small business loan guarantee program because that Committee believes it would reduce the flexibility of the SBA to reprogram funds as required to meet program demands.

The Agriculture Committee recommends increased limitations above the President's Budget for the Agricultural Credit Insurance Fund, and the Rural Development Insurance Fund. No limitation is recommended for emergency disaster loans, since historically authorizations have been provided as needed.

The Committee on Interstate and Foreign Commerce accepts the administration's proposed limitations on direct loan and loan guarantee programs within its jurisdiction. Major programs include the Energy Security Corporation, the Energy Security Trust Fund, and the Geothermal Resources Development Fund.

The Ways and Means Committee "firmly endorses the President's credit control proposal and strongly urges that the Budget and Appropriations Committees make every effort to expand these controls as quickly as possible so that all Federal loans and loan guarantees will be subject to appropriation limitations by fiscal year 1985."

The Education and Labor Committee recommends extending existing student direct and guaranteed loan programs, instead of accepting the President's proposal to establish a single new program intended to decrease the level of guaranteed student loans.

The Veterans Committee concurs with the President's proposed credit budget activities for the Veterans' Administration. The Science and Technology Committee also concurs with or made no comment

on credit budget proposals affecting NASA and the Department of Energy.

The Merchant Marine and Fisheries and Interior Committees generally accept the administration's credit proposals, but recommend higher loan limitations for selected programs.

RECOMMENDATION

The Committee recommendation (shown in the table below) includes an aggregate target of \$140.2 billion for Federal credit activity in the First Budget Resolution for Fiscal Year 1981. The Committee further recommends that the Appropriations Committee establish limitations of \$219.1 billion, an expansion of the amounts proposed for limitations by the President, to include limitations on secondary guarantees and guarantees of direct loans by other agencies. This would allow coverage of financing activities of the Federal Financing Bank. These totals represent a decrease of \$1.9 billion for aggregate Federal credit activity and an increase of \$159.4 billion for proposed appropriations limitations on direct and guaranteed loans from the President's budget. This approach would allow the Congress to initiate a comprehensive system which can be used to exercise greater control over the growth of Federal credit activities, ensure that the level of resources for these activities is justified, that the allocation of resources for these activities is consistent with national priorities, and that more careful consideration is given to the impact of total Federal credit activity on the economy as a whole.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION— FISCAL YEAR 1981 CREDIT BUDGET

[In billions of dollars]

	President's January budget	Committee recommenda- tion
Credit budget:		
New direct loan obligations.....	60.7	60.6
New loan guarantee commitments ¹	160.3	158.5
Less:		
Secondary guarantees and guarantees of direct loans by another agency.....	-78.9	-78.9
Subtotal.....	81.4	79.5
Total, credit budget.....	142.1	140.2
Proposed limitations:		
Limitation on new direct loan obligations.....	27.2	60.6
Limitation on new loan guarantee commitments.....	32.5	79.5
Limitation on secondary guarantees and guarantees of direct loans by another agency.....		78.9
Total, proposed limitations.....	59.7	219.1

¹ Secondary guarantees and guarantees of loans acquired by on- and off-budget agencies are deducted to avoid double-counting.

B. OUTYEAR BUDGET PLAN

This year the House Committee on the Budget adds a new dimension to the budget process with the approval of a multiyear plan covering fiscal years 1982 and 1983. The first step was taken last year when the Committee reviewed a comprehensive analysis of the outyear impact of fiscal year 1980 budget decisions prepared by the Budget Process Task Force. However, no votes were taken on the outyears and the House-passed resolution did not include a multiyear plan.

Interest in multiyear budget planning has been growing in recent years partly due to the dramatic growth in uncontrollable outlays, which has accounted for 83 percent of the overall outlay growth during the last decade. The President's budget first reflected attention to multiyear planning in 1961 when it included a projection of aggregate numbers for ten years out from the budget year. However, no real budget planning took place until 1979 when the President's budget included two years of planning beyond the budget year plus two years of projections. Although the numbers reflected only a few real planning decisions in the outyears, the attempt to focus on planning rather than projections was an important move toward better budget control.

The House Committee has included a multiyear plan in the resolution in order to focus congressional attention on the consequences which spending decisions made in the budget year will have in the outyears and thus to promote better control in the budget year. The outlays in any given budget year are largely determined by actions Congress has taken in prior years. For instance, of the \$615.8 billion in the President's budget this year, 76 percent is considered to be relatively uncontrollable under existing law in the budget year. This includes entitlement programs which mandate payments to governments or individuals and payments from prior year contracts and obligations.

This large proportion of automatic outlays has significant implications for control of the budget. Without changes to existing laws to reduce the growth in relatively uncontrollable programs, congressional efforts to control total outlays concentrates on a small portion of the budget. Consequently, these relatively controllable programs often bear a disproportionate burden from efforts to restrain overall spending in the short run.

In addition to promoting better control in the budget year, multiyear planning also expands the overall framework in which Congress considers the budget. Preparing a Federal budget requires examination, review and decisions relating to overall economic conditions and prospects, national fiscal and tax policies as well as policy choices on the appropriate budget levels necessary to meet our country's existing and emerging priorities. By confining these considerations within a one-year time frame, Congress cannot fully address the longer-range relationships among these critical policy areas.

Multiyear planning extends the time frame in which to consider budget and related policy areas. It allows Congress the opportunity to consider anticipated needs and availability of Federal resources in advance of actual requirements and provides a longer-range frame-

work in which to shape overall policies as well as make budget decisions over time.

Discussion of the Overall Plan

The recommendations for the First Budget Resolution reflect a small surplus in fiscal year 1981 which grows substantially in fiscal years 1982 and 1983. These are intended to be a set of planning targets which set a framework for fiscal and budget policy and provide a basis for allocation of Federal resources both now and in the future.

Table I presents a summary of the Committee's aggregate and functional total recommendations for fiscal year 1981 and the budget plan for fiscal years 1982 and 1983, and compares them with the President's budget and planning estimates as reestimated by CBO for fiscal years 1981 through 1983.

The recommended budget plan includes the following aggregates.

[In fiscal years]

Aggregates	President's budget reestimated			HBC recommendation			Difference		
	1981	1982	1983	1981	1982	1983	1981	1982	1983
Revenues.....	614.0	717.0	824.0	613.8	694.8	804.1	-0.2	-22.2	-19.9
Budget authority.....	713.0	788.4	883.2	694.6	767.3	864.5	-18.4	-21.1	-18.7
Outlays.....	628.3	703.0	792.5	611.8	683.1	775.4	-16.5	-19.9	-17.1
Margin.....	-14.3	+14.0	+31.5	+2.0	+11.7	+28.7	+16.3	-2.3	-2.8

Revenues.—Aggregate revenues in the House Committee outyear plan increase by 31.0 percent, or \$190.3 billion, between fiscal years 1981 and 1983. The President's budget provides projections of outyear revenues that indicate an increase of 33.1 percent, or \$198.8 billion over the same period. The Committee recommendation reflects increases in revenues resulting from growth in nominal GNP, and other increases reflecting proposals to change current tax laws. The Committee revenue recommendation also accounts for possible reductions in tax receipts covering fiscal years 1981 through 1983 for unspecified tax cuts, providing the overall budget aggregates are in balance. Section V of this Report includes a detailed description of the Committee's revenue recommendations.

Outlays.—Aggregate outlays in the House Committee's budget plan increase by 26.7 percent, or \$163.6 billion, between fiscal years 1981 and 1983. Outlays as a percent of GNP decline from 21.89 percent in fiscal year 1981 to 21.76 percent in fiscal year 1982. Outlays as a percent of GNP increase in fiscal year 1983 due to an allowance of \$24.1 billion for a national health insurance initiative beginning in fiscal year 1983. Without this outyear policy initiative, the percent of GNP would decline to 21.2 percent. The President's plan reestimated provides an increase of 26.1 percent or \$164.2 billion over the same period and reflects a higher percentage of GNP rate for all three years, as shown below.

[In fiscal years and percent]

Indicator	President's budget reestimated by CBO			HBC recommendation		
	1981	1982	1983	1981	1982	1983
Nominal growth.....	10.81	11.89	12.73	7.90	11.65	13.51
Real growth.....	1.04	2.41	3.66	-1.6	2.19	4.38
Outlays as percent of GNP.....	22.49	22.39	22.36	21.89	21.76	21.88

The House Committee's plan shows the net effect of increases for entitlement and other major uncontrollable programs, as well as policy choices to provide budget allowances sufficient to meet major presidential initiatives, including increased defense capabilities, national energy needs, and proposed initiatives in welfare reform and national health insurance. The bulk of other spending programs and activities generally receive allowances that either provide for modest increases, hold budget levels constant or reduce them over the planning period. Table II lists the major components of the House Committee's budget plan.

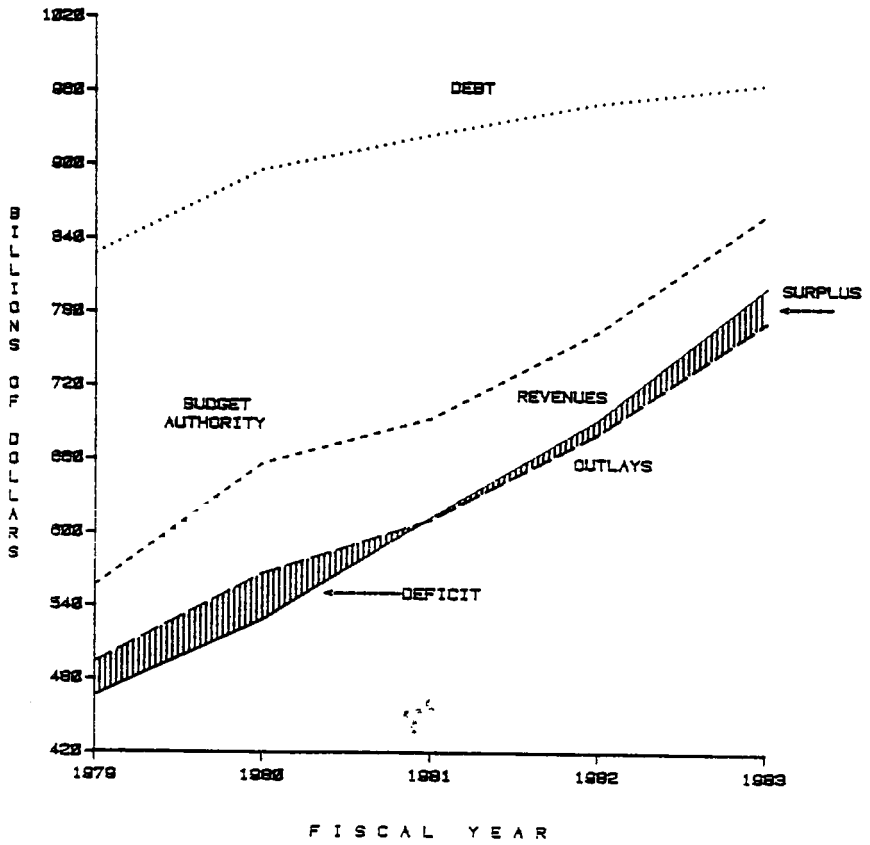
TABLE II.—MAJOR COMPONENTS OF THE HOUSE COMMITTEE'S BUDGET PLAN

The overall HBC recommended budget plan includes the outyear effects of fiscal year 1981 budget recommendations, as well as recommendations on certain outyear budget choices that have initial impact in fiscal years 1982 and 1983. On the whole, outlays in fiscal years 1982 and 1983 increase over fiscal year 1981 levels. Highlighted below are the major components of the House Committee's budget plan.

- Revenues—tax cuts of \$20.0 billion in fiscal years 1982 and 1983 are included in the outyear budget plan, which follow from the proposed fiscal year 1981 productivity and anti-inflationary tax cut; illustrative examples of possible cuts include faster expensing of capital purchases to attract more business investment, or roll-backs of pending increases in payroll tax rates; such cuts could partially offset automatic increases in tax revenues resulting from inflationary effects on the graduated income tax rate and from higher energy prices.
- Defense—*real growth increases* for improved readiness and continuing modernization of military forces; this is consistent with increases proposed in the President's budget plan.
- Energy—*increases* for initiatives in energy supply and conservation which are substantially consistent with proposals in the President's budget plan, except for the President's proposed "utility oil use reduction proposal"; outyears also include increases which assume a normal course of oil storage in the Strategic Petroleum Reserve Program (SPRO), following lower than planned storage activity in fiscal year 1981.
- Transportation—*increases* for highway trust fund, aviation, rail assistance, Amtrak, and Coast Guard activities, as well as the mass transportation component of the President's proposed energy initiatives; *reductions* for Conrail assistance; and *increased receipts* from aviation and Coast Guard user fees.

- Education, Employment and Training—*outyear increases* are provided for three Presidential initiatives, youth education and training, student loan reform, and the jobs component of the welfare reform initiative; although increases smaller than those proposed by the President are provided for the youth and student loan initiatives, and startup of the welfare reform jobs program is assumed in fiscal year 1983, one year later than the President's proposal.
- Health—a *major fiscal year 1983 increase* for National Health Insurance which is comparable to the President's proposed initiative.
- Income Security—a *major increase* for cash assistance components of the welfare reform initiative in fiscal year 1983 which is one year later than the President's proposal.
- State and Local Assistance—*increases* for Urban Development Action Grant program reflecting spend-out from prior year commitments and *other increases* for EDA, Indian, flood insurance, and disaster loan programs; *reductions* in the Community Development Block Grant, urban renewal, local public works and disaster relief programs; *other major reductions* reflecting fiscal 1981 recommendations to eliminate the state share of General Revenue Sharing, new funding for anti-recession fiscal assistance, and funding for the Law Enforcement Assistance Administration.
- Other Federal Government Programs and Operations—*very modest increases* in general government operations to reflect holding down administrative and overhead costs of the Federal government, decreases for Federal subsidies to the Postal Service.

MULTIYEAR PLANNING RECOMMENDATIONS
(FISCAL YEARS 1979-1983)



V. ISSUES IN DETAIL

A. REVENUES

The resolution recommends a revenue level of \$613.8 billion, \$13.8 billion higher than the \$600.0 billion recommended by the President in his January budget as shown in Table I. The \$613.8 billion is \$0.2 billion lower than the President's budget as reestimated by CBO.

TABLE I.—SUMMARY OF BUDGET COMMITTEE RECOMMENDATION AND COMPARISON TO PRESIDENT'S BUDGET IN FISCAL YEAR 1981

REVENUES

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 commit- tee plan	Fiscal year 1983 committee plan
	Presi- dent's January budget	Commi- tee rec- ommen- dation		
Current law receipts.....	579.0	588.6	683.4	790.7
Major tax proposals:				
1. Windfall profit tax.....	+13.7	+18.0	+23.3	+23.4
2. Cash management initiatives.....	+4.5	+2.6	+1.8	+6
3. Restrictions on tax exempt housing bonds.....	+8	+4	+2.5	+5.2
4. Railroad retirement taxes.....	+3	+3	+3	+3
5. Airport and Airway Trust Fund.....	+2	+2	+5	+5
6. Oil and hazardous substances cleanup fee.....	+2	+1	+2	+3
7. Limits on foreign tax credit for oil and gas extraction.....	+7			
8. Independent contractors withholding.....	+6			
9. Receipts from increased IRS audits.....		+3	+3	+3
10. Miscellaneous tax cuts for ways and means flexibility.....		-.1	-.1	-.1
11. Import fees on oil imposed by the President.....		+10.3		
12. Productivity or anti-inflationary tax cut if the budget stays in balance.....		-10.3	-20.0	-20.0
13. Withholding on interest and dividends.....		+3.4	+2.5	+2.5
14. Increase in waterway fees.....			+1	+1
Total proposed tax changes.....	+21.0	+25.2	+11.4	+13.4
Total recommended receipts.....	600.0	613.0	694.8	804.1

The Committee's estimate of current law receipts is \$9.6 billion higher than the estimate in the Presidents' January budget because of differences in the economic assumptions. Each of the major tax proposals is briefly described below. These proposals are assumptions of the Committee used in deriving the total revenue recommendations.

They are intended, however, only as illustrative proposals not specific requirements.

1. Windfall Profit Tax

The President's budget estimate of the Windfall Profit Tax reflects the administration position after House passage, while the Committee proposal is for the act as reported out of conference which assumes a price of \$35 per barrel of oil. The Committee estimate reflects the revenue impact of the Windfall Profit tax net of the energy tax credits, the \$200 exclusion for interest and dividends, and the estate and gift tax changes as reported in the Windfall Profit tax conference report. The Conference Report on the Windfall Profit tax has passed the House and is now waiting for Senate approval.

2. Cash Management Initiatives

The President's budget assumes a \$4.5 billion increase for administrative and legislative cash management initiatives. The Committee's estimate assumes adoption only of the administrative proposal to speed up deposits of withheld taxes by large employers for both income and payroll taxes.

3. Tax Exempt Housing Bonds

The President's budget assumes a \$0.8 billion increase from restricting tax exempt housing bonds. The Committee assumes only one-half of that increase in the first year. Due to possible phasing in of the restrictions, the Committee felt that only half the President's budget increase is likely to occur.

4. Railroad Retirement Taxes

Both the Presidents' budget and the Committee's recommendation assume a \$0.3 billion increase in railroad retirement payroll taxes to alleviate funding problems for the Railroad Retirement Trust Fund. This issue, in the past, has been jointly referred to the Interstate and Foreign Commerce and Ways and Means Committees in the House.

5. Airport and Airway Trust Fund Taxes

Both the Presidents' budget and the Committee's recommendation assume a \$0.2 billion increase in excise taxes for the airport and airway trust fund in fiscal year 1981. This proposal calls for tax increases and an extension beyond the expiration date of June 30, 1980. It is estimated that general aviation users currently pay roughly 15 percent of the cost of services provided by the Federal Government which benefit them directly. The Committee further recommends that the general aviation fees and taxes be adjusted by \$0.2 billion in fiscal year 1982 and beyond to recover at least 50 percent of the cost of Federal services provided to them. It is also recommended that a larger share of the costs of operations and maintenance of airports and airways which are currently funded out of general revenues be paid for through the airport and airways trust fund. These increases are in addition to extending the current rates for which legislation is also required. By comparison, large commercial airlines already pay approximately 88 percent of their share of costs, primarily through an 8 percent passenger ticket tax.

6. Oil and Hazardous Substances Cleanup Fund Fee

The President's budget assumes a \$0.2 billion increase in revenues for a fee on the oil and chemical industries for an oil and hazardous substance cleanup fund. Alternative versions of legislation affecting only oil cleanup are also under consideration in Congress. The Committee assumes a \$0.1 billion increase for an oil and/or hazardous substance cleanup fund. Only half of the President's requested amount was assumed because of possible delays in passing and implementing the new legislation. This issue is under consideration in the Interstate and Foreign Commerce, Merchant Marine and Fisheries, and the Public Works and Transportation Committees.

7. Foreign Oil Tax Credit

The President's budget includes a \$0.7 billion increase to limit the foreign tax credit for oil and gas extraction. The Committee does not assume this increase.

8. Independent Contractors Withholding

The President's budget assumes a \$0.6 billion tax increase from imposing a 10 percent withholding tax on independent contractors starting January 1, 1981. The Committee's recommendation does not include this proposal.

9. Additional Collections from Added IRS Audits

The Committee assumes a \$0.3 billion increase in receipts resulting from a \$50 million increase in outlays for IRS audit and collection resources. The proposal is not included in the President's budget. This additional revenue will occur only if the Congress appropriates the additional budget authority to support the added audit activity.

10. Miscellaneous Tax Cuts for Ways and Means Flexibility

In order to enable the tax writing committees to continue to provide tariff relief for the import of products not readily available in this country, consider Presidential requests for most-favored-nation treatment, and make minor changes in the tax code to deal with unexpected problems which come to these committees in the course of a year, the Committee recommends flexibility in the amount of \$0.1 billion.

11. Oil Import Fee

The President has imposed a fee of \$4.62 per barrel on imported crude oil effective March 15, 1980, to raise \$10.3 billion in fiscal year 1981. The fee will affect oil used for gasoline only and is expected to increase gasoline prices by about 10 cents a gallon. The Committee took no position on the merits of the President's recommendation of a 10 cent per gallon motor fuel tax to replace the import fee.

12. Productivity or Anti-Inflationary Tax Cut Allowance

The Committee assumes that an amount equivalent to the \$10.3 billion raised by the new oil import fee imposed by the President will be used for an incentive tax cut to increase productivity or to reduce inflation, if the budget is kept in balance. This amount is intended to accommodate a productivity-raising tax cut of \$20 billion on a calendar year basis beginning January 1, 1981. The President recommended

that this sum be held as a contingency. The amounts reserved for tax cuts in fiscal years 1982 and 1983 total \$20 billion for each year.

13. Withholding on Interest and Dividends

The Committee's recommendation assumes a \$3.4 billion increase in revenues from withholding 15 percent on interest and dividends. This is not a new tax but a more complete collection of taxes due the Federal Government through a timely procedure. The President has announced his intention to recommend this change in his March budget revisions. The \$3.4 billion increase consists of \$2.4 billion from the speedup of receipts and \$1.0 billion from increased reporting of interest and dividend income. CBO estimates that as much as \$14 billion in interest and dividend incomes annually goes unreported. Corporations and financial institutions already file information forms on dividend and interest income.

14. Increase in Waterway Fees

Waterway user fees under current law start in fiscal year 1981 at a level of 4 cents per gallon, raising revenues of \$30 million. The Committee recommends an increase in this fee to 14 cents per gallon in 1982 and to 17 cents per gallon in 1983, resulting in revenue increases of \$0.1 billion in each of those years. This issue, in the past, has been jointly referred to the Public Works and Transportation and Ways and Means Committees in the House.

BUDGET RECEIPTS BY SOURCE

[In billions of dollars]

	Fiscal year 1981 receipts	Fiscal year 1982 receipts	Fiscal year 1983 receipts
Source:			
Individual income taxes.....	284.5	328.2	390.6
Corporation income taxes.....	67.0	77.6	90.8
Social insurance taxes.....	189.0	216.7	246.3
Excise taxes.....	47.5	61.9	64.0
Estate and gift taxes.....	6.1	6.8	7.5
Customs duties.....	18.7	8.9	9.4
Miscellaneous taxes.....	11.3	14.8	15.5
Unallocated tax cuts.....	-10.3	-20.0	-20.0
Total.....	613.8	694.8	804.1

FUNCTION 050: NATIONAL DEFENSE

B. Spending by Function

The Committee recommends \$160.8 billion in budget authority and \$147.9 billion in outlays for this function. These totals represent a decrease of \$2.0 billion in budget authority and a decrease of \$1.4 billion in outlays from the President's budget as reestimated.

Summary of Budget Committee Recommendation

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	161.8	146.2	183.4	165.5	205.3	185.9
1. Reestimates:						
Changes due to economic as- sumptions.....			_.1	_.1	+.1	
Other reestimates	+1.0	+3.1		+2.6	+.1	+1.6
Anticipated President's re- estimated budget.....	162.8	149.3	183.3	168.0	205.5	187.5
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....						
3. Increase military pay and allowances.....	.5	.5	.7	.7	.7	.7
4. Change the cost-of-living adjustment for military retirees to once a year.....	_.5	_.5	_.4	_.4	_.5	_.5
5. Require absorption of a portion of the pay raise.....			_.7	_.7	_.8	_.8
6. Reduce the level of purchases.....	1.6	1.0	_.4	_.7	_.5	_.8
7. Reduce operating and administrative costs.....	_.4	_.4	_.4	_.4	_.5	_.5
Total difference.....	2.0	1.4	1.2	1.5	1.6	1.9
Committee recommendation.....	160.8	147.9	182.1	166.5	203.9	185.6

Explanation of Committee Recommendations

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

The reestimates of \$1 billion in budget authority and \$3.1 billion in outlays reflect changes in the national defense function resulting from higher fuel prices, other price increases as a result of higher than

anticipated inflation, and reestimates of spending levels as a result of recent trends in defense outlays. These estimates assume that the administration will require the Department of Defense to absorb a portion of the price increases.

2. FISCAL YEAR 1981 IMPACT OF 1980 SUPPLEMENTALS

President's Budget Reestimated by CBO

Pay Supplemental and Consumer Price Index (CPI).—The President's budget includes \$3,297 million in budget authority and \$3,252 million in outlays for the increased cost of pay resulting from the October 1979 pay raise for military and civilian personnel of the Department of Defense and increased benefits to retired military personnel resulting from higher than anticipated increases in the CPI.

Unanticipated Price Increases.—The President's budget included supplemental requests totaling \$922 million for the Department of Defense and the Department of Energy for unanticipated price increases. In addition, requests for the Selective Service System, Federal Emergency Management Agency, and Stockpile Sales, netting to —\$6 million, have been transmitted. The Office of Management and Budget has indicated that an additional DOD supplemental request will be transmitted for increased fuel prices. It is currently estimated that this additional transmittal, combined with previously transmitted requests, will total \$2 billion.

Second Budget Resolution for Fiscal Year 1980

The Second Budget Resolution for Fiscal Year 1980 provided \$141.2 billion in budget authority and \$129.9 billion in outlays for the function. Items enacted to date plus the President's request for pay supplemental and CPI increases for retired military pay are \$0.5 billion in budget authority and \$0.1 billion in outlays under the target for this function. However, the Second Resolution assumed absorption of a portion of the October 1979 pay raise, while the President's assumes no absorption.

Recommendation

The Committee recommends \$142.5 billion in budget authority and \$132.7 billion in outlays for the National Defense function in fiscal year 1980. The fiscal year 1981 impact of this recommendation is negligible. These totals represent an increase of \$1.3 billion in budget authority and \$2.8 billion in outlays from the Second Concurrent Resolution for Fiscal Year 1980.

The recommendation assumes that 20 percent of the October 1979 pay raise can be absorbed, that the congressional initiatives for military pay increases and annualization of COLA will be enacted, and includes \$2 billion for price increases for fuel and other commodities.

The following table summarizes pending and anticipated supplemental requests along with the recommended level.

[In millions of dollars]

	President's anticipated request			Recommended level		
	Fiscal year 1980		Fiscal year 1981 outlays	Fiscal year 1980		Fiscal year 1981 outlays
	Budget author- ity	Out- lays		Budget author- ity	Out- lays	
Pay supplemental and CPI increases for retired military pay.....	3, 297	3, 252	45	2, 731	2, 694	37
Military pay increases.....				306	306	
Annualization of COLA.....				57	57	
Unanticipated price increases.....	2, 000	2, 000		2, 000	2, 000	
Total.....	5, 297	5, 252	45	5, 094	5, 057	37

● *Outyear Impact of Recommendation*

There is no outyear impact of this recommendation. Annualization of COLA and military pay increases are addressed individually in recommendation 3 and recommendation 4.

3. INCREASE MILITARY PAY AND ALLOWANCES

● *President's Budget Reestimated by CBO*

Included within the President's request is \$208 million which relates to the increased military pay and allowances provided in the Nunn-Warner amendment to H.R. 5168. The Nunn-Warner amendment passed the Senate by a vote of 86-1 and will be an issue in the House-Senate conference on H.R. 5168.

● *House Committees' Views and Estimates*

The Armed Services Committee expressed concern that military pay is too low and recommended a \$1.1 billion increase to the President's budget for this item.

● *Recommendation*

The recommendation assumes passage of a conference agreement on H.R. 5168 which will include increases in military pay and allowances totaling \$545 million above the amounts included in the President's budget.

● *Outyear Impact of the Recommendation*

The increases in military pay and allowances provided by the Nunn-Warner amendment are permanent. The recommendation assumes the outyears would be increased to accommodate the changes.

4. CHANGE THE COST-OF-LIVING ADJUSTMENT FOR MILITARY RETIREES TO ONCE A YEAR

● *President's Budget Reestimated by CBO*

The President has not recommended a change in the current law which provides twice a year cost-of-living adjustments for military retirees.

● *House Committees' Views and Estimates*

The Armed Services Committee did not address cost-of-living adjustments although a recommendation to change the adjustment to once a year was included in the Second Budget Resolution last year.

● *Recommendation*

The recommendation assumes enactment of legislation to annualize the cost-of-living adjustment, which will result in savings of \$460 million in fiscal year 1981 and put the cost-of-living adjustment for military retirees on the same basis as that for social security recipients.

● *Action Required to Implement Recommendation*

This change would require legislation within the jurisdiction of the Armed Services Committee. Savings are based on the assumption that legislation will be enacted by July 1, 1980.

● *Outyear Impact of Recommendation*

Under current law the benefits received by retired military personnel are adjusted twice a year for changes in the Consumer Price Index (CPI). The recommendation assumes changes in the current law to provide an annual adjustment to replace the current semi-annual adjustment. The changes are assumed to be implemented in July 1980, which results in a cost of \$57 million in fiscal year 1980 and savings of \$460 million in fiscal year 1981. Retired military personnel received a cost-of-living adjustment in March 1980 for changes in the CPI between July and December 1979 and would get a special cost-of-living adjustment in July 1980 for changes in the CPI between December 1979 and the first quarter of 1980. Subsequent cost-of-living adjustments would be made annually in July based on first quarter over first quarter CPI changes.

Similar changes are assumed for civilian retirement benefits in the recommendation for Function 600. The following table summarizes the estimated savings resulting from an annual cost-of-living adjustment for retired military and civilian employees.

In millions of dollars	1980	1981	1982	1983	1984	1985	Total
050 Military.....	+57	-460	-441	-457	-440	-446	-2,187
600 Civilian.....	+106	-590	-596	-671	-688	-740	-3,179
Total.....	+163	-1,050	-1,073	-1,128	-1,128	-1,186	-5,366

5. REQUIRE ABSORPTION OF A PORTION OF THE PAY RAISE

● *President's Budget Reestimated by CBO*

The President has assumed enactment of pay reform legislation which would broaden the concept of pay comparability for civilian employees to include fringe benefits and would decouple military pay raises from civilian pay raises and provide for a military pay raise equal to the increase in pay and benefits in the surveyed population. The President estimates that under the pay reform legislation, civilian employees would receive a 6.2 percent pay raise and military personnel would receive a 7.4 percent pay raise. Wage board pay is assumed to be capped at 6.5 percent. The amount included in Allowances in Subfunction 051 is \$1.3 billion less than that required to finance the pay raises estimated by the President. This is equivalent to 40 percent absorption.

● *House Committees' Views and Estimates*

The Armed Services Committee noted that the President's estimated pay raise appears to be low and that the allowance for pay raise assumes passage of pay reform legislation.

● *Recommendation*

The recommendation assumes the President's legislative assumptions and allowance for pay raise for fiscal year 1981, which will result in approximately 40 percent absorption. While this is higher than the 20 percent absorption in recent years, it is a suitable target when all agencies are being asked to reduce costs.

● *Action Required to Implement Recommendation*

Enactment of the President's pay reform legislation will require action by the Post Office and Civil Service Committee and the Armed Services Committee. If the committees fail to act, the President may offer an alternative pay plan, but the President does not have authority under current law to propose different pay raises for military personnel. If the President does not submit a pay proposal which is consistent with the funding provided, the Congress may reject the President's pay proposal.

● *Outyear Impact of the Recommendation*

In recent years, absorption has averaged 20 percent in this function as summarized in the following table. The outyear figures assume absorption at 20 percent in 1982 and 1983.

FUNCTION 050: PAY RAISE AND ABSORPTION

[Dollar amounts in millions]

	Budget authority			
	Average 1971-79	1979	1980	1981
Percent raise:				
Military.....				7.4
Wage board.....		5.5	7	6.5
Civilian.....				6.2
Dollar price.....	2,292	2,177	2,871	3,132
OMB request.....	2,025	1,849	2,830	1,847
Congressional enactment.....	1,823	1,796	(1)	(1)
Dollar absorption:				
OMB.....	267	328	41	1,285
Congress.....	202	53	(1)	(1)
Total.....	469	381	41	1,285
Percent absorption:				
OMB.....	11	15	1	41
Congress.....	9	2	(1)	(1)
Total.....	20	18	1	41

¹ These actions have not yet occurred. The recommendation for fiscal year 1980 assumes 20 percent pay absorption.

6. REDUCE THE LEVEL OF PURCHASES

● *President's Budget Reestimated by CBO*

The President's budget request for non-personnel items is \$94.4 billion in budget authority and \$82 billion in outlays. The areas included are procurement, research and development, military construction, family housing, operation and maintenance purchases and atomic energy defense activities. In the President's budget (1/28/80) these areas contain real growth of more than 5 percent in budget authority and more than 3 percent in outlays. In certain areas which do not directly contribute to military readiness, such as program-wide management and procurement of support items, the real growth is even higher (approximately 8.9 percent in budget authority).

● *House Committees' Views and Estimates*

The House committees did not specifically address all of these areas of the President's budget. However, both the Appropriations and Armed Services Committees proposed increases to the President's January 28, 1980 defense budget for fiscal year 1981. The Armed Services Committee views and estimates recommended a \$13.2 billion increase to the President's budget total for defense.

● *Recommendation*

The recommendation assumes a reduction in budget authority of \$1.6 billion and \$1.0 billion in outlays for fiscal year 1981.

The recommendation is based on the following considerations:

(1) Both the procurement of support items and program-wide management increase more than the assumed inflation rate for fiscal year 1981 (real growth of approximately 8.9 percent). These are not the highest priority areas in defense and a reduction or deferral of some of these costs should not impact adversely on defense capabilities.

(2) Funding for the M-X program is fiscal year 1981 is \$1.6 billion, and total system costs are estimated to exceed \$50 billion. Approximately \$0.5 billion of the fiscal year 1981 request is related to the development of basing, sometimes called the "racetrack concept." Deployment of M-X "racetracks" is estimated to require more than \$20 billion in military construction appropriations alone. There are many who believe that the racetrack concept of basing is not a viable approach for the M-X, particularly residents of Utah and Nevada, where the missiles will be located. A slowdown in funding for basing may be appropriate until this matter is resolved. The M-X basing concept should be carefully reexamined by the Department of Defense and the Congress.

(3) There has not been a major change to the Status of Forces Agreement with the Federal Republic of Germany or Japan since their signing of this Agreement in the early 1950's. Since that time both nations have experienced substantial economic growth. At the same time, the cost to the United States of maintaining and improving the strategic umbrella for our own security and the security of our allies has dramatically increased and major new improvements will require substantial resources in the future. Based on these considerations, it seems reasonable to ask our allies, particularly the Federal Republic of Germany and Japan, to increase their contributions to the mutual

defense effort by assuming a large share of the cost of maintaining U.S. forces stationed in their countries.

(4) Each year during the appropriations process, reductions are identified in the defense budget. These reductions are made in many line items and result in a variety of causes including schedule slippages, redefinition of requirements and identification of operating efficiencies, but the sum of all these reductions is quite significant. It is anticipated that these types of reductions in the fiscal year 1981 budget will again be made in the appropriations process.

- *Action Required to Implement Recommendation*

The Appropriations Committee can by its normal review adjust the defense budget.

- *Outyear Impact of the Recommendation*

The estimate assumes the reductions are made in fiscal year 1981 only, except for changes in host nation support, which are assumed to continue in the outyears.

7. REDUCE OPERATING AND ADMINISTRATIVE COSTS

- *President's Budget Reestimated by CBO*

The Department of Defense budget includes approximately \$3.0 billion in fiscal year 1981 for administrative activities. These activities include operation of departmental headquarters, service-wide personnel administration, public affairs, audiovisual activities, and the administration of construction and real property maintenance planning. A staff of approximately 74,900 are assigned to these administrative activities.

- *House Committees' Views and Estimates*

Neither the Appropriations Committee nor the Armed Services Committee specifically addressed this area of the budget.

- *Recommendation*

The recommendation assumes reduction in overhead costs consistent with reductions assumed in civilian agencies which is discussed elsewhere in this report (Function 920). This reduction could be achieved through a combination of reduced hiring with a resulting reduction in personnel levels, a slowdown in promotions, and a general reduction in the level of activity.

- *Action Required to Implement Recommendation*

The Appropriations Committee can adjust the defense budget by its normal review.

- *Outyear Impact of Recommendation*

The recommendation assumes that the reductions in fiscal year 1981 will not be restored in the outyears.

FUNCTION 150: INTERNATIONAL AFFAIRS

The Committee recommends \$24.0 billion in budget authority and \$9.6 billion in outlays for this function. These totals represent decreases of \$0.6 billion in budget authority and \$0.2 billion in outlays from the President's budget as reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request 1/28/80.....	16.9	9.6	14.2	10.2	14.2	11.2
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....	+7.7	+2	+2.2	+1	+1.9	-.3
President's budget reestimated.....	24.6	9.8	16.4	10.3	16.1	10.9
Major policy recommendations:						
2. 1981 impact of 1980 supplementals and conference report on H.R. 4473 foreign assistance appropriation bill for fiscal year 1980.....	+5	+2		+2		+1
3. Reduce foreign assistance program levels.....	-1.1	-.4	-.2	-.5	-.2	-.3
Total difference.....	-.6	-.2	-.2	-.3	-.2	-.2
Committee recommendation.....	24.0	9.6	16.2	10.0	15.9	10.7

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

The increase in estimates for budget authority over the President's request are due to assumptions concerning obligation rates for the Military Sale Trust Fund and budget treatment of the Seventh Quota increase in the International Monetary Fund. Outlays increase as a result of higher spendout rates for the Economic Support Fund. Details of the budget authority reestimates are shown below.

[In billions of dollars]

	Budget authority	Outlays
● Military sales trust fund:		
President's estimate (net).....		
Recommendation.....	2.1	
Change.....	+2.1	

This account records the net impact of Foreign Military Sales Trust Fund activities. The President's estimate and the recommendation both assume that trust fund outlays will be offset by receipts from customers. However, the recommendation assumes higher obligations (budget authority) in fiscal year 1981.

[In billions of dollars]

	Budget authority	Outlay
● International monetary fund (IMF):		
President's estimate.....		
Recommendation.....	5.6	
Change.....	+5.6	

The President's budget assumed that authority for U.S. participation in the Seventh Quota increase of the IMF would be provided by authorizing legislation and by limitation language in an appropriation act. The recommendation assumes that the Congress will treat the IMF quota as a regular appropriation item and that budget authority will be provided for the full amount of the United States quota.

2. FISCAL YEAR 1981 IMPACT OF 1980 SUPPLEMENTALS AND CONFERENCE REPORT ON HR 4473, FOREIGN ASSISTANCE APPROPRIATIONS BILL FOR FISCAL YEAR 1980

● *President's Budget Reestimated by CBO*

The President's budget request for fiscal year 1980 supplementals is as shown below.

[In millions of dollars]

	Fiscal year 1980 President's request		Fiscal year 1981 outlays
	Budget authority	Outlays	
1. Pakistan assistance.....	110	100	
2. Special Central American assistance.....	80	70	10
3. Public Law 480 food for peace programs.....	197	197	
4. State Department/Board for International Broadcasting.....	21	18	3
5. Contributions to international organizations.....	27	1	26
6. Foreign Service retirement fund.....	5	5	
Total.....	440	391	39

- *Conference Report on HR 4473, Foreign Assistance Appropriation Bill for Fiscal Year 1980*

The conference report on HR 4473 was reported on February 27, 1980 but has not yet been considered by the House. The conference report provides increased foreign assistance funding levels of \$1.1 billion in budget authority and \$0.2 billion in outlays over those in the Continuing Resolution for Fiscal Year 1980 and results in an increase of \$0.5 billion in budget authority and \$0.2 billion in outlays over the President's estimates for fiscal year 1981.

- *Second Budget Resolution Recommendation for Fiscal Year 1980*

The Second Budget Resolution made no specific assumption concerning supplemental requests other than that the funding levels would be sufficient to provide for emergency assistance for Cambodia.

The spending provided in the conference report on HR 4473 Foreign Assistance appropriation bill for fiscal year 1980 is essentially in agreement with the assumptions in the Second Budget Resolution except that the conference report provides for substantially higher Export-Import Bank direct loan program levels.

- *Recommendation*

The recommendation assumes \$15.8 billion in budget authority and \$10.1 billion in outlays for International Affairs in fiscal year 1980, and would assume approval of the President's supplemental requests and the conference report on HR 4473, Foreign Assistance appropriation bill for fiscal year 1980.

- *Outyear Impact of Recommendation*

No outyear impact is assumed in connection with approval of the President's supplemental requests. Approval of the conference report on HR 4473 will result in increases over the President's estimates for outlays in fiscal year 1982 of \$0.2 billion and in fiscal year 1983 of \$0.1 billion. This increase in outyear spending results from Export-Import Bank direct loan program levels which are higher in the conference report than in the President's budget request.

3. REDUCE FOREIGN ASSISTANCE PROGRAM LEVELS

- *President's Budget Reestimated by CBO*

The President's January budget request of \$14.9 billion in budget authority and \$8.4 billion in outlays would provide little real growth (less than 1 percent) in foreign assistance programs compared with the levels provided in the conference report on the Foreign Assistance appropriation bill for fiscal year 1980.

- *House Committee's Views and Estimates*

The Appropriations Committee recommended an increase of \$200 million over the President's January budget request for Public Law 480 Food for Peace programs.

The Foreign Affairs and Banking Committees support the President's budget request levels for programs in this function. However, the Foreign Affairs Committee noted that the President is revising his budget request and the Committee may wish to amend its recommendation after reviewing the President's amended proposal.

- *Recommendation*

The recommendation assumes \$13.8 billion in budget authority and \$8.0 billion in outlays which would constitute a real decline in funding for these programs in fiscal year 1981. However, in keeping with the continued efforts to achieve a peace settlement in the Middle East, the recommendations assume full funding of the assistance programs for Egypt and Israel.

The recommended level constitutes a reduction in new outlays for foreign assistance programs of about 10 percent from the President's request. It assumes reductions in foreign assistance programs including: bilateral and multilateral assistance, Public Law 480 Food for Peace commodity shipments, refugee assistance, and the direct loan programs of the Export-Import Bank.

- *Outyear Impact of the Recommendation*

The recommendation assumes that the outyear impact of this budget stringency in fiscal year 1981 will be modest. Most of the programs involved can be modified substantially on a year to year basis. The outyear spending projections assume that fiscal conditions will allow for the President's projected levels for fiscal year 1982 and 1983 for the Food for Peace and Export-Import Bank programs and assume a gradual resumption in growth in other foreign assistance areas.

FUNCTION 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The Committee recommends \$6.7 billion in budget authority and \$6.3 billion in outlays for this function. These totals represent decreases of \$0.2 billion in budget authority and \$0.1 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	6.9	6.4	6.9	6.9	7.0	7.0
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....	(¹)	(¹)	(¹)	0.2	(¹)	.1
President's budget reestimated..	6.9	6.4	6.9	6.7	7.0	6.9
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....		(¹)				
3. Level of funding.....	.2	.1		(¹)		(¹)
Total difference.....	.2	.1		(¹)		(¹)
Committee recommendation.....	6.7	6.3	6.9	6.7	7.0	6.9

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

The Committee recommendation for fiscal year 1981 incorporates relatively small CBO reestimates of eight accounts in the National Science Foundation, the Department of Energy, and the National Aeronautics and Space Administration. For fiscal years 1982 and 1983, the estimating differences primarily involve outlays in the various NASA programs.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President's fiscal year 1981 budget contains a fiscal year 1980 supplemental request of \$300 million in budget authority and \$200 million in outlays for the NASA space shuttle program. The CBO reestimates the outlays to be \$180 million. This additional funding would permit a strengthening of ongoing development effort to overcome remaining technical problems to make possible a fully operational Shuttle system beginning in 1982. The most difficult of these technical problems is the installation and testing of the thermal protection system. This system consists of over 30,000 tiles to provide protection against extreme temperatures that will be experienced upon the Shuttle's reentry to the Earth's atmosphere. In addition, more work than anticipated has been required on systems qualification and certification testing across all elements of the programs. As a result, the first orbital flight is now planned for late 1980 or the first quarter of 1981.

● *Second Budget Resolution for Fiscal Year 1980*

The supplemental request for the NASA space shuttle program was not assumed in the Second Budget Resolution for fiscal year 1980; however, this supplemental is assumed in the Committee's recommended revision of that Resolution.

● *Recommendation*

The Committee recommendation assumes \$300 million in budget authority and \$180 million in outlays to accommodate the additional funding requirement in the space shuttle program. This recommendation recognizes that technical problems are being experienced in the development of the shuttle, but supports the President's decision to maintain the current schedule for development and production of a four orbiter space transportation system (STS). This system is required to support critical civilian and national security missions in the 1980's.

To the extent that supplemental appropriations are not provided, further delays in the Shuttle schedule are likely to occur. This would likely cause higher cost in the program for fiscal year 1982 and fiscal year 1983 than currently planned. A preliminary estimate of the impact if the supplemental is not approved indicates an approximately delay of 3 to 4 months in the first orbital flight and 7 to 9 month in the deliveries of the follow-on orbiters. This would result in total increases in direct program cost of \$600 to \$850 million and reductions in Shuttle employment at the end of fiscal year 1980 exceeding 20,000 jobs. Assuming the mid-point of this range (\$725 million), the approximate phasing of the direct program cost increase is as follows:

[In millions of dollars]

Effect of no supplemental:

Fiscal year:

1980	-----	-300
1981	-----	+ 60
1982	-----	+275
1983	-----	+300
Balance to complete	-----	+390

In addition to the direct program impact, a slip in the Shuttle program would impact other programs in areas such as additional expendable launch vehicle procurement; extension of Shuttle development supporting activities; delay of the Tracking and Data Relay Satellite services; and extension of STS users' payload processing schedules for launch. This impact is estimated to increase total costs approximately \$500 million of which \$100 to \$150 million could occur in FY 1981.

Therefore, the Committee recommendation appears to be the most cost-effective approach to maintaining the current schedule for development and production of a space transportation system.

- *Multiyear Perspective*

The Committee recommendation would result in outlays of \$110 million in fiscal year 1982 and \$10 million in fiscal year 1983.

LEVEL OF FUNDING

- *President's Budget Reestimated by CBO*

The President's budget recommends a net increase of \$739 million in budget authority and \$589 million in outlays above the fiscal year 1980 levels for this function. The budget recommends significant real growth for general science and basic research programs in the Department of Energy (DOE) and National Science Foundation (NSF). This is a continuation of the administration's commitment to real growth in Federal support of science as a long-arm investment in the Nation's economic future. For the National Aeronautics and Space Administration (NASA) space research and technology programs, the budget continues to focus on the development and production of the space transportation system. The key components of this system are four reusable shuttle orbiters capable of carrying payloads into orbit and returning to Earth for subsequent missions. The budget request for fiscal year 1981 also assumes enactment of fiscal year 1980 supplemental appropriations for the shuttle program. The President's budget assumes that this supplemental along with the funding requested in fiscal year 1981 should be sufficient to maintain the schedule for an operational shuttle system by 1982.

- *House Committees' Views and Estimates*

The House Science and Technology Committee recommends a net increase of \$35 million in budget authority and \$35 million in outlays to accommodate authorizations it plans to report. These include annual authorizations for the NASA, the NSF, and the DOE. The Committee emphasizes that many of the estimates contained in the report were developed prior to subcommittee and full committee markup and are subject to change in light of the President's anticipated changes to his January budget request.

The House Appropriations Committee comments that the fiscal year 1981 NASA budget is predicated on a first manned orbital launch of the Space Shuttle no later than the end of the first quarter of 1981. The Committee also states that recent technical problems suggest that the likely launch date will be during or at the end of that period. Any slippage of the Shuttle schedule beyond the first quarter will result

in an additional funding requirement relative to the length of the delay, but a minimum magnitude of from \$50 to \$100 million. The Committee further states that ultimate actions taken on the fiscal year 1981 request for the NSF will be within the budget as proposed.

● *Recommendation*

The Committee recommendation assumes that the level of funding for programs in this functional category will be held to \$6.7 billion in budget authority and \$6.3 billion in outlays. This level of funding is slightly below the President's request with the exception of the Space Shuttle program; however, the recommendation in no way should be interpreted as a retreat from the strong commitment to sustained growth in federal support to research and science. Rather it should be viewed as a necessary trade-off among programs of nearly equal importance substantively, but somewhat different in terms of urgency. On one hand basic research and science programs are fundamental to increased productivity and to the future economic well-being of the Nation. However, some of these programs are lower in priority than others in terms of their contributions to productivity, thus better able to absorb a pause in growth. This is possibly true, for example, of those NSF programs that could be referred to as "soft" sciences; DOE high energy physics research; and certain non-Shuttle research in NASA. On the other hand the Space Shuttle, though experiencing some technical problems, is on a date-certain schedule for supporting critical civilian and national security missions. Therefore it appears that at least for fiscal year 1981, a period of extremely tight fiscal policy funding for final development of the Space Shuttle deserves a higher priority than other programs in this functional category. As fiscal and economic conditions improve in the near-term, appropriate growth in funding should be resumed in basic research and science as a way of assuring increased productivity and economic growth over the long-term.

● *Action Required to Implement Recommendation*

This Committee recommendation can be implemented through the appropriation process.

● *Outyear Impact of Recommendation*

The Committee recommendation assumes that moderate growth in basic research and science programs will resume in fiscal year 1982 and reach the President's planning level in fiscal year 1983. For space research and technology, the recommendation assumes the funding for the Space Shuttle development will decline beginning in fiscal year 1982. This would be somewhat offset in fiscal years 1982 and 1983 by development costs of those missions deferred in fiscal year 1981.

FUNCTION 270: ENERGY

The committee recommends \$7.5 billion in budget authority and \$7.1 billion in outlays for this function. These totals represent decreases of \$0.5 billion in budget authority and \$1.6 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year plan 1982		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, January 28, 1980..	7.4	8.1	9.2	11.0	12.4	13.5
1. Reestimates (by CBO):						
Changes due to economic assump- tions.....						
Other reestimates.....	+ .6	+ .6	+ .5	+ .2	+ .5	- .4
President's budget reestimated..	8.0	8.7	9.7	11.2	12.9	13.1
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....		- .1				
3. Strategic petroleum reserve.....		-1.0				
4. National petroleum reserve in Alaska.....						
5. Spent Nuclear Fuel Act.....		- .1	.3			.1
6. Reductions in all other energy pro- grams.....	- .5	- .4	-1.4	- .7	-2.7	-1.5
Total difference.....	- .5	-1.6	-1.1	- .7	-2.7	-1.4
Committee recommendation.....	7.5	7.1	8.6	10.5	10.2	11.7

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

The Committee recommendation incorporates all of the reestimates made by CBO. In fiscal year 1981, various accounts are reestimated in different directions with the resulting net change totalling an increase of \$609 million in budget authority and \$580 million in outlays. The major changes include: -\$146 million in outlays for new energy initiative programs; +\$176 million for several energy supply R&D programs; -\$100 million for the spent nuclear fuel storage

proposal; -\$203 million in Naval Petroleum Reserve receipts which is offset in turn by a simple transfer of +\$806 million to receipts collected under the windfall profits tax in general revenues; +\$175 million in Strategic Petroleum Reserve outlays; and -\$83 million in energy conservation program outlays.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

• *President's Budget Reestimated by CBO*

The President has requested supplemental funding for a series of existing energy programs, as well as for new energy initiative programs. Requests for existing energy programs include: \$308 million in budget authority and outlays to continue operating uranium enrichment plants owned by the government, because power costs to operate these plants have escalated more than anticipated, and sales of enriched uranium have lagged; \$43 million in budget authority and \$23 million in outlays, to begin to put into place a standby emergency plan to ration gasoline; \$20.2 million in budget authority and outlays to fund Energy Information Administration activities required under the Emergency Energy Conservation Act (S. 1030); \$49 million in budget authority and \$6 million in outlays for new Nuclear Regulatory Commission programs responding to suggestions made by the Kemeny Commission on the Three-Mile Island incident; and a variety of small supplementals for fossil fuel, energy supply, conservation, regulation, and departmental administration activities.

Requests for new energy initiatives include: \$300 million in budget authority, zero in outlays for fiscal year 1980 and \$100 million in fiscal year 1981, for the Administration's proposed Spent Nuclear Fuel Act; \$257 million in budget authority and \$25 million in outlays, of which \$135 million in budget authority is to fund the new Energy Conservation and Solar Bank proposals now in conference (S. 932), \$50 million is for additional coal R&D, \$50 million for new biomass and gasohol initiatives, and the remainder for a variety of energy conservation activities.

The President also recommends a rescission of \$18 million in fiscal year 1980 funds for the federal exploration program in the National Petroleum Reserve in Alaska. Finally, the windfall profits tax would transfer \$284 million from Naval Petroleum Reserve offsetting receipts to general revenues, requiring a supplemental of this amount for Function 270, but having no net impact on the deficit.

• *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution anticipated supplemental budget requests for solar and conservation programs, especially for fully funding some of these initiatives. As such, the Second Budget Resolution anticipated \$2,500 million in budget authority and \$560 million in outlays for these programs.

• *Recommendation*

The recommendation assumes funding at the level requested by the President, except for the following reductions: a reduction of \$300 million in budget authority in fiscal year 1980, and \$100 million in outlays in fiscal year 1981 for the spent nuclear fuel storage proposal,

which reflects the assumption that a decision to fund this program will not be made until fiscal year 1982; and a reduction of \$135 million in budget authority and \$14 million in outlays from the President's proposed new energy initiatives, including a reduction of \$121 million in fiscal year 1981 outlays related to this item. The recommendation also assumes Congressional approval of the President's proposed rescission of \$18 million in fiscal year 1980 funds for the federal exploration program of the National Petroleum Reserve in Alaska.

Finally, the recommendation assumes passage of the windfall profits tax, and that \$284 million in offsetting receipts from the Naval Petroleum Reserve will be transferred to general revenues which will require a supplemental in this amount for function 270 programs. This transfer of monies is a simple accounting change which has no effect on the deficit. All combined, the recommendation assumes \$834 million in budget authority and \$674 million in outlays to fund these supplementals.

- *Multiyear Perspective*

The Committee recommendation for fiscal year 1980 assumes reductions that will permit outlay reductions in fiscal year 1981 of about \$121 million from the President's Budget. There is no other outyear impact, since all of the supplementals would spend out in fiscal year 1981.

3. STRATEGIC PETROLEUM RESERVE

- *President's Budget as Reestimated by CBO*

The President's request for the Strategic Petroleum Reserve for fiscal year 1981 includes a reappropriation of \$2,404 million in existing budget authority which would otherwise expire, plus spendout reflecting the storage of 100,000 barrels a day on average throughout fiscal year 1981. This would raise the oil stored from an anticipated level of 104 million barrels on September 30, 1980, to 140 million barrels the following year. Thus, of the \$1,469 million in outlays, \$1,284 million is for the storage of oil, while the remaining \$185 million is for expenditures for providing storage facilities, and general program operation.

- *House Committees' Views and Estimates*

The Interstate and Foreign Commerce Committee report points out that the figures being used in the budget are very conservative estimates of what should be done. The Appropriations Committee report indicates that purchases may not be resumed in fiscal year 1981.

- *Recommendation*

The Committee recommendation assumes that either approximately 22,000 barrels of oil a day will be stored in the Reserve in fiscal year 1981 or, instead, that the 100,000 barrels of oil a day the administration planned to store will be obtained at prices far below market levels, perhaps at prices reflecting the price of "old oil." While this is an important program, overall budget requirements argue against significant expenditures in fiscal year 1981. The recommendation assumes that filling the Reserve shall proceed at the most rapid feasible

rate as soon as budget requirements permit, and therefore the recommendation assumes reappropriation of the full amount of budget authority which would otherwise expire.

● *Action Required to Implement Recommendation*

In order to implement the recommendation, the administration should acquire reduced amounts of oil for the Reserve throughout fiscal year 1981, or instead take steps to, in effect, allocate 100,000 barrels a day of "old oil" to the Strategic Petroleum Reserve program.

● *Outyear Impact of the Recommendation*

In fiscal year 1982, the administration will be free to purchase oil for the Reserve as rapidly as market conditions permit at the time, up to the technical fill-rate limit of the Reserve. Thus, the effect of the recommendation is to push out to future years the filling of the Reserve, and presumably to increase the cost of the oil that will finally be stored in the Reserve.

4. NATIONAL PETROLEUM RESERVE IN ALASKA

● *President's Budget Reestimated by CBO*

The President has proposed that the present federally run program to explore the National Petroleum Reserve in Alaska be terminated and replaced by a private exploration program after the tracts had been leased under competitive bidding procedures. The exploration program has been funded in each of the past four years at levels which total \$718 million. The administration proposes that fiscal year 1980 funding of \$78 million be rescinded, and that remaining funds be used to terminate the program in fiscal year 1981.

● *House Committees' Views and Estimates*

The Interior and Insular Affairs Committee recommends that the drilling program be extended for another year and probably two, at least until the private exploration program could be in place. The Appropriations Committee reports that "there will be controversy over the proposed termination of exploratory drilling on the National Petroleum Reserve in Alaska," and indicates that it will cost \$35 million for each deep well to be drilled, and \$15 million for each medium depth well.

The Interior and Insular Affairs Committee recommends increases of almost \$100 million in budget authority and an almost equivalent amount of outlays.

● *Recommendation*

The Committee recommendation assumes that the President's recommendation to terminate the federal drilling program in fiscal year 1981 will be adopted. If termination is not adopted, and funding for another year of drilling is instead provided, it will cost the Treasury at least \$150 million more, \$100 million in fiscal year 1981 and at least \$50 million in termination costs in fiscal year 1982. The recommendation assumes that legislation providing for private exploration of this land, with competitive bidding for acreage, will soon be enacted, so that these lands will be able to be explored without delay, and without cost to the Federal Government. It may be possible to instead collect

money for the leasing of these lands. The recommendation also assumes approval of the President's rescission of \$18 million in fiscal year 1980 funds for this program.

- *Action Required to Implement Recommendation*

The outlay savings for fiscal year 1981 can be achieved through the appropriations process. This would also require positive action on the President's proposed rescission of fiscal year 1980 funds. Implementation of the leasing recommendation would require legislative action by the Committee on Interior and Insular Affairs.

- *Outyear Impact of the Recommendation*

Unless the Committee recommendation is adopted, it will cost the Federal Government at least \$100 million in fiscal year 1981, and \$50 million or more in fiscal year 1982. Roughly, it will cost the government \$150 to \$250 million for each year of additional Federal drilling effort.

5. SPENT NUCLEAR FUEL ACT

- *President's Budget Reestimated by CBO*

For the past five years, the U.S. has been unable to resolve the issues involved with completing the nuclear fuel cycle. More importantly, there has been a reversal of the previous governmental position regarding the reprocessing of burned reactor fuel. As a consequence, low level liquid wastes at reactor sites have continued to grow. There are now over 70 operating reactor sites in the U.S. and many nuclear specialists feel that it would be safer to store these wastes at a single, well managed facility, rather than at sites dispersed throughout the country.

Such storage would be "temporary" (although it may stretch out for decades) prior to final permanent disposal and whatever treatment methods are finally agreed upon. Such a decision, regarding final nuclear waste disposal, may take years to be reached.

The President's budget proposes to build such a facility or facilities with a \$300 million revolving fund to be appropriated in fiscal year 1980—the spent nuclear fuel storage fund—including \$100 million in preassessed fees to be collected in fiscal year 1980. The legislation was introduced a year ago, but there is some question as to whether it could be reported by May 15, and whether it would be possible for DOE to collect \$100 million in preassessed fees in fiscal year 1980, given the uncertainties regarding where the facility, or facilities would be located. Thus, CBO estimates that the proposal would collect no fees in fiscal year 1980, but that it would cause the expenditure of \$100 million in outlays in fiscal year 1981.

- *House Committees' Views and Estimates*

The Interstate and Foreign Commerce Committee "has no specific recommendation on this proposal at this time." The Interior and Insular Affairs Committee supports legislation to do many of the same things the President's proposal would do, and recommends funding of \$108 million in budget authority and \$33 million in outlays for this purpose in fiscal year 1981.

- *Recommendation*

The Committee recommendation assumes that the President's proposal will not be funded until fiscal year 1982. Thus, the recommendation assumes budget authority of \$300 million and outlays of \$100 million in fiscal year 1982. The President's budget requested funding for this initiative in fiscal year 1980, with outlays reestimated by CBO at \$100 million in fiscal year 1981.

- *Action Required to Implement Recommendation*

The Committee recommendation can be implemented through the appropriations process.

- *Outyear Impact of the Recommendation*

Since the fees charged for storing the spent fuel will be established to cover all expenses, plus return of capital at competitive market rates (if any federal capital is borrowed), this proposal should not have a net effect on Federal outlays over the long term.

6. REDUCTIONS IN ALL OTHER ENERGY PROGRAMS

- *President's Budget Reestimated by CBO*

The President's budget requests funding for ongoing energy programs, as well as for funding his new energy initiative programs. The request, excluding the strategic petroleum reserve and the spent nuclear fuel storage initiative, totals \$5.6 billion in budget authority and \$7.1 billion in outlays. Within this request, nuclear fission program requests are below those in fiscal year 1980 by almost \$400 million in budget authority, solar and conservation technology programs are substantially level, and conservation grant programs receive large increases, designed to fund the President's new energy conservation initiatives.

- *House Committees Views and Estimates*

Rather than recommending cuts, various House committees recommended increases totalling \$1.8 billion in budget authority and \$1.3 billion in outlays. The Appropriations Committee also recommended significant increases estimated at \$0.8 billion in budget authority and \$0.5 billion in outlays.

The Science and Technology Committee recommended increases totalling nearly \$1.5 billion in budget authority and \$1.1 billion in outlays, including \$0.3 billion in budget authority and \$0.2 billion in outlays for nuclear fission programs, \$0.1 billion in budget authority and outlays for nuclear fusion programs, and \$0.2 billion in budget authority and outlays for each of solar, energy conservation, and geothermal energy programs.

The Public Works Committee recommended increases totalling \$0.3 billion in budget authority, and \$0.1 billion in outlays for Federal building solar energy and conservation projects and for a TVA energy demonstration program.

The Appropriations Committee repeated many of these concerns, regarding nuclear fission and fusion programs, low head hydroelectric programs, and TVA programs among others.

● *Recommendation*

The Committee recommendation assumes that discretionary energy programs in the President's budget, either ongoing projects or new initiatives (excluding those that have already been discussed as well as salaries and expenses), would be reduced by \$500 million in budget authority and \$400 million in outlays. Budget stringency requires that many of the funding requests made by the President be reduced.

The decision as to which specific programs would be reduced would be left to the appropriations process but these could include:

- a delay in the construction of the new Portsmouth, Ohio, uranium enrichment centrifuge plant on the grounds that there is no pressing need for additional enrichment capacity since DOE's existing plants are presently being operated at very low capacity levels;
- reductions in a few ongoing solar energy programs such as in solar central station electric generation programs, the solar satellite program, some solar demonstration programs and part of the ocean thermal energy conversion (OTEC) program, on the grounds that these activities would not be self-supporting economic ventures for a long time and would not contribute significantly to basic R&D knowledge, such as other solar activities in DOE might, e.g., photovoltaics R&D. This may also be warranted because these activities have been granted substantial tax expenditure benefits in the Windfall Profits Tax (H.R. 3919), where residential solar tax credits have been boosted to 40 percent of up to \$10,000 spent (for a maximum credit of \$4,000), from a 30 percent of the first \$2,000 and 20 percent of the next \$8,000 spent (for a maximum credit of \$2,200), two OTEC projects will be granted an additional 15 percent energy credit, and business solar equipment will be granted an additional 15 percent energy credit. Partial reductions could also be made in the President's proposed gasohol loan and loan guarantee initiatives;
- reductions in ongoing and some of the newly proposed energy conservation, fossil, state grant, and regulatory programs. These could include reductions in the proposed EMPA initiative, the regional strategic oil product reserve, the additional coal R&D initiative, and the proposed significantly expanded public information campaign. While no funding is provided in fiscal year 1980 due to delays in the enactment of this initiative, the recommendation for fiscal year 1981 recognizes the important priority that should be given to the proposed "Solar Energy and Conservation Bank" to encourage the weatherization of, and use of solar energy in, American homes; this is especially true during times when credit will be difficult to get, thus, only moderate reductions from the President's proposed funding levels are anticipated for this program. For ongoing programs in this category, the recommendation assumes that several regulatory programs, as well as the schools and hospitals grant program may be funded at levels below those proposed by the President.
- no funding is assumed in the resolution for the President's "utility oil use reduction" initiative. Although it is proposed for funding at only \$25 million in 1981, it grows very rapidly, reaching \$500 million and \$1.2 billion in fiscal years 1982 and 1983 respectively.

There is significant evidence that rapid oil price increases during the past year and anticipated increases throughout the 1980's will offer significant incentives to encourage utility conversion to other energy sources without creation of a direct federal grant program with such severe budget impact. If additional incentives are required, the Committee believes that they may more appropriately be created through legislation providing special rate treatment for conversion capital investments, rather than by direct federal assumption of conversion costs. Not funding this program accounts for much of the reduction from the President's level in fiscal years 1982 and 1983.

- *Action Required to Implement Recommendation*

The Committee recommendation can be implemented through the appropriations process.

- *Outyear Impact of the Recommendation*

These recommendations, if implemented in fiscal year 1981 would imply reductions in fiscal year 1982 of \$1.4 billion in budget authority and \$0.7 billion in outlays, and in fiscal year 1983 of \$2.7 billion budget authority and \$1.5 billion in outlays.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

The Committee recommends \$12.0 billion in budget authority and \$12.4 billion in outlays for this function. These totals represent decreases of \$1.3 billion in budget authority and \$0.7 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	13.3	12.8	14.7	13.7	15.4	14.1
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....	(1)	+ .3	- .1	+ .1	- .2	+ .3
President's budget reestimated.....	13.3	13.1	14.6	13.8	15.2	14.4
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....		(1)				
3. Oil and hazardous substance liability fund.....	- .1	(1)	- .1	- .1	- .1	- .2
4. Reduction in conservation and recre- ational programs.....	- .5	- .3	- .5	- .3	- .5	- .4
5. Reduction in EPA construction pro- gram.....	- .4	- .1	- .4	(1)	- .5	(1)
6. Reduction in water resources grants programs.....	- .1	- .1				
7. Increased user charges for Corps of Engineers waterways.....						
8. Reduction in remaining discretionary programs.....	- .2	- .2	- .2	- .2	- .2	- .2
Total difference.....	-1.3	- .7	-1.2	- .6	-1.3	- .8
Committee recommendation.....	12.0	12.4	13.4	13.2	13.9	13.6

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

A net reduction of \$43 million in budget authority from the President's fiscal year 1981 request is primarily due to an upward reestimate

of permanent offsetting receipts in the Forest Service such as fees paid by timber purchasers for road construction by the Service.

A net increase of \$348 million in outlays above the level estimated in the President's budget for fiscal year 1981 is due to over 90 reestimates. The two major reestimates are in the Environmental Protection Agency's wastewater treatment construction grants program (+\$150 million) and the Land and Water Conservation Fund (+\$215 million). The reestimate for the EPA construction grants program is due to a significantly upward reestimate of fiscal year 1980 outlays based on first quarter actual outlay levels. The reestimate of the Land and Water Conservation Fund is based on outlay rates which are historically higher than those assumed by the President's estimate.

Some of the other upward reestimates of outlays from the President's fiscal year 1981 request include the U.S. Fish and Wildlife Service's Construction and Anadromous Fish program (+\$31 million), the National Park Service's construction program (+\$33 million) and a reestimate of a fiscal year 1980 supplemental request for the Coast Guard's Pollution Fund (+\$8 million).

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President requested 15 supplementals for fiscal year 1980 totalling \$247 million in budget authority and \$270 million in outlays. The President's request for three of these supplementals is discussed as follows:

Forest firefighting—The President requested \$157 million in budget authority and \$145 million in outlays for this item, most of which is for the Forest Service.

The fiscal year 1980 appropriations bill containing Forest Service funding provided only partial funding for firefighting. The report accompanying the House-passed bill states that it contains an "initial amount" for this purpose. It is therefore likely that a supplemental appropriation will be approved. The recommendation assumes such action.

Corps of Engineers construction projects—The President requested \$36.9 million in budget authority and \$92.3 million in outlays for this item.

The Corps of Engineers projects total additional needs in fiscal year 1980 of \$178.5 million. To meet these needs the Corps has identified \$37.1 million in surplus funds from 34 projects, requested a transfer of \$55.4 million from the flood control and coastal emergencies account, and deferred \$35.7 million in lower priority projects. This leaves the requirement in fiscal year 1980 for \$36.9 million in new budget authority.

The primary cause of the additional needs for the Corps in fiscal year 1980 is higher fuel costs. As a result, many contractors are attempting to finish their jobs ahead of schedule so as to reduce losses. This increases the rate of payments by the Corps. Increasing fuel costs are also affecting bids which are received on new jobs.

Pollution Fund—The President has requested \$21 million in budget authority and \$5 million in outlays for oil spill cleanup by the Coast Guard. The extent and longevity of the Campeche oil spill in the Gulf of Mexico will require unanticipated additional efforts by the Coast Guard this spring.

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution Assumed supplemental funding for the following:

[In millions of dollars]

	Budget authority	Outlays
(a) Forest firefighting.....	150	150
(b) Emergency flood control.....	50	50

● *Recommendation*

The Committee recommendation assumes supplemental funding as follows:

[In millions of dollars]

	Fiscal year 1980		Fiscal year 1981: outlays
	Budget authority	Outlays	
(a) Forest firefighting.....	157	145	12
(b) Corps of Engineers construction.....	37	92	-----
(c) Pollution fund.....	21	5	8

The recommendation also notes that except for fiscal year 1979, the January budget requests have not included an estimate of firefighting costs. Instead, these additional funds have been included in a supplemental request. This practice produces an understated budget request. However, the current supplemental request, like previous ones, is itself based on an average of firefighting costs over the last three years. It will provide funds associated with firefighting forest fires in the late fall of 1979, spring of 1980 and early fall 1980. Thus, there appears to be no valid reason why these costs cannot be estimated with the original January request.

● *Outyear Impact of Recommendation*

The outyear impact of the recommendation is as follows:

[In millions of dollars]

	Outlay, fiscal year 1982
a. Forest firefighting.....	-----
b. Corps of Engineers construction.....	-----
c. Pollution Fund.....	8

3. OIL AND HAZARDOUS SUBSTANCE LIABILITY FUND

● *President's Budget Reestimated by CBO*

The President has proposed legislation to provide for the cleanup of oil and hazardous substance spills and dangerous hazardous waste dump sites. Under the President's proposal about 80 percent of the cost of this activity would be provided by a separate fund supported mainly by fees on the oil and chemical companies. This fund is commonly referred to as the "superfund."

The President's proposal assumes expenditures and revenues as follows:

[In millions of dollar]

	Fiscal year—			
	1981	1982	1983	1984
Revenues.....	200	300	400	700
Budget authority.....	250	375	500	500
Outlays.....	45	205	333	441

The proposed legislation would require government notification of spills and the presence of abandoned hazardous waste sites. It would provide emergency authority for the government to clean up and mitigate spills; contain the contamination at waste disposal sites; allow the government to recover clean up costs from liable parties; and provide limited compensation to victims of spills for property damages or loss of income from damage to marine life.

● *House Committees' Views and Estimates*

The Interstate and Foreign Commerce Committee states that it "believes legislation dealing only with hazardous waste sites will pass the Committee, with a reduced Federal contribution from the President's proposal". This would result in fiscal year 1981 budget authority and outlays of \$50 million, 1982 budget authority and outlays of \$75 million, and 1983 budget authority and outlays of \$100 million. The Merchant Marine and Fisheries Committee makes no recommendation on changes to the fund proposed by the President. However, it suggests an alternative approach, namely the legislation reported by that Committee last year to establish an oil pollution liability and compensation fund. The Public Works and Transportation Committee made no comment on the President's proposal.

The Appropriations Committee states that "the ultimate form and timing of the authorizing legislation is an open question that may result in possible savings in the fiscal year 1981 request."

● *Recommendation*

The committee recommendation assumes that legislation to accomplish the goals of the President's proposal will be enacted. However, due to the complexity of the legislation and the timing of its enactment, it is assumed that the level of expenditures and revenues contained in the President's request will not be achieved. The recommendation would provide a fiscal year 1981 reduction of \$125 million in

budget authority and \$20 million in outlays plus a \$100 million reduction in estimated revenues for the proposed liability fund.

The recommendation assumes later enactment of the President's proposal or similar legislation for several reasons. First, legislative proposals currently being considered involve a new area of environmental law with regard to the question of liability. Secondly, the issue of scope, that is, to what degree should industry pay for the costs of the new program, will be extremely difficult to resolve considering the total costs are conservatively estimated in the tens of billions of dollars.

Thus far several House and Senate Committees have worked on legislative proposals similar to the President's or parts of it. The House Merchant Marine and Fisheries Committee has reported an oil liability and compensation fund bill covering only oil spills. No action beyond the subcommittee hearing level has occurred on any of the other legislative proposals involving oil and/or hazardous waste spills or dump sites.

● *Action Required to Implement Recommendation*

Since this recommendation assumes legislation not yet enacted, action by both the authorizing committee or committees and by the appropriations process would be required to implement the recommendation.

● *Outyear Impact of Recommendation*

The recommendation assumes that the President's proposed level of budget authority and revenues for fiscal years 1981 and 1982 will occur in fiscal years 1982 and 1983 instead. This would result in the following program and revenue levels:

[In millions of dollars]

	Fiscal year—		
	1981	1982	1983
Budget authority.....	125	250	375
Outlays.....	25	104	103
Revenues.....	100	200	300

At this time, an estimate of the total program cost of cleaning up oil and hazardous waste spills or dump sites is difficult to make. However, EPA has estimated the cost of cleaning up abandoned hazardous waste dump sites alone, without third party or restoration costs, to be between \$26 billion and \$44 billion.

4. REDUCTION IN CONSERVATION AND RECREATIONAL PROGRAMS

● *President's Budget Reestimated by CBO*

The President's fiscal year 1981 request for the agricultural conservation program (ACP), Soil Conservation Service operations, other agricultural conservation programs and the Youth Conservation Corps is \$610 million in budget authority and \$645 million in outlays. The

President's request for land acquisition for recreational and other related purposes under the Land and Water Conservation Fund is \$580 million in budget authority and \$614 million in outlays.

● *House Committees' Views and Estimates*

The Agriculture Committee has suggested a total addition of \$150 million in budget authority to the President's request for all agricultural conservation programs. This includes a \$110 million increase in budget authority for the ACP. The Committee did not suggest a change in the level of funding requested by the President for the Youth Conservation Corps.

The Interior and Insular Affairs Committee recommends funding of the Land and Water Conservation Fund at the full authorization level of \$900 million.

The Appropriations Committee report notes that the President's request for fiscal year 1981 assumes a reduction of 460 people in the Soil Conservation Service. It states that "it will likely be necessary for the Congress to restore a large portion of the reduction. . ." for both soil and water conservation. The Committee also states that the President's requested level of funding for the Land and Water Conservation Fund "seems adequate."

● *Recommendation*

Conservation programs.—The Committee recommendation assumes a reduction in the ACP and all other agricultural conservation programs and elimination of the Youth Conservation Corps for a total reduction of \$190 million in budget authority and \$150 million in outlays.

The reduction in agricultural conservation programs assumes a re-direction of conservation activities toward long-term benefits as opposed to short-term production gains. Additionally, some parts of the agricultural conservation activities are considered obsolete. For example, channeling streams destroys needed wetlands which other Federal programs attempt to preserve. A savings in agricultural conservation programs can also be made by consolidation of the ACP and the Great Plains Conservation program as requested in the President's fiscal year 1980 budget request. The elimination of the Youth Conservation Corps, which was requested by the President in his fiscal year 1980 request, is based on the fact that the program is not targeted to youth on the basis of economic need and the work accomplished by YCC enrollees is only marginally essential to the maintenance of public lands.

Recreational programs.—The recommendation for fiscal year 1981 funding of the Land and Water Conservation Fund assumes a budget authority reduction of \$290 million and an outlay reduction of \$150 million. Most of the decrease in outlays results from a reduction of Federal land acquisition.

The recommendation assumes a reduction in both the federal and state-federal grants portions of the LWCF. Under the current 50-50 matching grant basis the states, with virtually no exceptions, have provided the required matching funds since the program's inception. However, the state recreation programs mainly serve state resident's

or vacationers from other states whose expenditures provide income in the host states. Raising the state share of the grant program would allow each state greater responsibility for deciding what program level its own taxpayers are willing to support.

The LWCF also provides funds to several Federal agencies: the National Park Service, Forest Service, Fish and Wildlife Service and Bureau of Land Management to acquire certain land for recreation areas, wildlife refuges and other national areas established by Congress. According to a recent General Accounting Office report, federal agencies have regularly exceeded original cost estimates for purchasing land. The cost of many projects has doubled, tripled, even quadrupled from original estimates and authorizations. Also, agencies have bought land without adequate consideration of the impact on communities and private owners by viewing acquisition by full title as nearly the only way to protect lands within project boundaries. Alternatives to full-title acquisition such as easements, zoning and other Federal regulatory controls, are feasible and could be used by Federal agencies where appropriate to reduce costs.

- *Action Required to Implement Recommendation*

The appropriations process can achieve the recommended reduction. Additionally, the Education and Labor Committee can repeal the law establishing the Youth Conservation Corps. Changing the Federal-state grants formula under LWCF would require action by the Interior and Insular Affairs Committee.

- *Outyear Impact of Recommendation*

The recommendation assumes that reductions comparable to those assumed for fiscal year 1981 will be made for fiscal years 1982 and 1983. This would result in a reduction for fiscal year 1982 of \$492 million in budget authority and \$333 million in outlays and a reduction in fiscal year 1983 of \$496 million in budget authority and \$358 million in outlays.

5. REDUCTION IN EPA CONSTRUCTION GRANTS PROGRAM

- *President's Budget Reestimated by CBO*

The President has requested fiscal year 1981 funding for the EPA construction grants program of \$3,700 million in budget authority and an estimated \$4,100 million in outlays. The President's requested level of \$3,700 million in budget authority for the construction grants program is \$300 million above the amount appropriated for fiscal year 1980 and \$100 million below the level the President originally requested for fiscal year 1980.

- *House Committees' Views and Estimates*

The Public Works and Transportation Committee recommends an increase in the EPA construction grant program of \$100 million in budget authority above the President's fiscal year 1981 request of \$3,700 million. The Committee also urges the First Budget Resolution for 1981 to assume a supplement appropriation for funding of the House-passed "two tier" bill for the construction grants program.

The Appropriations Committee states that the construction grants program funding request for fiscal year 1981 is "reasonable".

● *Recommendation*

The Committee recommendation assumes a reduction of \$400 million in budget authority and \$100 million in outlays from the President's request for the EPA construction grant program. The recommendation is based on the following:

Construction grants program budget authority.—The recommendation assumes a reduction of \$400 million in budget authority from the President's fiscal year 1981 request of \$3,700 million. This reduction could be made in several ways in addition to a general reduction of the program. One approach could be a reduction in funding eligibility for certain types of construction projects. Under current law the states must obligate funds or lose their federal allotment within two years. Often this means that the projects that are easiest to obligate, as opposed to the ones needed most, are obligated. A restriction on the total funds available for categories other than secondary waste treatment, advanced waste treatment, and new interceptor sewers plus a lengthening of the "use or lose" period, would encourage more effective use of federal funds. Another means of reducing budget authority, which could better target the allocation of federal funds to higher priority projects, would be to increase the state share of construction costs.

Construction grants program outlays.—Due to the nature of the projects in this program, several years may elapse between appropriations and the outlay of expenditures. However, some states are obligating and expending their funds faster than others. Thus, some of the funds expected to be obligated from currently available appropriations are expected to result in outlays in fiscal year 1981. The recommendation assumes that a slowdown in the obligation of these funds would result in a fiscal year 1981 outlay savings of \$100 million. The obligations would still take place but the outlays would occur in fiscal year 1982 or later years.

● *Action Required to Implement Recommendation*

The recommendation to reduce fiscal year 1981 budget authority can be achieved in the appropriations process. The recommendation to reduce fiscal year 1981 outlays by slowing current obligational authority can be accomplished by the administration.

● *Outyear Impact of Recommendation*

The recommendation assumes comparable budget authority reduction as described above which results in the following reductions from the President's projections for fiscal years 1982 and 1983:

[In millions of dollars]

	Fiscal year—	
	1982	1983
Budget authority.....	-440	-484
Outlays.....	-20	-40

6. REDUCTION IN WATER RESOURCES PROGRAMS

● *President's Budget Reestimated by CBO*

The President's fiscal year 1981 budget request for construction of ongoing water resources projects is \$2,565 million in budget authority with an estimated \$2,499 million in outlays. This level of funding is \$170 million in budget authority above the fiscal year 1980 appropriation level.

Water resources activities are performed by three federal agencies—the Corps of Engineers, the Soil Conservation Service and the Water and Power Resources Service (formerly the Bureau of Reclamation). The President's request for construction of ongoing projects by these agencies is as follows:

[In millions of dollars]

	Fiscal year 1981	
	Budget authority	Outlays
Corps of Engineers.....	1,776	1,725
Soil Conservation Service.....	172	182
Water and Power Resources Service.....	517	592

● *House Committees' Views and Estimates*

The Public Works and Transportation Committee recommends an increase over the President's Fiscal Year 1981 budget request of \$148 million in budget authority for ongoing projects and \$32 million in budget authority to fund new construction starts for the Corps of Engineers. The Interior and Insular Affairs Committee recommends an addition to the President's budget request for Water and Power Resources Service construction projects totalling \$4 million in budget authority and outlays for fiscal year 1981. Both the Agriculture and Public Works and Transportation Committees have jurisdiction over Soil Conservation Service water resources projects. Neither Committee has discussed this subject in their reports to the Budget Committee.

The Appropriations Committee states that "if the Congress were to initiate new starts, provide an adequate level of funding for ongoing construction and operation and maintenance, a contingency of \$150 to \$200 million would exist" for water resources projects in fiscal year 1981.

● *Recommendation*

The Committee recommendation assumes a reduction of \$100 million in budget authority and outlays in construction of water resources projects for fiscal year 1981. This would mean a slowdown in ongoing projects. The recommendation is made on the basis that general fiscal restraint is required under current economic conditions.

● *Action Required to Implement Recommendation*

— The recommendation can be achieved through the appropriations process.

- *Outyear Impact of Recommendation*

The recommendation does not assume any change from the President's projected level of funding for fiscal years 1982 and 1983. Thus, the deferral of activities assumed for fiscal year 1981 would require a different mix of program activity in fiscal years 1982 and 1983 if the President's projected level of funding is assumed for those years.

7. INCREASED USER CHARGES CORPS OF ENGINEERS WATERWAYS

- *President's Budget Reestimated by CBO*

The President's Budget for fiscal year 1981 assumes that \$30 million will be paid into the Inland Waterways Trust Fund to cover a portion of the construction costs for navigation projects performed by the Corps of Engineers. This level of revenue results from the mandated 4¢ per gallon tax on fuel for waterway users.

The spending and revenue sides of the budget reflect this activity differently. On the revenue side the user fee is paid into the trust fund. The same amount is then deducted from the Corps of Engineers construction spending account before reaching the level of appropriations to be requested. The level of revenues received into the trust fund does not provide any net effect on budget authority or outlays within the function. However, there is a net increase in revenues. The result is that the level of revenues replaces funds that otherwise would have been necessary to appropriate for Corps construction of inland and intra-coastal navigation projects.

- *House Committees' Views and Estimates*

Neither the Public Works and Transportation Committee nor the Ways and Means Committee made any suggestion to change the level of users fees which support the Inland Waterways Trust Fund.

- *Recommendation*

The Committee recommendation does not assume any increase in the waterways user fee for fiscal year 1981. However, it does assume that Congress will act before fiscal year 1982 to bring the user fee closer than currently mandated to recovery of actual Corps construction and/or operations and maintenance costs. The President's budget for fiscal year 1981 requests about \$470 million in construction costs for inland waterway navigation projects. In addition, the President's request would provide about \$260 million in operations and maintenance costs associated with these construction activities. The currently mandated user fee of 4¢ in fiscal year 1981 is applied only to construction costs and would cover six percent of these costs.

In terms of equity with other user charges, the highway gasoline tax and other highway user charges provide nearly full recovery of highway construction costs. The commercial aviation taxes provide nearly full recovery of airport and airway expenditures associated with commercial aviation.

Currently, the Office of Management and Budget is reviewing the possibility of requesting legislation to enable federal agencies to broaden the applicability of user charges. Additionally, the General Accounting Office is releasing a study on user charges which urges a

thorough review of the subject by the Executive and Legislative branches.

- *Action Required to Implement Recommendation*

An increase in waterway user fees would require action by the Ways and Means Committee and the Public Works and Transportation Committee to amend the Inland Waterways Revenue Act of 1978.

- *Outyear Impact of Recommendation*

The recommendation assumes an increase in the fees for waterways users in fiscal years 1982 and 1983 to provide additional revenues of \$110 million and \$120 million for those fiscal years respectively. These revenues are in addition to the currently estimated revenues for fiscal years 1982 and 1983 of \$58 million and \$67 million based on fees of 4¢ and 6¢ respectively.

8. REDUCTION IN REMAINING DISCRETIONARY PROGRAMS

- *President's Budget Reestimated by CBO*

Excluding the programs discussed in Issues 1 through 7 and excluding salaries and expenses, the President's request for the remainder of the function is \$4,914 million in budget authority and \$4,539 million in outlays for fiscal year 1981. This level of funding is associated with programs such as the National Oceanic and Atmospheric Administration, the Geological Survey, the Bureau of Mines, the Forest Service, the Advisory Council on Historic Preservation, etc.

- *House Committees' Views and Estimates*

The legislative committees with jurisdiction over the programs in this function made only one significant reduction from the President's budget. This is the reduction assumed by the Interstate and Foreign Commerce Committee for the President's proposed Oil and Hazardous Substance Liability Fund (see Issue 3). Excluding this reduction the legislative committees mainly suggested additions to the President's budget totalling about \$1.8 billion in budget authority and \$800 million in outlays.

Similarly, the Appropriations Committee recommendation assumed mostly increases to the President's Budget totalling about \$300 million in budget authority and \$200 million in outlays.

- *Recommendation*

The Committee recommendation assumes a reduction of \$172 million in budget authority and a reduction of \$162 million in outlays for the remaining discretionary programs in the function excluding salaries and expenses. The specific reductions can be made in the appropriations process in programs such as the National Oceanic and Atmospheric Administration, the Geological Survey, the Bureau of Mines, the Forest Service, the Advisory Council on Historic Preservation, etc. The recommendation is made in keeping with general fiscal restraint necessary under current economic conditions.

- *Action Required to Implement Recommendation*

The recommended reduction can be achieved in the appropriations process.

- *Outyear Impact of Recommendation*

The recommendation assumes comparable reductions in discretionary programs in fiscal year 1982 and 1983. This would result in a fiscal year 1982 outlay reduction of \$180 million and a fiscal year 1983 outlay reduction of \$200 million.

FUNCTION 350: AGRICULTURE

The Committee recommends \$5.4 billion in budget authority and \$2.3 billion in outlays for this function. These totals represent decreases of \$0.1 billion in budget authority and \$0.1 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	5.5	2.8	4.2	3.0	4.5	3.9
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....		-.4	2.1	1.2	-.2	1.3
President's budget reestimated.....	5.5	2.4	6.3	4.2	4.3	5.2
Major policy recommendations:						
2. 1981 impact of 1980 supplementals....	NA	NA				
3. Economic emergency and farm facil- ity loans.....						
4. Reductions in remaining programs....	-.1	-.1				
Total difference.....	-.1	-.1				
Committee recommendation.....	5.4	2.3	6.3	4.2	4.3	5.2

EXPLANATION OF COMMITTEE RECOMMENDATION

1. REESTIMATES

Changes due to economic assumptions

None

Other reestimates

Reestimates of the President's budget reduce fiscal year 1981 outlays by \$421 million. This results primarily from the President double-counting the establishment of an emergency food reserve and from more current CBO estimates concerning the impact of the grain export suspension, other grain market conditions, and estimates of CCC dairy products purchases.

[In millions of dollars]

Commodity programs	President's request	CBO estimates	Differences
Wheat, feed grains, and soybeans.....	2, 144	1, 022	-1, 122
Dairy.....	165	815	650
All other CCC programs.....	-253	-214	39
Total CCC programs.....	2, 056	1, 623	-432

The President's budget as submitted assumed the establishment of the emergency food reserve in both fiscal years 1980 and 1981. Since the wheat is being purchased for the reserve in fiscal year 1980, the outlays for this purpose should not be counted again in fiscal year 1981. This results in a reduction of \$362 million. The remaining difference between the President's and CBO's estimates for the wheat, feed grains, and soybean programs results primarily from CBO having access to more recent information concerning the impact of the grain export suspension, as well as more current information concerning market conditions.

Dairy production is increasing much faster than what was assumed in the President's recommendation. In order to support the milk price at 80 percent of parity as mandated by law, CBO estimates the Commodity Credit Corporation will need to significantly increase purchases of dairy products above the amount assumed in the President's budget.

2. FISCAL YEAR 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

No supplemental funding is requested or anticipated.

3. ECONOMIC EMERGENCY AND FARM FACILITY LOANS

● *President's Budget Reestimated by CBO*

There is proposed legislation in Congress which would extend the economic emergency loan program (H.R. 6291) from May 15, 1980, to September 30, 1981, and increases the limit on outstanding insured and guaranteed loans from \$4 billion to \$6 billion. The bill also limits the interest rates on farm storage facility loans to 8 percent and raises the maximum size of these loans from \$50,000 to \$100,000. The authorization for the farm facility loans is made subject to the appropriations process.

CBO estimates there will be no budget impact in fiscal year 1981 from the provisions in the bill extending the life of the economic emergency loan program. This results from the liquidation of acquired assets by the Farmers Home Administration (FmHA) through the Federal Financing Bank (FFB), an off-budget facility. However, CBO estimates there would be an outlay impact in fiscal year 1981 resulting from limiting the interest rates on farm storage facility loans to 8 percent. The provisions for the farm facility loans are subject to the appropriations process. Enactment of this legislation would result in additional outlays of \$43 million in fiscal year 1981 above the President's request as reestimated by CBO.

The President's Fiscal Year 1981 Budget does not reflect the enactment of H.R. 6291.

- *House Committees' Views and Estimates*

The House Agriculture Committee recommended and assumes enactment of H.R. 6291. The House Appropriations Committee did not express a view on H.R. 6291.

- *Recommendation*

The Committee recommendation assumes enactment of H.R. 6291 providing for the extension of the economic emergency loan program. However, the recommendation assumes that the provision of this legislation limiting interest rates on farm facility loans to 8 percent will not be enacted. There appears to be a need for extending the economic emergency loan program. The U.S. Department of Agriculture has estimated farm income for 1980 could fall as much as 20 percent below the 1979 level. There are some indications that some banks are curtailing their farm lending activity as a result of unfavorable loan to deposit ratios. However, the subsidization of interest rates for farm facility loans sets a poor precedent for future bills dealing with direct and insured farm loans. Currently, the only subsidized direct or insured farm loan program is the program for emergency (disaster) loans. Subsidized loans are made only to farmers who are in such poor financial condition that they cannot afford the current market interest rate. However, the lender's interest rate can be adjusted upward periodically if the lender's financial condition improves.

- *Action Required to Implement Recommendation*

The provision in the bill which limits the interest rates on farm storage facility loans to 8 percent would need to be deleted in House-Senate conference.

- *Outyear Impact of the Recommendation*

The estimated outyear budget impact from the extension of the economic emergency loan program results in \$3 million in budget authority and outlays in fiscal year 1982 and \$4 million in budget authority and outlays in fiscal year 1983 as a result of loan defaults. The remaining outyear budget impact results from the farm facility loans provisions.

4. REDUCTIONS IN REMAINING PROGRAMS

- *President's Budget Reestimated by CBO*

In part 6 of the President's budget submitted on January 28, 1980, the President mentioned, but did not recommend, possible reductions from his fiscal year 1981 budget request. The President mentioned possible reductions of \$26 million in budget authority and \$24 million in outlays in fiscal year 1981 for operating support and construction funds for land grant colleges, grading and marketing services, and basic research.

- *House Committees' Views and Estimates*

The House Agriculture Committee and House Appropriations Committee did not express any views on this issue.

- *Recommendation*

The Committee recommendation assumes a reduction below the President's request as reestimated by CBO in fiscal year 1981 of \$100 million in budget authority and outlays. The recommendation assumes these reductions could be achieved by one or more of the following actions—delaying the implementation of the Federal Crop Insurance Program (H.R. 4119), reducing payments under the Emergency Feed Program, or other possible programmatic changes. This recommendation for budget reduction does not necessarily include the programs mentioned by the President for budget reductions in part 6 of his fiscal year 1981 budget.

- *Action Required to Implement Recommendation*

Delaying the implementation of the Federal Crop Insurance Program (H.R. 4119), can be accomplished in a House-Senate conference on H.R. 4119 that is yet to be convened. Reducing payments under the Emergency Feed Program or making other programmatic changes requires legislative action by the House Agriculture Committee or administrative action by the Secretary of Agriculture.

- *Outyear Impact of the Recommendation*

The recommendation assumes no outyear budget impact.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

The Committee recommends \$5.1 billion in budget authority and —\$0.1 billion in outlays (net receipts of \$0.1 billion) for this function. These totals represent decreases of \$1.0 billion in budget authority and \$1.0 billion in outlays from the President's budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	5.9	0.7	6.6	3.2	6.8	3.1
1. Reestimates (by CBO):						
Changes due to economic assump- tions.....						
Other reestimates.....	+ .2	+ .2	— .2	(1)	— .2	+ .1
President's budget reestimated.....	6.1	.9	6.4	3.2	6.6	3.2
Major policy recommendations:						
2. 1981 impact of 1980 supplemental.....		(1)		(1)		
3. Impact of GNMA mortgage and FmHA asset sales.....						
4. Reduction in Small Business Admin- istration business loan program.....	— .1	— .1	— .1	— .1	— .1	— .1
5. Reduction in Federal payment to the Postal Service.....	— .8	— .8	— .7	— .7	— .7	— .7
6. Reduction in National Consumer Co- operative Bank activity.....	— .1	— .1	— .1	— .1	— .1	— .1
Total difference.....	(—1.0)	(—1.0)	(— .9)	(— .9)	(— .9)	(— .9)
Committee recommendation.....	5.1	— .1	5.5	2.3	5.7	2.3

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. REESTIMATES

The reestimate in this function is the net effect of scores of relatively small CBO reestimates of individual accounts. The majority of the reestimates are decreases based on a CBO analysis of historical outlay patterns. There is one large upward reestimate in this function. The CBO estimates an additional \$318 million in outlays and \$161 million in budget authority in 1981 for Government National Mortgage

Association mortgage purchase programs. The reestimate is based on an estimate of a much larger discount or loss on the sale of mortgage assets than the one assumed by the administration.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget as Reestimated by CBO*

The President's 1981 budget includes the following 1980 supplemental appropriation requests in Function 370:

[In millions of dollars]

	1980		1981
	Budget authority	Outlays	Outlays
Discretionary supplementals:			
Department of Commerce:			
U.S. exhibit in Knoxville International Energy Exposition.....	20.8	4.1	10.9
General administration—Grant to U.S. Olympic Committee and implementation of trade reorganization plan.....	4.2	4.2	-----
Patent and Trademark Office—Printing for backlog of approved patents and trademarks.....	1.7	1.6	.1
International Trade Administration—Expenses of trade reorganization plan.....	.6	.6	-----
International Trade Administration—Opening of 2 commercial offices in the People's Republic of China.....	.6	.6	-----
Federal Trade Commission: Salaries and expenses above the Continuing Resolution level.....	3.7	3.7	-----
Mandatory supplemental: Federal Home Loan Bank Board: Increase in limitations on administrative expenses for pay costs.....	(2.0)	2.0	-----
Total.....	31.6	16.8	11.0

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for 1980 assumed no supplemental appropriations for Function 370.

● *Recommendation*

The Committee assumes that no supplemental funding will be provided for the President's discretionary requests in this function. The recommendation is based on the judgment that the requests are either low priority items in a period of fiscal austerity, are administrative expense items which may be absorbed within existing appropriations, or are increases which are inconsistent with the recommended across-the-board administrative savings assumed in 1981.

● *Action Required to Implement Recommendation*

Elimination of the 1980 discretionary supplemental appropriations requested by the President in the appropriations process would be required to implement this recommendation.

- *Outyear Impact of Recommendation*

The recommendation would reduce 1981 outlays by \$11 million and 1982 outlays by \$6 million below the President's request.

3. GNMA MORTGAGE AND FMHA ASSET SALES

- *President's Budget as Reestimated by CBO*

The disposition of loan and mortgage assets by the Government National Mortgage Association (GNMA) and the Farmers' Home Administration (FmHA) can generate large budget collections which offset outlays for new mortgage purchases or direct loans. The sales of these assets are highly volatile from year to year because of administration management decisions and economic conditions. The President's 1981 budget estimates a delay in the sale of about \$2.5 billion of GNMA and FmHA assets from 1980 to 1981. The management of these asset sales is the greatest factor in the large swings in Function 370 outlays as estimated in the President's budget. The estimates fluctuate from \$3.6 billion in 1979 to an estimated \$5.5 billion in 1980 to a proposed \$0.7 billion in 1981 in the President's Budget.

- *House Committee Views and Estimates*

The Appropriations and Banking, Finance and Urban Affairs Committees made no recommendations about the management of mortgage assets sales.

- *Recommendation*

The recommendation assumes the administration's estimates based on plans to delay assets sales. The sale of mortgage assets by FmHA and GNMA absorbs mortgage funds from the private market. Currently, mortgage credit is tight, and to sell these assets into such a market would tend to exacerbate the tight supply of mortgage credit. Further, most of the assets sold by FmHA and GNMA bear below-market interest rates. Hence, they must be sold at a discount or loss. The greater the difference between the interest rate on the assets sold and the open-market mortgage rate, the greater the discount. Both the administration and the Committee economic assumptions assume lower interest rates in 1981 than in 1980. Delaying asset sales until 1981 would reduce the expected discount on asset sales and the long-term net costs to the Federal Government of FmHA's and GNMA's loan and mortgage purchase programs.

- *Action Required to Implement Recommendation*

No action by Congress is required to implement the recommendation. The timing of asset sales is a management decision controlled by the executive branch.

- *Outyear Impact of the Recommendation*

The 1982-1985 plans and projections assume a return to the pattern of asset sales more closely matching purchases and new loan disbursement.

4. SMALL BUSINESS ADMINISTRATION BUSINESS LOANS

● *President's Budget as Reestimated by CBO*

The President's 1981 budget proposes increases in SBA loan activity for 1981. The following table summarizes the 1980 current estimate and 1981 request for SBA business loan activity:

[In millions of dollars]

	1980 estimate	1981 request
Business Loan and Investment Fund:		
Budget authority.....	565	682
Outlays.....	537	594
Limitation on direct loan obligations.....	641	783
Limitation on loan guarantees.....	3,595	4,000

Further, the President's budget assumes greater reliance on the guaranteed loan portion of SBA business loan activity, plus additional emphasis on and targeting of business loan assistance to minority- and women-owned firms.

● *House Committee Views and Estimates*

The Appropriations Committee has indicated that it would consider an increase in budget authority to facilitate an increase in direct loan activity above the administration's request. The Small Business Committee recommends \$117 million of budget authority above the administration's request for business loan activity.

● *Recommendation*

The recommendation assumes a reduction in the budget authority and outlays requested by the administration of \$100 million down to \$582 million of budget authority and \$494 million of outlays. With this reduction, 1981 budget authority and outlays would be at about fiscal year 1980 levels. The recommended levels of activity would maintain significant levels of Federal support for small businesses, although the number of small business formations and expansions would be fewer in 1981-1983 than under the administration's request. The Committee also recommends that a critical review of the small business development centers program be made to determine if it is effectively fulfilling a priority need.

● *Action Required*

A reduction in the SBA Business Loan Fund appropriation would be required to implement this recommendation. Consistent reductions in the 1981 limitations on direct loan obligations and on new guarantees would also be required to insure outyear outlay savings.

● *Outyear Impact of the Recommendation*

The President's request for small business loan activity in 1982 and 1983 (\$729 million in outlays and \$762 million in budget authority, respectively) indicate a steady rate of growth somewhat below the rate of increase from 1980 to 1981. The recommendation also assumes a \$100

million reduction in budget authority and outlays from the President's plan for 1982 and 1983.

5. FEDERAL PAYMENT TO THE POSTAL SERVICE

● *President's Request as Reestimated by CBO*

The President's 1981 budget proposes the appropriation of the full amount currently authorized for Federal subsidy payments to the Postal Service. The 1981 budget estimates for Federal subsidies to the Postal Service are:

BUDGET AUTHORITY AND OUTLAYS

(In millions of dollars)

	1979 actual	1980 enacted	1981 request
Public service costs.....	920	828	736
Free and reduced-rate mail (foregone revenue).....	799	782	789
Unfunded liabilities of former Post Office Department.....	66	67	68
Total.....	1,785	1,677	1,593

● *House Committee Views and Estimates*

The House Appropriations Committee concurs with the President's request for postal subsidies. The Post Office and Civil Service Committee proposes to delay the gradual phaseout of these Federal subsidies as currently authorized by the Postal Reorganization Act of 1970, as amended. The Post Office and Civil Service Committee recommendation would increase budget authority and outlays above the President's request by \$557 million in 1981, by \$737 million in 1982, and by \$837 million in 1983. This recommendation is consistent with H.R. 79, the Postal Service Act of 1979, which passed the House on September 7, 1979. The Senate has not acted on H.R. 79.

● *Recommendation*

The Committee assumes a reduction in the Federal subsidy payment to the Postal Service of \$836 million, allowing a subsidy of \$757 million compared to the President's request of \$1,593 million. The recommendation assumes elimination of Saturday mail deliveries and partial reductions in the subsidies for second and third class bulk-rate mail. The recommendation assumes no reduction in the subsidies for rural post offices or fourth class mail and maintenance of free mail delivery for the blind and handicapped.

The Committee believes that, in this period of fiscal austerity, eliminating one day of postal deliveries would impose less hardship and inconvenience on the public than other cuts which directly affect the levels of vital services for lower- and moderate-income persons. In addition, a cut back in postal deliveries to 5 days a week could save significant amounts of energy by reducing fuel consumption by the Postal Service. The reductions in the Federal subsidies for second and third-class mail are consistent with recommendations made by the

Committee in many other Functions to increase user fees for Federally supported services where appropriate.

● *Action Required to Implement Recommendation*

The recommendation could be implemented by changes in the authorization for Federal payments to the Postal Service or by reducing the appropriation for the Federal payment. In the latter case, the Postal Service would have to seek the approval of the Postal Rate Commission to increase rates or change the services offered or both.

● *Outyear Impact of the Recommendation*

The Postal Reorganization Act of 1970, as amended, requires the gradual phaseout or reduction of Federal subsidies to the Postal Service. The subsidy for public service costs is to decline \$92 million per year until 1984 when it would be at the \$460 million level. Except for certain classes of free mail (such as for the blind and handicapped), the subsidies for foregone revenues are scheduled to be eliminated on a ten-year schedule ending in 1989. The actual dollar amount of foregone revenue subsidies in any year is dependent upon estimates of mail volume in the subsidized classes of mail for that year. Based on these phaseout schedules, the Committee recommendation would reduce budget authority and outlays requested by the President of 1982 by \$744 million and for 1983 by \$652 million.

6. NATIONAL CONSUMER COOPERATIVE BANK

● *President's Budget as Reestimated by CBO*

The National Consumer Cooperative Bank is a mixed ownership, Government corporation authorized to make loans and provide technical assistance to cooperative, not-for-profit organizations. The Bank begins operations in fiscal year 1980, and the President's budget requests increases for the Bank in 1981. The following table summarizes the 1980 and 1981 levels of budget and program activity assumed in the President's budget:

[In millions of dollars]

	1980		1981	
	Budget authority	Outlays	Budget authority	Outlays
Treasury purchase of stock in the Bank.....	49	12	116	46
Salaries and expenses of Bank.....	8	5	10	10
Self-help development and technical assistance.....	17	5	48	23
National Consumer Cooperative Bank Fund.....				-2
Limitations on direct loan obligations.....	(54)		(182)	
Limitations on loan guarantees.....	(-)		(5)	

● *Committee Views and Estimates*

The Appropriations Committee indicates that some savings below the President's request for the National Consumer Cooperative Bank are expected for 1981. The Banking, Finance, and Urban Affairs Committee concurs with the President's 1981 request for the Bank.

- *Recommendation*

The Committee recommendation assumes a \$50 million reduction from the President's request in the total budget authority and outlays for the Bank. The recommendation does not specify in which budget account or program activity the reduction should be taken. Budget authority and outlay levels in 1981 would be above the 1980 levels, even with the recommended reductions. The Committee believes that its recommendation allows for sufficient growth in the Bank's activity in 1981.

- *Action Required to Implement Recommendation*

Lower appropriations than those requested by the administration would be required to implement the recommendation. The proposed appropriations limitation on direct loan obligations would also have to be adjusted to be consistent with the reductions in budget authority.

- *Outyear Impact of Recommendation*

The Committee's recommendation would also reduce 1982 and 1983 budget authority and outlays by \$50 million each. The amount of private capitalization in the Bank is expected to increase over time, eventually allowing repayment of the Federal capitalization.

FUNCTION 400: TRANSPORTATION

The Committee recommends \$22.8 billion in budget authority and \$19.5 billion in outlays for this function. These totals represent decreases of \$0.8 billion in budget authority and \$1.0 billion in outlays from the President's budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980	23.6	20.2	23.2	21.6	25.4	23.2
1. Reestimates (by CBO):						
Changes due to economic as- sumptions						
Other reestimates		+ .3		+ .2		+ .2
President's budget reestimated	23.6	20.5	23.2	21.8	25.4	23.4
Major policy recommendations:						
2. 1981 impact of 1980 supplementals						
3. Highway program funding levels	- .1	- .5		- .6		- .5
4. Review of transportation user charges	- .2	- .2	- .3	- .3	- .3	- .3
5. Reduction in auto use efficiency programs	- .2	- .1	- .2	- .1	- .2	- .1
6. Reductions in remaining discretion- ary transportation programs	- .3	- .2	- .4	- .3	- .4	- .3
Total differences	(- .8)	(- 1.0)	(- .9)	(- 1.3)	(- .9)	(- 1.2)
Committee recommendation	22.8	19.5	22.3	20.5	24.5	22.2

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

There are three major transportation reestimates of the President's request. The three major reestimates are:

- \$441 million increase for Highway Trust programs which are experiencing a faster obligation rate and a need for increased liquidating cash appropriations.
- \$317 million decrease for the transportation energy initiative program reflecting historical spendout rates and the assessment that scheduled bus purchase levels cannot be achieved in the short run.

—\$282 million increase in existing mass transportation program outlays due to higher obligation levels and historical spendout rates.

In addition, there are a series of small miscellaneous reestimates which net to a decrease of approximately \$100 million.

The outyear reestimates reflect a significant reduction of the estimated spendout of the President's transportation energy initiative which is more than offset by estimated increases of the traditional mass transportation programs, the Highway Trust programs, and various smaller miscellaneous increases in other modal programs.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President's request reestimated for fiscal year 1980 transportation supplementals is as follows:

[In millions of dollars]

Programs	Budget authority fiscal year 1980	Outlays	
		Fiscal year 1980	Fiscal year 1981
1. Transportation energy initiative.....	1,276.0	30.5	218.0
2. Federal-aid highways, pay.....		5.7	
3. Federal-aid highways, liquidating cash.....		400.0	
4. U.S. Railway Association.....	4.6	4.0	.6
5. Metropolitan Washington Airport.....	1.2	1.1	.1
6. Payments to air carriers.....	19.7	18.1	1.6
7. Maritime operating-differential subsidy liquidating cash.....		44.3	
8. Coast Guard operating expenses.....	13.5	13.5	
9. Coast Guard retired pay.....	4.0	4.0	
10. Transportation planning, research.....	1.0	1.0	
Total.....	1,320.0	521.7	220.3

Note: President's fiscal year 1982 and 1983 outlays resulting from fiscal year 1980 supplementals are aggregated—cannot be separated from the 1982 and 1983 programs.

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution assumed \$1.3 billion for the President's proposed transportation energy initiative. No additional supplementals were assumed.

● *Recommendation*

The Committee assumes \$1,296 million in budget authority and \$502 million in outlays for fiscal year 1980 supplementals. The assumed supplementals include \$1,276 million in budget authority for the President's transportation energy initiative, \$5.7 million in outlays for mandatory pay for the Federal highway program, \$400 million in liquidating cash outlays for the highway trust fund, \$44 million in maritime-operating differential subsidy liquidating cash outlays and \$20 million in budget authority for payments to Air Carriers. The recommendation does not assume the smaller supplementals requested by the President which could be funded by reprogramming or absorption. For in-

stance, the \$13.5 million in budget authority requested for Coast Guard operating expenses could be absorbed within the approximately \$1 billion budgeted for overall Coast Guard operating expenses.

In addition, the recommendation assumes that a highway deferral of \$1 billion will be proposed by the President in fiscal year 1980. The anticipated deferral would reduce fiscal year 1980 highway outlays by \$50 million and, along with a lowered fiscal year 1981 obligation ceiling would reduce fiscal year 1980 and 1981 highway outlays closer to recent historical levels.

- *Outyear Impact of the Recommendation*

The only assumed supplemental which spends out beyond fiscal year 1981 is the President's transportation energy initiative. The President's fiscal year 1980 estimate was decreased by the Congressional Budget Office while the President's fiscal year 1981 initiative outlay estimate was increased. The President has aggregated his transportation energy initiative outlays with his traditional mass transportation programs for fiscal years 1982 and 1983, therefore a distinct analysis of outlay estimates for fiscal years 1982 and 1983 is not possible.

3. HIGHWAY PROGRAM FUNDING LEVEL

- *President's Budget Reestimated by CBO*

The President recommended \$9,515 million in budget authority and \$8,958 million in outlays for Federal highway programs. The President's request reflects spending authority provided for in the Surface Transportation Assistance Act of 1978 (STAA). The President's recommendation is also consistent with the STAA in that it includes a significant decrease in highway funding in fiscal year 1982 when compared to the fiscal year 1983 level. The President recommends a highway funding increase in fiscal year 1983 which has not yet been authorized. The President's proposal does not include a number of smaller highway categorical programs which were authorized in the STAA.

- *House Committees' Views and Estimates*

The House Public Works and Transportation Committee recommends approximately \$0.7 billion in budget authority and \$1.1 billion in outlays above the President's request for fiscal year 1981 highway funding. Similar funding increases are assumed by the House Public Works and Transportation Committees' March 15 Report for fiscal years 1982 and 1983, but are not detailed by account. Significant proposals by the House Public Works and Transportation Committee are as follows:

- (1) Increase the existing fiscal year 1980 obligation ceiling from \$8.85 billion to \$10.2 billion, and the proposed fiscal year 1981 ceiling from \$8.85 billion to \$10.5 billion.

- (2) Reestimates of highway trust fund outlays above the President's fiscal year 1981 budget request by \$941 million.

- (3) Funding for a number of categorical highway programs which were not requested by the President. Major categorical increases include \$200 million per annum for off-systems roads and \$100 million per annum for rail highway crossing projects.

The House Appropriations Committee did not make specific funding recommendations, but expressed concern with the adequacy of highway revenues to provide for future highway spending.

The Committee on Ways and Means did not comment on the issue of highway funding.

● *Recommendation*

The Committee assumes \$9.5 billion in budget authority and \$8.5 billion in outlays for highway programs. The recommendation assumes two reductions to the President's highway request. First, the Committee recommendation assumes a \$400 million reduction in fiscal year 1981 highway outlays from the President's highway trust account request as reestimated by the Congressional Budget Office. The \$400 million reduction would likely require a program reduction in fiscal year 1980 of between \$1 billion and \$1.5 billion depending on the timing of the reduction and other factors such as seasonality of fiscal years 1980 and 1981 obligations and the composition of projects that are deferred. The Committee recommendation also assumes an immediate highway deferral request by the President for fiscal year 1980. The early submission of the deferral request will greatly enhance the likelihood of controlling the fiscal year 1980 and 1981 highway program obligations and outlays. In addition, the Committee recommendation assumes a fiscal year 1981 reduction in the proposed highway obligation ceiling from \$8.85 billion to between \$7.85 billion and \$8.35 billion. The fiscal year 1981 obligation ceiling reduction is also necessary to achieve the projected \$400 million fiscal year 1981 outlay savings.

The Committee recommendation assumes \$400 million in projected outlay savings and that combined Presidential and Congressional actions will be undertaken of sufficient scope, to achieve the savings. The to-date performance of the fiscal year 1980 highway program reflects the difficulties in accurately predicting the flow of obligations and outlays and therefore the precise actions needed to achieve a \$400 million reduction in outlays.

The \$400 million outlay reduction recommendation by the Committee also reflects the sense of the Committee that program reductions in the highway program should be, to the maximum extent possible, made only from those highway programs which are not eligible to be used for mass transportation purposes as well.

The second highway reduction recommended by the Committee is a general reduction of \$55 million in budget authority and \$50 million in outlays for categorical highway programs. Such programs as the 55 mile per hour enforcement assistance program and the highway beautification program could be reduced or eliminated.

● *Action Required to Implement Recommendation*

The fiscal year 1981 highway outlay reduction of \$400 million would require a Presidential deferral request in the very near future. In addition, the \$400 million outlay reduction would require a fiscal year 1981 obligation ceiling below the President's proposed \$8.85 billion which could be instituted in either the Transportation Appropriations bill for fiscal year 1981 or a separate piece of legislation. The categorical highway reductions could be accomplished through action by the Appropriations Committee.

● *Outyear Impact of Recommendation*

The recommended highway deferral and obligation ceiling reductions are estimated to reduce outlays by \$0.6 billion in fiscal year 1982 and \$0.5 billion in fiscal year 1983. The recommendation also assumes, as does the President, a reduction in the overall fiscal year 1982 highway program when compared to fiscal year 1981 budget authority and a subsequent increase in fiscal year 1983.

4. REVIEW OF TRANSPORTATION USER CHARGES

● *President's Budget Reestimated by CBO*

Airway User Charges.—The President is proposing a change in the tax structure for user fees that support the Airport and Airway Trust Fund as part of his reauthorization proposal for fiscal year 1981. The President's proposal would maintain the major airway user tax, the passenger tax at 8 percent, and would increase general aviation taxes from approximately \$100 million per annum to \$350 million in fiscal year 1981. The general aviation tax increases derive from changing the current flat fuel tax to an ad valorem tax and by significantly increasing the general aviation aircraft/avionics tax and aircraft user tax. The President also proposes increasing the use of air trust fund taxes for airport operation and maintenance purposes from approximately \$325 million in fiscal year 1980 to \$1.3 billion in fiscal year 1981.

Highway and Coast Guard User Charges.—The President's budget does not comment on highway user charges and does not propose the initiation of Coast Guard user charges.

● *House Committees' Views and Estimates*

The Ways and Means Committee has jurisdiction over the revenue aspects of user fee programs. The Ways and Means Committee did not make specific recommendations regarding the issue of user charges. The Ways and Means Committee also did not recommend new user charges, but did anticipate an in-depth review of the entire Air Trust Fund program.

The Transportation Appropriations Subcommittee suggests that a review of the revenue and spending aspects of the highway user-funded trust programs would be in order.

The Public Works and Transportation Committee did not comment on the user charge aspects of either the highway or airport and airways programs.

The Merchant Marine and Fisheries Committee did not discuss Coast Guard user charge initiatives.

● *Recommendation*

Aviation User Charges.—The Committee recommends continuation of the 8 percent passenger tax. The recommendation also assumes the President's proposed fiscal year 1981 general aviation revenue increase from \$100 million per annum to \$350 million per annum. In addition the Committee recommends that beginning in fiscal year 1982, the general aviation user class should pay 50 percent of their share of benefits received which would result in an additional \$100 million in revenue per annum above the President's request. At present, general aviation

users are estimated to pay only 14 percent of their share of system costs. As a matter of equity, an increase to 50 percent is recommended and strengthens the whole concept of users paying for the benefits they receive.

The Committee also recommends, consistent with the President's request, use of significantly increased amounts of air trust fund revenues to fund the aviation operations and maintenance account. The increased use of aviation trust fund receipts for operations and maintenance programs is consistent with maintaining the passenger tax at 8 percent and takes cognizance of the over \$3 billion trust fund surplus.

Highway and Coast Guard User Charges.—The recommendation assumes the institution of Coast Guard user charges for commercial shippers who utilize Coast Guard navigational aids such as buoys and other channel markings. The user charges would be treated as offsetting receipts to Function 400, Transportation and are estimated at \$150 million for fiscal year 1981.

The Committee does not make specific recommendations relating to the highway user funded trust programs.

- *Action Required to Implement Recommendation*

Both the increased aviation user revenue recommendation and the initiation of Coast Guard user fees would be under the jurisdiction of the Ways and Means Committee and would require changes in legislation. The aviation user revenue proposal would also involve the Public Works and Transportation Committee, as would the proposal to expand the use of trust funds in the aviation operations and maintenance account. The Coast Guard user fee would fall under the jurisdiction of the Merchant Marine and Fisheries Committee and would require new legislation.

- *Outyear Impact of the Recommendation*

The aviation revenue recommendation assumes outyear retention of the 8 percent passenger tax revenue and that general aviation users will pay a more equitable (50 percent) share of user charges to the Airport and Airway Trust Fund. The increased general aviation revenue is estimated at \$200 million for both fiscal years 1982 and 1983.

The Coast Guard user fees are estimated at \$300 million in new offsetting receipts to Function 400, Transportation for both fiscal years 1982 and 1983.

5. REDUCTION IN AUTO USE EFFICIENCY PROGRAMS

- *President's Budget Reestimated by CBO*

The President requested \$278 million in budget authority and \$192 million in outlays for auto-use management, fuel economy standards and cooperative automotive basic research programs. These three auto use efficiency programs are part of the President's transportation energy initiative to be funded from windfall profits receipts. The Congressional Budget Office decreased the estimates for the President's transportation energy initiative outlays, but estimates are not available on a program by program basis.

- *House Committees' Views and Estimates*

The Public Works and Transportation Committee proposes \$250 million in budget authority and \$40 million in outlays for highway energy conservation projects which would be similar to programs in the President's auto-use management program. The Public Works proposal is recommended for funding from the windfall profits revenues as is the President's proposal.

The Transportation Appropriations subcommittee did not comment on the auto-use management programs.

- *Recommendation*

The Committee recommends reduction of \$150 million in budget authority and \$100 million in outlays for auto use efficiency programs. In part, this recommendation reflects concern with the rate of program growth in this area, since the President's projected outlays grow from \$50 million in fiscal year 1980 to \$192 million in fiscal year 1981.

- *Action Required to Implement Recommendation*

The transportation energy initiative proposals are still to be shaped in authorizing legislation and the recommended funding levels could be achieved through the appropriations process as well.

- *Outyear Impact of Recommendation*

The Committee recommendation assumes equivalent budget reductions in the outyears in the amount of \$170 million in budget authority and \$100 million in outlays.

6. REDUCTIONS IN REMAINING DISCRETIONARY TRANSPORTATION PROGRAMS

- *President's Budget Reestimated by CBO*

The President requested \$8,443 million in budget authority and \$8,121 million in outlays for remaining discretionary transportation programs which excludes salary and expense accounts, mass transportation programs and the highway trust programs. The major discretionary programs include the FAA operations account, other air program accounts, Coast Guard operations and miscellaneous Coast Guard accounts, Maritime programs, grants to the National Rail Passenger Corporation, the Northeast Corridor Improvement program and other miscellaneous railroad accounts.

- *House Committees' Views and Estimates*

Rail Programs.—The Interstate and Foreign Commerce Committee was in general agreement with the President's rail funding request but did include an initiative for "emerging rail corridors".

Other than Trust Fund Highway Programs.—The Public Works Committee proposed significant additions to the President's request for categorical highway programs and various air programs.

Water Mode Programs.—The Merchant Marine and Fisheries Committee requested some increases over the President's water mode program request for Congressional legislative initiatives.

- *Recommendation*

The Committee assumes funding reductions in discretionary programs totaling \$250 million in budget authority and \$165 million in

outlays. The recommendation does not attempt to identify specific program reductions, but rather assumes that the authorizing and appropriations committees will carefully review all discretionary programs as to their benefits, relative priority and timing of expenditures.

- *Action Required to Implement Recommendation*

The anticipated review by the authorizing and appropriations committees could include program rescissions, legislative savings, program eliminations, and program reductions.

- *Outyear Impact of Recommendation*

The Committee recommendation is to assume equivalent reductions in the outyears. For fiscal year 1982, a \$360 million budget authority reduction and \$250 million outlay saving is recommended, in fiscal year 1983, a \$400 million budget authority and \$340 million outlay saving is recommended.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

The Committee recommends \$8.8 billion in budget authority and \$9.4 billion in outlays for this function. These totals represent decreases of \$1.1 billion in budget authority and \$0.5 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	9.8	8.8	9.7	9.4	10.2	9.9
1. Reestimates:						
Changes due to economic as- sumptions.....						
Other reestimates.....	+ .1	+ 1.1	+ .2	+ .4		+ .2
President's budget reestimated.....	9.9	9.9	9.9	9.8	10.2	10.1
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....						
3. Reductions in community develop- ment and urban action develop- ment grants.....	_.1	_.1	_.1	_.2	_.1	_.2
4. Reductions in economic development assistance (EDA) funding.....	_.3	_.2	_.3	_.3	_.3	_.3
5. Deferral of inland energy impact assistance.....	_.2	(¹)		_.1		_.1
6. Reduction in remaining discretionary development and assistance pro- grams.....	_.3	_.2	_.3	_.2	_.3	_.2
Total difference.....	(_.9)	(_.5)	(_.7)	(_.8)	(_.7)	(_.8)
Committee recommendation.....	9.0	9.4	9.2	9.0	9.5	9.3

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Recommendation

There are three major community and regional development reestimates from the President's fiscal year 1981 request. The three major reestimates are:

- \$795 million increase in outlays for Community Development Block Grants which reflects the increased spendout of past year obligations.

- \$123 million increase in budget authority and outlays for offsetting receipts, which is a transfer of Alaska pipeline receipts to Function 800.
- \$78 million increase in outlays for disaster relief payments which anticipates a faster spendout rate than the President's estimate.

In addition, there are a series of smaller, miscellaneous reestimates which net to a decrease of \$3 million in budget authority and an increase of \$121 million in outlays.

The outyear reestimates for fiscal years 1982 and 1983 assume budget authority increases due to estimates of offsetting receipts and miscellaneous trust fund receipts. Fiscal year 1982 outlays are up by \$315 million as a result of faster Community Development Block Grant spendout and other miscellaneous increases and decreases. Fiscal year 1983 outlays are up by \$246 million largely based on increased outlays for Community Development Block Grants and Urban Development Action Grants, Indian programs, and miscellaneous trust fund receipts.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

• *President's Budget Reestimated by CBO*

The President has requested a number of supplementals for Disaster Relief programs, Economic Development Administration programs, the Tennessee Valley Authority fund and the Pennsylvania Avenue Development Corporation.

The President's proposed supplementals are as follows:

[In millions of dollars]

Program	Budget authority	Outlays	
		Fiscal year 1980	Fiscal year 1981
1. Disaster relief.....	314.0	31.4	157.0
2. Economic Development Administration.....	598.7	52.6	221.0
3. Economic Development Administration revolving fund.....		16.5	43.0
4. Tennessee Valley Authority.....	20.8	12.8	8.0
5. Pennsylvania Avenue Development Corporation.....	.5	.3	.2
Total.....	934.0	113.6	429.2

• *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution assumed supplementals of \$322 million in budget authority and \$128 million in outlays for Disaster Loans and \$559 million in budget authority for Economic Development Assistance programs.

• *Recommendation*

The Committee assumes supplementals for fiscal year 1980 totaling \$864 million in budget authority and \$318 million in outlays for this function. The recommendation assumes funding for the Disaster Relief and Economic Development Administration Revolving fund supplementals and funding of \$150 million in budget authority and \$13 million in outlays for the President's Economic Development

Administration assistance programs. The 75 percent reduction in the Economic Development Administration assistance programs is based on two rationales: one, the program is being expanded at a too rapid pace and, two, the program has been and still is in a prolonged conference and that the funding, if authorized, should be reduced to a manageable level for the remainder of fiscal year 1980.

The recommendation also assumes an anticipated supplemental for the Disaster Loan program in the amount of \$400 million in budget authority and \$250 million in outlays. The Disaster Loan program required supplementals totaling over \$2 billion in fiscal year 1978, and \$1 billion in fiscal year 1979. A supplemental request is presently pending within the administration which reflects, in part, needs from the recent California flooding.

The recommendation also assumes enactment of two anticipated rescission proposals: \$160 million in budget authority and \$16 million in outlays for the Community Development Block Grant program, and \$175 million in budget authority and \$8 million in outlays for the Urban Development Action Grant program. The proposed rescissions are intended to reduce both fiscal year 1980 and future year program outlays by reducing outstanding unobligated balances in these programs.

- *Action Required to Implement Recommendation*

The Appropriations Committee will review the President's requested supplementals and will determine whether to follow the Budget Committee recommendations.

- *Outyear Impact of the Recommendation*

Disaster relief and Disaster Loan supplementals are expected to be fully expended by fiscal year 1983. The Economic Development Administration Revolving fund will be fully expended in fiscal year 1981. The Economic Development Administration assistance supplemental will spendout in fiscal years 1980-1983 according to the historical pattern of 10 percent the first year, 40 percent the second year, 35 percent the third year and 15 percent the fourth year. The Community Development Block Grant and Urban Development Action Grant rescissions will result in \$115 million in outlays savings in fiscal year 1981, \$108 million in fiscal year 1982 and \$294 million in fiscal year 1983.

3. REDUCTIONS IN COMMUNITY DEVELOPMENT AND URBAN ACTION DEVELOPMENT GRANTS

- *President's Budget Reestimated by CBO*

The President requested \$3,950 in budget authority for the Community Development Block Grant (CDBG) program with associated outlays of \$4,600 million. For Urban Development Action Grants (UDAG), the President requested \$675 million in budget authority with associated outlays of \$365 million.

- *House Committees' Views and Estimates*

The Committee on Banking, Finance and Urban Affairs was unable to comment on the HUD Community Development programs in time

for the March 15 report. The Appropriations Committees' March 15 Report does not refer to the HUD Community Development programs.

- *Recommendation*

The Committee recommendation assumes a rescission of \$160 million in the fiscal year 1980 Community Development Block Grant program and an equal budget reduction in fiscal year 1981–1983 as well. The fiscal year 1980 CDBG program would be \$3,740, the fiscal year 1981 level would be \$3,790, the 1982 level would be \$3,940 and the 1983 level would be \$4,090. Associated fiscal year 1981 outlay savings are \$80 million.

The Committee recommendation also assumes a \$175 million rescission in the Urban Development Action Grant program in fiscal year 1980, and associated fiscal year 1981 outlay savings of \$35 million.

Both the UDAG and CDBG reductions are recommended as appropriately scaled reductions in this period of stringent budget limitations.

- *Action Required to Implement Recommendation*

The rescissions in the Community Development and Urban Development Action Grant programs assume Presidential rescission requests. Reductions in the fiscal year 1981–1983 program could be made through the appropriations process.

- *Outyear Impact of Recommendation*

The fiscal year 1980 rescission of \$175 million in UDAG funding would result in fiscal year 1982 outlay savings of \$50 million and 1983 outlay savings of \$67 million. The proposed \$160 million budget authority reduction for CDBG for fiscal years 1980–1982 will result in fiscal year 1982 outlay savings of \$136 million and 1983 outlays savings of \$160 million.

4. REDUCTIONS IN ECONOMIC DEVELOPMENT ASSISTANCE (EDA) FUNDING

- *President's Budget Reestimated by CBO*

The President requested \$1,169 million budget authority and \$609 million in outlays for Economic Development Assistance programs. The President's request contemplated a fiscal year 1980 supplemental for new EDA development and financing programs that are presently under consideration in the conference on the Public Works and Economic Development Act of 1979. The proposed fiscal year 1980 supplemental for EDA is \$599 million in budget authority and \$53 million in fiscal year 1980 outlays. The President's fiscal year 1981 request assumes continuation of the new EDA programs provided for in the fiscal year 1980 supplemental.

- *House Committees' Views and Estimates*

The Committee on Public Works and Transportation recommends \$2,290 million in the budget authority and \$768 million in outlays for Economic Development Assistance programs. The Public Works and Transportation Committee recommends initiatives not included by the President and believes that "Federal assistance to economically distressed areas should be increased rather than curtailed."

- *Recommendation*

The Committee assumes \$863 million in budget authority and \$618 million in outlays for the fiscal year 1981 Economic Development Assistance programs. The recommendation reflects a reduction of 75 percent in the President's proposed EDA supplemental for 1980 in light of what is considered a too rapid buildup in program levels and the undesirability of attempting to implement a sizable new program this late in the fiscal year. For fiscal year 1981, the Committee recommendation reflects a reduction of 50 percent in funds for new EDA programs.

- *Action Required to Implement Recommendation*

Authorization levels for the fiscal year 1980 and 1981 expanded Economic Development Assistance programs are currently under consideration in a House-Senate conference. Funding levels will be determined through the authorization and appropriations process.

- *Outyear Impact of Recommendation*

The recommendation assumes that the new EDA programs will be continued in fiscal years 1982 and 1983 at approximately the fiscal year 1981 program level. Fiscal year 1982 outlay savings are estimated to be \$257 million and fiscal year 1983 outlay savings are estimated to be \$408 million.

5. DEFERRAL OF INLAND ENERGY IMPACT ASSISTANCE FUNDING

- *President's Budget Reestimated by CBO*

The President recommends \$150 million in budget authority and \$62 million in outlays for the Inland Energy Impact Assistance program. The President's request would increase the budget authority by 200 percent over the fiscal year 1980 level of \$50 million.

- *House Committees' Views and Estimates*

The Interstate and Foreign Commerce Committee recommends the President's proposed \$150 million funding level for Inland Energy Impact Assistance. The Transportation Appropriations Subcommittee March 15 Report did not mention the Inland Energy Impact Assistance program.

- *Recommendation*

The Committee recommends deferral of the fiscal year 1981 Inland Energy Impact Assistance funding to fiscal year 1982. The deferral would result in a reduction of \$150 million in budget authority and \$37 million in outlays.

The deferral of the Inland Energy Impact Assistance program reflects the stringent budget limitations in this period of fiscal austerity.

- *Action Required to Implement Recommendation*

The recommendation could be accomplished through the appropriations process.

- *Outyear Impact of Recommendation*

The Committee recommendation reflects the President's budget authority request of \$150 million for the Inland Energy Impact Assist-

ance program in both fiscal year 1982 and 1983. Fiscal year 1982 outlay savings resulting from the fiscal year 1981 budget authority deferral is \$51 million and the 1983 outlay savings is \$61 million.

6. REDUCTION IN REMAINING DISCRETIONARY AND ASSISTANCE PROGRAMS

- *President's Budget Reestimated by CBO*

Th President requested \$3,476 million in budget authority and \$3,763 million in outlays for discretionary development and assistance programs excluding the Community Development Block Grant and Urban Development Action Grant programs, the Economic Development Assistance programs and the Inland Energy Impact Assistance program.

- *House Committees' Views and Estimates*

The House Banking Committee did not comment on the development and assistance programs. The Public Works Committee recommended significant increases in development and assistance programs. The Committee on Small Business was in general agreement with the President's request, but suggested that there would be a need for a disaster loan supplemental. In recent years, disaster loan supplementals have ranged up to \$2 billion.

- *Recommendation*

The Committee recommendation assumes that in fiscal year 1981, \$300 million in budget authority and \$200 million in outlay reductions can be achieved through the elimination, reduction or deferral of spending in the remaining discretionary development and assistance programs. No specific programs are identified for reductions. The major remaining discretionary programs include the rehabilitation loan fund, Appalachian Regional development program, rural water and waste disposal grants, rural development insurance fund, regional development programs, various disaster relief, emergency and flood programs and other smaller miscellaneous accounts.

- *Action Required to Implement Recommendation*

The program reductions could be accomplished by the authorizing and appropriations committees. Actions could involve program eliminations, program reductions, program deferrals and recissions, proposed legislative savings, and similar approaches.

- *Outyear Impact of Recommendation*

The Committee recommendation assumes that in fiscal year 1982 a reduction of \$260 million in budget authority and \$240 million in outlays can be made from remaining discretionary programs and in fiscal year 1983 a reduction of \$324 million in budget authority and \$225 million in outlays.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

The committee recommends \$33.3 billion in budget authority and \$30.7 billion in outlays for this function. These totals represent decreases of \$1.7 billion in budget authority and \$1.7 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlay	Budget author- ity	Outlay	Budget author- ity	Outlay
President's budget request, January 28, 1980	34.8	32.0	37.4	35.0	39.4	37.7
1. Reestimates (by CBO):						
Changes due to economic assumptions	+ .2	+ .2				
Other reestimates		+ .2				+ .2
Transferred from allowances:						
Welfare reform jobs program	NA	NA	+2.3	+2.2	+2.5	+2.4
President's budget reestimated	35.0	32.4	39.7	37.2	41.9	40.3
Major policy recommendations:						
2. 1981 impact of 1980 supplementals						
3. Higher education	- .2	- .2		- .2		
4. Youth education-employment initiative		- .2		+ .2		
5. Selected CETA program reduction	-1.1	-1.0	-1.0	+1.1	- .9	-1.0
6. Reductions in other discretionary education, labor and social services programs	- .4	- .3		- .1		
7. Outyear issues: Welfare reform jobs and title XX social services			-2.2	-2.1		
Total difference	-1.7	-1.7	-3.2	-3.3	- .9	-1.0
Committee recommendation	33.3	30.7	36.5	33.9	41.0	39.3

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Explanation of Recommendation

A total of \$213 million in budget authority and \$368 million in outlays are added to the President's budget as a result of reestimates. CBO estimates that \$213 million in additional budget authority and

\$163 million in outlays will be needed in fiscal year 1981 to cover rising Federal interest payments on prior year loans made through the Guaranteed Student Loan program (GSLP). An additional \$205 million in outlays is also included, primarily, to reflect the CBO assumption that new budget authority for higher education programs overall will spend out at a faster rate than the President assumes.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President's fiscal year 1981 budget includes supplementals for fiscal year 1980 totalling \$1.4 billion in budget authority. Of the total, it is estimated that \$1.2 billion be spent in fiscal year 1980 and \$.2 billion be spent in fiscal year 1981. The President's request is detailed in the table below:

FISCAL YEAR 1980 SUPPLEMENTALS

[In millions of dollars]

Program	President's request (reestimated)		Fiscal year 1981 impact, outlays
	Budget authority	Outlays	
Discretionary:			
Education-miscellaneous programs.....	2	2	
Labor-miscellaneous programs.....	11	8	2
ACTION—Domestic programs.....	28	14	12
H.R. 3434: Social Services and Child Welfare Amend- ments.....	438	438	
Mandatory:			
Guaranteed students loan program (GSL).....	662	492	170
Title XX social services prior year claims.....	236	236	
Total.....	1,377	1,190	184

Discretionary Supplementals

- H.R. 3434, Social Services and Child Welfare Amendments: The President requests \$438 million in both budget authority and outlays in fiscal year 1980 for social services, title XX, and child welfare services. This would have accommodated a total XX ceiling of \$2.9 billion for fiscal year 1980. The conferees on H.R. 3434 have adopted a title XX ceiling of \$2.7 billion for fiscal year 1980.
- Other discretionary supplementals: These supplemental requests for fiscal year 1980 total \$41 million in budget authority and \$24 million in outlays for miscellaneous programs in the Education and Labor Departments, and an expansion of the ACTION domestic programs.

Mandatory Supplementals

- Title XX prior year claims: The President's request includes \$236 million in both budget authority and outlays for prior year claims under the title XX social services program.

—Guaranteed Student Loan program: The CBO reestimate of program needs estimates budget authority of \$649 million and outlays of \$300 million. The supplemental request is needed to meet Federal payments for interest to lenders, which is projected to be about 1 percent higher than assumed. In addition, the supplemental would accommodate expanding the loan volume which is running 50 percent higher this quarter than it was during the same period last year.

- *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for fiscal year 1980 assumed sufficient budget authority and outlays in this function to accommodate these supplementals.

- *Recommendation*

The recommendation assumes enactment of supplementals in 1980 to support a reestimated Guaranteed Student Loan program level, title XX prior year claims, Unemployment Trust Fund program administration, and H.R. 3434, Social Services and Child Welfare amendments as agreed to by the conferees.

The recommendation assumes the enactment of supplementals totalling \$1.1 billion in budget authority and \$.8 billion in outlays for fiscal year 1980. These 1980 supplementals will result in \$.3 billion in outlays in fiscal year 1981.

The fiscal year 1981 outlays are \$.2 billion above the President's estimate because of a different spendout pattern for the GSL supplemental than assumed by the President. CBO estimates that 49% of the supplemental will spendout in fiscal year 1980, while the President's budget assumes a spendout rate of 75%. As a result, the CBO estimate projects a larger spendout in fiscal year 1981 than does the President's. The recommendation accepts the CBO spendout pattern. (The CBO increase appears as a reestimate in the "Summary of Recommendation" page.)

Due to the requirements of a stringent budget, the recommendation does not assume enactment of discretionary supplementals for miscellaneous Education and Labor Department programs, or for ACTION domestic programs.

- *Outyear Impact of the Recommendation*

The recommendation assumes that in fiscal year 1981, \$349 million will be spent from fiscal year 1980 supplementals. This amount is \$165 million above the President's estimates. The increase is due solely to the Guaranteed Student Loan program supplemental which, according to CBO estimates, will require less outlays in fiscal year 1980 and more in fiscal year 1981 than estimated by the President. Further, the President's request included \$2 million in outlays in fiscal year 1982. The recommendation assumes that supplemental appropriations for fiscal year 1980 will be spent before fiscal year 1982; thus, the recommendation is \$2 million less than the President's request in fiscal year 1982.

3. HIGHER EDUCATION FUNDING

● *President's Budget Reestimated by CBO*

The President's budget requests \$4,189 million in budget authority and \$3,969 million in outlays to fund student loan programs and the Basic Educational Opportunity Grants program (BEOG).

● *Proposed Reform of Student Loans*

The President's budget proposes to make no new loans through the existing Guaranteed Student and National Direct Student Loan programs. In their place, the President proposes to implement a program of basic direct loans for needy students and a program of supplemental guaranteed loans for students and their parents, regardless of income.

Basic Direct Loans.—Undergraduate students with assessed need would be able to borrow up to 60 percent of the level of their need in fiscal year 1981; 80 percent in fiscal year 1982, and 100 percent in fiscal year 1983. The needs analyses system would require a \$700 self-help contribution by the student. Basic loans would bear no interest while the student attends school, but would bear 7 percent interest during the repayment period, with terms up to 20 years available. Full capital requirements would be provided through Federal appropriations. The budget requests \$491 million in budget authority and \$91 million in outlays to initiate the program in fiscal year 1981.

Supplemental Guaranteed Loans.—Students and parents would be able to borrow up to the cost of education minus other financial aid. Loans would be made through private lenders and would accrue interest at the treasury bill rate plus 1 percent. Twenty year repayment terms would be available. The Federal government would guarantee the loans and would make special allowance interest payments of 2.5 percent to lenders; the students or parents would pay the remainder of the interest rate as well as the principal. The budget requests \$54 million in budget authority to initiate the new program in fiscal year 1981.

The proposed reform of the student loan programs would reduce fiscal year 1981 budget authority requirements by \$15 million and outlays by \$387 million from the fiscal year 1980 levels.

Basic Educational Opportunity Grants (BEOGs). The budget requests that the maximum grants provided under the BEOGs program be increased \$100, from \$1,800 to \$1,900. The administration estimates that \$2,309 million in budget authority and \$2,147 million in outlays would be required to achieve this fiscal year 1981 program increase. Retaining current law would reduce costs by \$200 million in budget authority, according to the administration, because some 200,000 current participants would be ineligible for further assistance due to rises in their family incomes. Under a \$1,900 maximum award level, these students would retain eligibility and about 20,000 additional students would be added to the program.

The President's budget for student loans and basic grants in fiscal years 1980 and 1981 compares as follows:

PRESIDENT'S BUDGET REQUEST (REESTIMATED)

[In millions of dollars]

	Current law, fiscal year 1980		Reform, fiscal year 1981		Difference	
	Budget au- thority	Outlays	Budget au- thority	Outlays	Budget au- thority	Outlays*
Basic educational opportunity grants (BEOG's).....	¹ 2,262	2,108	² 2,309	2,147	+47	+39
Guaranteed student loans (GSL's).....	1,609	1,530	³ 1,335	1,347	-274	-183
National direct student loans (NDSL's).....	286	295			-286	-295
Proposed legislation:						
Basic loans.....			491	91	+491	+91
Supplemental loans.....			54		+54	
Total.....	4,157	3,933	4,189	3,585	+32	-348

¹ The fiscal year 1980 appropriation was \$1,718. The budget authority shown includes \$514,000,000 in carryover funds from 1979.

² Includes \$200,000,000 to increase maximum grant awards from \$1,800 to \$1,900.

³ Reflects phaseout of the GSL program. The appropriations in fiscal year 1981 would pay Federal obligations on existing loans. If the existing GSL program continued in fiscal year 1981, CBO estimates its cost would be \$1,690,000,000 in budget authority and \$1,671,000,000 in outlays.

• House Committees' Views and Estimates

The Appropriations Committee March 15 Report notes that the President's proposed loan reform represents nearly a total departure from recently enacted legislation. The Education and Labor Committee would maintain current law for the loan programs and increase Basic Grants and the other campus based aid programs by a total of \$355 million.

• Recommendation

The recommendation assumes \$3,969 million in budget authority and \$3,390 million in outlays, a reduction of \$220 million in budget authority and \$195 million in outlays from the reestimated amounts requested by the President for Basic Educational Opportunity Grants, and the proposed supplemental and direct basic loans programs.

RECOMMENDED ADJUSTMENTS TO THE PRESIDENT'S BUDGET

[In millions of dollars]

	Budget authority	Outlays
President's request (reestimated).....	4,189	3,585
Recommended reductions:		
Rescind fiscal year 1980 budget authority for the BEOG's program.....		-135
Maintain BEOG's at current policy in fiscal year 1981.....	-180	-20
Cap special allowance interest payments to State lenders.....	-40	-40
Total reductions.....	-220	-195
Recommendation.....	3,969	3,390

The totals in the recommendation assume legislation to rescind \$135 million of the 1980 BEOGs appropriation. This decrease in fiscal year 1980 budget authority would reduce the amount of each student's basic grant by \$50. Grants would then range from \$150 to a maximum of \$1,750, rather than from \$200 to a maximum of \$1,800 as provided by current law. Similar savings could, of course, be achieved through other changes in eligibility and grant limits. Since the BEOG's program is forward funded, this fiscal year 1980 change in grant levels would reduce fiscal year 1981 outlays by \$135 million.

For fiscal year 1981, the recommendation maintains current policy for basic grants. The maximum grant is assumed to be \$1,800 rather than \$1,900 as proposed by the President. Funding BEOGs at current policy would reduce the President's request by \$180 million in budget authority and \$20 million in outlays. Additional outlay savings of \$160 million would occur in fiscal year 1982.

The recommendation also assumes that Congress will take action to eliminate the excessive profits to state lenders participating in the Guaranteed Student Loan program. Under the current program state lenders are able to realize over-all profits from Federal interest payments, in excess of private lenders. Greater overall profits accrue to state lenders because of their access to low-cost capital which they use to finance student loans.

While the totals in the recommendation also assume changes will be made in the guaranteed and direct loan programs, the recommendation does not assume the President's specific legislative proposals for reforming these programs. Alternative student assistant policies which Congress will consider are left to the committees with jurisdiction.

The recommendation would be exceeded, however, if the current guaranteed student loan program were to continue into fiscal year 1981. Current projections of interest rates indicate that under existing law an additional \$301 million in budget authority and \$274 million in outlays would be required in fiscal year 1981 above the amounts included in the recommendation for the GSL program. For fiscal years 1982 and 1983, the additional spending above the President's outyear budget requests would be \$0.4 billion and \$0.3 billion, respectively for GSL's.

● *Action Required to Implement Recommendation*

The Achievement of this recommendation would require (1) the Appropriations Committee to report a bill to rescind the fiscal year 1980 BEOGs appropriations, (2) the Appropriations Committee to agree to fund BEOGs at current policy for fiscal year 1981, and (3) to revise and reform student loan programs.

● *Outyear Impact of the Recommendation*

The recommendation assumes outyear growth in program levels, but at rates lower than those which would occur if current policy was assumed for the existing guaranteed student loan program. Based on the fiscal year 1981 recommendation, fiscal year 1982 outlays would increase by 10 percent, and fiscal year 1983 outlays would increase by 23

percent, above fiscal year 1982. This represents a total outlay increase of 35 percent over the two fiscal year periods. In contrast, to continue to meet the current policy requirements for guaranteed loans, outlays would have to increase by 23 percent and again by 14 percent in fiscal years 1982 and 1983 respectively. In total, under current policy for GSL's fiscal year 1983 outlay would go up a total of 44 percent above the fiscal year 1981 recommendation.

The recommendation slows growth in student assistance outlays in fiscal years 1982 and 1983, but provides for expansion to cover program growth which may be needed if program participation rates increase or to increase the BEOGs program to the levels proposed by the President in fiscal year 1981.

4. YOUTH EDUCATION-EMPLOYMENT INITIATIVE

● *President's Budget Reestimated by CBO*

In 1977, Congress passed the Youth Employment and Demonstration Projects Act (YEDPA). The appropriation for the programs covered by this Act in fiscal year 1980 was \$826 million. The authority for these programs expires this year. The President's budget proposes new legislation, the Youth Act of 1980, (H.R. 6711), to provide an expansion of the current youth training and employment efforts by \$1.2 billion in fiscal year 1981 to a total program level of \$2 billion. Of the fiscal year 1981 funds, \$900 million will be requested to forward-fund expanded Department of Education programs designed to improve the basic education and skill training levels for an estimated one million economically disadvantaged youth. Another \$300 million will be requested to expand the Department of Labor's current youth employment and training effort which expires at the end of fiscal year 1980. Of the additional \$1.2 billion, \$50 million in outlays in fiscal year 1981 would result from the education programs and \$100 million in outlays from the Labor Department programs.

● *House Committees' Views and Estimates*

The Education and Labor Committee has recommended that the President's youth initiatives request be increased by \$1,360 million in budget authority and \$1,229 million in outlays for employment and training programs. The Education and Labor Committee believes that the expansion of youth programs should be fully implemented in fiscal year 1981 rather than waiting until fiscal year 1982.

● *Recommendation*

The committee recommendation assumes the enactment of legislation to expand and improve education and training opportunities for youth at the funding level requested by the President. However, the committee assumes that due to a late enactment of the authorizing legislation, a late appropriation and a delay in implementing the program, the additional funds appropriated will not result in outlays in fiscal year 1981. Further, the recommendation assumes that the current level of services provided to youth under YEDPA will be continued throughout fiscal year 1981.

● *Action Required to Implement the Recommendation*

The recommendation assumes that some form of the President's Youth Act of 1980, H.R. 6711, will be enacted by Congress. However, since the House Appropriations Committee will report the Labor-Health, Education, and Welfare Appropriations bill in June, 1980, the Committee recommendation assumes that the funds for the youth initiative will be included in a supplemental appropriation at a later date.

The recommendation also assumes that after the enactment of the authorizing legislation and the supplemental appropriation, the Departments of Education and Labor will need time to promulgate the regulations, resulting in a later start for this new program. Therefore, the recommendation assumes that the additional outlays requested by the President will not outlay until fiscal year 1982.

Further, the recommendation assumes that the existing level of services to youth under YEDPA will be maintained throughout fiscal year 1981, through the extension of the existing law or similar action by the Education and Labor Committee.

● *Outyear Impact of the Recommendation*

The recommendation assumes that full funding under the program would be achieved in fiscal year 1982 and the additional funds appropriated in fiscal year 1981 would also be spent fiscal year 1982. The effect would be as follows:

[In billions of dollars]

	1981		1982		1983	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
President's request.....	2	0.8	2.9	2.2	2.9	2.9
Recommendation.....	2	.6	2.9	2.3	2.9	2.9
Difference.....		.2		+.2		

Note: Totals may not add due to rounding.

5. SELECTED REDUCTIONS IN THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT

● *President's Budget Reestimated by CBO*

The appropriation for fiscal year 1980 and the President's fiscal year 1981 budget request for the Comprehensive Employment and Training Act (CETA), other than the new youth initiative and expiring Youth Employment and Demonstration Projects Act (YEDPA), are detailed below:

[In millions of dollars]

	Fiscal year 1980 appropriation		President's request fiscal year 1981		Difference: President over (+) fiscal year 1980 appropriation	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
CETA—Public service employment (PSE) titles II-D and VI.....	3,112	3,977	4,598	4,415	+1,486	+438
CETA—Youth (except YEDPA and youth initiative).....	1,275	1,539	1,665	1,621	+390	+82
CETA—Other.....	2,907	2,449	2,917	2,969	+10	+520
Total.....	7,294	7,965	9,180	9,005	+1,886	+1,040

The President's fiscal year 1981 budget request includes \$9.2 billion in budget authority and \$9.0 billion in outlays for CETA programs other than the youth initiative and YEDPA.

For public service employment, the President has requested \$4.6 billion in budget authority and \$4.4 billion in outlays to sustain 450,000 PSE jobs. The President proposes employment levels of 250,000 in title II-D, PSE for the structurally unemployed, and 200,000 in title VI, PSE for the cyclically unemployed. These are the same enrollment levels that are estimated to be on-board at the end of fiscal year 1980.

For youth programs other than the expiring YEDPA programs and the new youth initiatives, the President has requested \$1.7 billion in budget authority and \$1.6 billion in outlays for fiscal 1981, an increase of \$390 million in budget authority and \$82 million in outlays over the fiscal year 1980 level. The increase would provide for expansion of the Job Corps program, and increases in both the summer youth employment program and the Young Adult Conservation Corps in order to cover increases in the minimum wage and inflation.

For other CETA activities, the President's request includes minimal increases to cover inflation for various training programs, an expansion of the title III welfare jobs demonstration program, and a reduction in budget authority for the Title VII private sector program. Because of carry-in funds from fiscal year 1980, the total amount available for the private sector program in fiscal year 1981 will be approximately \$400 million, the same as in fiscal year 1980.

● *House Committee's Views and Estimates*

The Education and Labor Committee has recommended a total of \$12.9 billion in budget authority and \$12.4 billion in outlays for these programs except the youth initiatives and YEDPA, an increase of \$3.7 billion in budget authority and \$3.4 billion in outlays over the President's budget request.

The Education and Labor Committee recommendation includes increasing countercyclical public service employment by 300,000 enrollees, training under title II-A, B, and C by 100,000 man-years, and increases in the Job Corps. The increase in public service employ-

ment would raise the public service employment enrollment levels from the current appropriated level of 450,000 to 750,000, and the increases in title II-A, B, C would increase the man-year levels from 375,000 to 475,000. The increases recommended for Job Corps would result in an additional 10,000 enrollees in non-residential programs.

- *Recommendation*

The recommendation assumes \$8.1 billion in budget authority and \$8.0 billion in outlays for employment and training programs funded under CETA. These totals are \$1.1 billion in budget authority and \$1.0 billion in outlays below the President's budget.

It is assumed that the reductions will be made in the following manner: (1) reducing public service employment under Title VI, the countercyclical jobs program by 50,000 enrollees; (2) eliminating the welfare jobs demonstration projects under CETA title III; (3) reducing the enrollment level of the Young Adult Conservation Corps; and (4) other actions necessary to achieve the recommended dollar reductions.

As part of the fiscal year 1981 reduction, the recommendation assumes a fiscal year 1980 rescission of \$240 million in budget authority and \$200 million in outlays for these CETA programs.

- *Action required to Implement the Recommendation*

The programs are funded through annual appropriations, thus, the necessary actions could be taken through the regular appropriation process. For fiscal year 1980 rescissions, the Appropriations Committee would have to report out a rescission bill.

- *Outyear Impact of the Recommendation*

The recommendation assumes that the reductions in the CETA programs will be maintained in fiscal years 1982 and 1983. Therefore, the outyear estimates reflect reductions of \$1.0 billion in budget authority and \$1.1 billion in outlays in fiscal year 1982 and \$0.9 billion in budget authority and \$1.0 billion in outlays in fiscal year 1983 from the President's budget plan for those years.

UNDISTRIBUTED REDUCTIONS IN OTHER DISCRETIONARY PROGRAMS

- *President's Budget Reestimated by CBO*

Excluding the President's request for the youth education-employment initiative, student assistance in higher education, proposed reform of student loans, CETA programs and Title XX social services, the budget requests \$22.1 billion in budget authority and \$20.6 billion in outlays to fund the remaining education, labor and social service programs. Within this total, \$105.5 billion in budget authority and \$9.6 billion in outlays is requested to fund education programs and; \$11.6 billion in budget authority and \$11.0 billion in outlays is requested to fund labor and social services programs.

Education Programs.—For discretionary education programs, the President requests a net increase of \$425 million above the fiscal year 1980 appropriated levels. Programs for which budget authority increases are requested include Title I aid to disadvantaged pupils (+\$352 million), Headstart grants for Child development (+\$89 million), Education of the Handicapped (+\$53 million), Vocational

Education (+\$37 million), cultural activities (+\$34 million). The major decrease is \$286 million in the impact aid program.

Employment and Training and Social Services Programs.—The budget proposes several inflationary increases in budget authority for most training and social services programs, as well as an expansion of the child welfare services program (+\$107 million), and ACTION (+\$38 million). The total increase including adjustments made for inflation is \$375 million above the fiscal year 1980 appropriated levels.

● *House Committees' Views and Estimates*

In its March 15 report to the Budget Committee, the Education and Labor Committee included total increases of \$2.7 billion in budget authority and \$1.5 billion in outlays above the President's request for these discretionary education and labor programs.

The Committee views include budget authority increases to Title I ESEA (+\$376 million), Impact Aid (+\$635 million), Education of the Handicapped (+\$338 million), Vocational and Adult Education (+\$278 million), Rehabilitation Services (+\$168 million), Employment Service (+\$50 million), Apprenticeship programs (+\$60 million) and low-income weatherization (+\$610 million).

● *Recommendation*

The recommendation assumes \$21.7 billion in budget authority and \$20.3 billion in outlays for Function 500 programs, other than the youth education employment initiative, student assistance and loans, Comprehensive Employment and Training Act programs and Title XX, Social Services. This recommendation is \$400 million in budget authority and \$300 million in outlays below the President's request.

Education reductions.—Reductions totalling \$74 million in budget authority and \$134 in outlay are recommended for education programs. Some \$80 million of this outlay decrease would result from a rescission in the fiscal year 1980 Title I ESEA appropriations. For fiscal year 1980 Title I ESEA appropriations. For fiscal year 1980 \$3.3 billion was appropriated. A reduction of \$80 million represents 2 percent of the total program level and would roughly reduce per student expenditures by about \$16. Reductions of \$25 million in budget authority and in outlays are assumed for the National Endowments on the Arts and Humanities programs to maintain these cultural activities at their fiscal year 1980 levels. Additional undistributed reductions of \$49 million in budget authority and \$29 million in outlays are assumed for education programs, other than higher education or the proposed youth initiative.

Labor and Social Service reductions: Reductions totalling \$266 million in budget authority and \$116 million in outlays are recommended for labor and social services programs. These reductions represent applying minor restraints to selected discretionary programs. These reductions are off-set by an increase of \$50 million in both budget authority and outlays for the Vocational Rehabilitation Basic State Grants program in order to bring the program to its entitlement level.

● *Action Required To Implement Recommendation*

Since most of these programs are subject to annual appropriations these reductions could be achieved in the appropriations process. In

addition, the Appropriations Committee would have to report a rescission bill to rescind \$100 million in fiscal year 1980 budget authority for the Title I ESEA program.

● *Outyear Impact of the Recommendation*

The outyear impact of the recommendation assumes a reduction of \$0.1 billion in outlays below the President's plan for fiscal year 1982.

7. OUTYEAR ISSUES: WELFARE REFORM JOBS AND TITLE XX SOCIAL SERVICES

● *President's Budget Reestimated by CBO*

Welfare Reform Jobs.—The President's budget contains approximately \$2.3 billion in budget authority and \$2.2 billion in outlays for the net costs of the welfare reform jobs program in fiscal year 1982 and approximately \$2.5 billion in budget authority and \$2.4 billion in outlays for the net costs of this program in fiscal year 1983. Under this program the administration proposes to create an additional 375,000 public service (PSE) jobs for welfare recipients in addition to other PSE jobs already in existence.

The jobs program is half of the President's welfare reform package, H.R. 4904, Social Welfare Amendments of 1979, which would reform the cash assistance programs, passed the House during the last session of Congress. H.R. 4425 is currently before the Education and Labor Committee. These two legislative proposals are designed to redirect the current welfare system. The jobs legislation would provide that state and local employment and training agencies will (1) place eligible job-seekers in unsubsidized employment in the private and public sectors; (2) provide training for those who need it; and (3) create Federally-assisted jobs for those unable to locate unsubsidized employment.

The administration has estimated that the gross costs for this program in fiscal year 1982, assuming that the program is fully operational during the entire year, will be \$5,641 million, with cost offsets equaling \$3,484 million, for a rounded net cost of \$2,200 million. The administration estimates for fiscal year 1983 are gross costs of \$6,036 million, offsets of \$3,628 million, and a rounded net cost of \$2,400 million. The table below details the most recent administration estimates on offsets for fiscal years 1982 and 1983.

[In millions of dollars]

	Fiscal year—	
	1982	1983
Gross cost	5,641	6,036
Cost offsets (savings):		
Income security	-2,672	-2,732
Medicaid	-266	-298
Revenue	-204	-240
Other	-342	-358
Total offsets	-3,484	-3,628
Net cost (rounded)	2,200	2,400

The cost offsets result primarily from persons leaving the welfare rolls and higher FICA and tax revenues.

Title XX Social Services.—The President's request includes a permanent \$2.9 billion ceiling for title XX social services. The conferees on H.R. 3434, Social Services and Child Welfare Amendments of 1979, have agreed to a \$2.7 billion ceiling in fiscal year 1980, \$2.9 billion in fiscal year 1981, \$3.0 billion in fiscal year 1982, \$3.1 billion in fiscal year 1983, \$3.2 billion in fiscal year 1984, and a permanent ceiling of \$3.3 billion starting in fiscal year 1985.

Welfare Reform Jobs.—The Education and Labor Committee reports that it has the President's welfare jobs proposal, H.R. 4425, under active consideration but has not come to any conclusions about it. Therefore, the Committee has not included funds for this proposal in its outyear projections.

Title XX Social Services.—The Ways and Means Committee recommends the ceiling provided for in the conference agreement on H.R. 3434.

- *Recommendation*

Welfare Reform Jobs.—The recommendation assumes the enactment of legislation which would establish a new jobs program consistent with the President's proposal. However, the recommendation assumes that the effective date of the program will be fiscal year 1983, consistent with the recommendation to postpone the implementation date for reform of the cash assistance program by one year. Because of the two year implementation period for the cash assistance program, the jobs portion has from the beginning been scheduled to begin in the second year of the cash assistance implementation schedule. The recommendation maintains the same relationship, but one year later.

Title XX Social Services.—The recommendation assumes that the XX ceiling will increase in accordance with the conference agreement on H.R. 3434.

- *Action Required to Implement Recommendation*

Welfare Reform Jobs.—The Education and Labor Committee could implement the welfare reform jobs program recommendation by including an effective date of October 1, 1982, in the legislation it reports.

Title XX Social Services.—Adoption of the conference agreement on H.R. 3434, Social Services and Child Welfare Amendments of 1979, will achieve the recommendation.

- *Outyear Impact of the Recommendation*

The recommendation would require \$2.2 billion less in budget authority and \$2.0 billion less in outlays than the President included in fiscal year 1982. For fiscal year 1983, the recommendation assumes the President's total level for these three programs.

COMPARISON OF PRESIDENT'S BUDGET AND FIRST BUDGET RESOLUTION FOR FISCAL YEAR 1981

[In billions of dollars]

Major program area	President's budget reestimated		First budget Resolution recommendations		Difference—over (+) /under (-) President	
	Budget author- ity	Out- lay	Budget author- ity	Out- lay	Budget author- ity	Out- lay
● Elementary, secondary and vocational Education.....	8.5	7.7	8.4	7.6	-0.1	-0.1
Proposed legislation: Youth initiative.....	.9	.1	.9	.....	.....	-.1
● Higher education.....	5.3	5.5	5.1	5.3	-.2	-.2
Proposed legislation: Student as- sistance.....	.5	.1	.5	.1	.....	.....
● General education aids and research.....	1.5	1.4	1.5	1.4	.....	.....
Subtotal.....	(16.7)	(14.8)	(16.4)	(14.4)	(-.3)	(-.4)
● Training and other labor services.....	11.4	11.2	10.3	10.2	-1.1	-1.0
Proposed legislation: Youth initiative.....	1.1	.7	1.1	0.6	.....	-.1
Subtotal.....	(12.5)	(11.9)	(11.4)	(10.8)	(-1.1)	(-1.1)
● Social services.....	5.8	5.7	5.9	5.8	+1	+1
Subtotal.....	(5.8)	(5.7)	(5.9)	(5.8)	(+1)	(+1)
● Undistributed reductions.....	.....	.....	-.4	-.3	-.4	-.3
Total.....	35.0	32.4	33.3	30.7	-1.7	-1.7

FUNCTION 550: HEALTH

The Committee recommends \$71.5 billion in budget authority and \$61.8 billion in outlays for this function. These totals represent decreases of \$.700 billion in budget authority and \$.600 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
President's budget request, Jan. 28, 1980.....	71.5	62.4	83.2	70.8	94.5	79.9
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....	+ .7		+ .6		+ 1.0	
Other reestimates.....						
Transfer national health insurance cost from Function 920.....					24.1	24.1
President's budget reestimated.....	72.2	62.4	83.8	70.8	119.6	104.0
Major policy recommendations:						
2. 1981 impact of 1980 supplementals and rescissions.....		(¹)		(¹)		
3. Medicare funding level.....		(¹)		- .1		- .1
4. Medicaid funding level.....	- .5	- .5	- .3	- .3	- .2	- .2
5. Funding for remaining discretionary health programs.....	- .2	- .1	- .4	- .3	- .4	- .4
6. Contingency for national health in- surance.....	NA	NA	NA	NA		
Total difference.....	- .7	- .6	- .7	- .7	- .6	- .7
Committee recommendation.....	71.5	61.8	83.1	70.1	119.0	103.3

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

● *Changes due to economic assumptions*

The estimating adjustments to the President's budget include \$700 million in budget authority which result from projections of higher payroll tax payments into the Social Security Trust Funds, which support a portion of the cost of the Medicare program. These higher payment estimates result from the CBO economic assumptions.

● *Other Reestimates*

The reestimates for this Function also include an addition of \$24.1 billion in fiscal year 1983 as a contingency for national health insurance. This amount was included under Function 920: Allowances in the President's request. The issue regarding this estimate is discussed below.

1981 IMPACT OF 1980 RESCISSIONS AND SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President's budget includes requests for supplementals and rescissions in fiscal year 1980. An amount of \$78 million is proposed for discretionary health programs and \$34 million is included to implement the first phase of the Child Health Assurance Program (CHAP). The administration also proposes to rescind \$98 million that already has been appropriated in fiscal year 1980 for health manpower programs.

The table below reflects the changes requested by the President:

BUDGET AUTHORITY, FISCAL YEAR 1980

[In millions of dollars]

Supplementals:

Child health assurance program.....	34
National Health Service Corps.....	11
Community mental health programs.....	50
Alcoholism community programs.....	15
Health manpower financial distress grants.....	2
Subtotal, supplements—	
Budget authority.....	112
Outlay.....	61

Rescissions:

Health Professions Capitation.....	-81
Health Professions Student Loans.....	-17
Subtotal, rescissions—	
Budget authority.....	-98
Outlay.....	-13
Total—Budget authority.....	+14
Outlays.....	+48

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for Fiscal Year 1980 includes \$9.6 billion in budget authority and \$9.0 billion in outlays for "other health programs," which cover all Function 550 activities other than Medicaid and Medicare. However, the resolution does not specify amounts for the individual programs.

Thus far in fiscal year 1980, a total of \$9.550 billion in budget authority and \$8.804 billion in outlays has been appropriated for these health programs. Therefore, the amounts currently appropriated are only slightly under the budget authority and outlays assumed in the budget resolution.

● *Recommendation*

The recommendation does not assume additional funding for the fiscal year 1980 supplementals or for their outlay effects in 1981. In

addition, the recommendation assumes that Congress will approve the proposed rescission for the health manpower programs.

Supplemental appropriations should be reserved for those situations where there is urgency or where program goals will be seriously undermined by not providing additional funds. The requested supplements generally do not meet these tests. In addition, the supplemental funds would have their primary outlay impact in fiscal year 1981. Given the existing need for budgetary restraint in 1981, every effort should be made to limit additional outlays in that year.

The \$2 million requested for financial distress grants for health professions training institutions is required to respond to urgent financial situations existing at several schools. Therefore, the funds are needed in fiscal year 1980. However, mechanisms, such as reprogramming of existing funds, could be used to support the request.

The Appropriations Committee anticipates that the proposed health manpower rescission will not be approved. The Committee is urged to reconsider this position. Current budgetary restraints demand that the Federal Government critically review its role in providing financial assistance to various groups. The recommendation suggests that health professionals training is an area where such review is warranted.

In view of the critical fiscal situation, for fiscal year 1981, the Committee recommends rescission of additional funds in fiscal year 1980 in order to help lower 1981 outlays. The President is now reviewing his fiscal year 1981 request, and it is anticipated that he will submit such rescissions. The recommendation for the function assumes that another \$117 million in proposed rescissions will be approved by the Congress.

• *Outyear Impact of Recommendation*

The recommendation would reduce fiscal year 1981 and 1982 outlays by \$45 million and \$5 million, respectively, compared to the President's request. Fiscal year 1983 outlays will remain the same as projected by the President. (The fiscal year 1981 and outyear impact of delaying CHAP and the additional rescission of \$117 million assumed by the Committee are discussed below under Recommendations 4 and 5, respectively.)

3. MEDICARE FUNDING LEVEL

• *President's Budget Reestimated by CBO*

The President's budget reestimated includes \$45.7 billion in budget authority and \$37.3 billion in outlays for the Medicare program. Included in this request are a number of legislative and administrative proposals to reform the program and expand benefits.

Legislative Savings.—The President's budget proposes legislative reforms which would result in savings of \$1.2 billion in fiscal year 1981 for the Medicare program. Nearly 60 percent of these savings (\$680 million) are associated with mandatory hospital cost containment.

The Voluntary Effort (VE), which has been sponsored since 1977 by the hospital industry, has helped to lower the rate of increase in hospital costs. However, the President's budget assumes, based on analyses of projected rates of increase, that the VE reached its peak during calendar year 1979, and that mandatory controls must be

instituted if any additional decline in the rate of cost growth is to be achieved.

The administration projects that hospital expenses will increase by 13.4 percent in fiscal year 1980. This is 1 percent above the voluntary target of 12.4 percent which has been set by the administration. Community hospitals that exceed the voluntary limit during calendar year 1980 would be subject to mandatory controls that would become effective in January 1981. However, many hospitals still would be exempt either because they are located in rural areas, are in States which are exempted from the program because they have their own mandatory controls, or have individually met the voluntary guidelines.

The Congressional Budget Office (CBO) estimates that hospital costs will rise at an even faster rate than that projected by the administration. CBO assumes 14.7 percent and 16.7 percent increases in fiscal years 1980 and 1981 compared to the 13.4 percent assumed by the administration in each of these years. CBO further assumes that the VE will continue to play a role in lowering hospital costs; however, its impact in the future will not be as significant as it has been for the past two years.

The President's budget assumes that the Federal Government would save \$780 million, (\$680 million in Medicare and \$100 million in Medicaid) from mandatory controls in 1981. A total of \$32 billion would be saved by public and private institutions that pay for hospital costs during the life of the legislation, 1981-1985. CBO estimates that the mandatory controls proposed by the administration would save the Federal Government \$370 million (\$320 in Medicare and \$50 in Medicaid) in fiscal year 1981, but a total of \$40 billion over the life of the legislation. The CBO savings estimate is lower than the administration's estimate in 1981 because CBO assumes that fewer hospitals would be brought under the mandatory program in the first year. However, CBO assumes that over the longer term, more hospitals would become subject to mandatory controls and that hospitals costs without controls would increase at a much faster rate than is assumed by the administration.

The remaining reforms proposed by the President for the Medicare program would save \$500 million in fiscal year 1981. Included among the proposals is a revision that would make employer health plans the primary payor for covered medical services provided to the working elderly who also are covered under Medicare. The Medicare program would pay only for those services not covered under an employee's health plan.

The budget also proposes to eliminate the special payment included in Medicare hospital reimbursements for routine nursing care. Under current Medicare regulations, hospitals receive a bonus payment on the assumption that more time and routine services are involved in caring for the elderly. The administration proposes to eliminate this differential on the grounds that it never has been specifically justified.

Other proposals would result in a common audit for Medicare and Medicaid and in reimbursement to hospitals for nursing home care when appropriate.

Administrative Savings.—The 1981 President's request assumes that management efforts to improve the efficiency of the Medicare program

will be continued. A total of \$700 million will be saved through these efforts in fiscal year 1981. Included are proposals already in effect to base reimbursements for malpractice coverage on prior experience with Medicare beneficiaries. In addition, new limits for Medicare reimbursement rates would be established based on prevailing community charges for medical care.

Benefit Improvements.—The President's budget proposes benefit improvements which would result in spending an additional \$75 million under Medicare. The second twenty-four month period that persons disabled for a second time must wait before receiving Medicare benefits would be eliminated. Medicare coverage of home health services would be increased, including elimination of the requirement for a minimum of three days of prior hospitalization before receiving certain home health benefits. Coverage for out-patient psychiatric services also would be expanded.

● *House Committees' Views and Estimates*

Both the Ways and Means and the Interstate and Foreign Commerce (IFC) Committees reported a mandatory hospital cost containment bill during the First Session of the Ninety-Sixth Congress. However, the bill was defeated in the House by a vote of 234 to 166. Instead, the House approved a program of voluntary controls. The Ways and Means Committee now estimates that \$340 million will be saved in 1981 through the voluntary program. The IFC Committee does not anticipate any hospital cost containment savings in fiscal year 1981.

The Ways and Means Committee supports both the other Medicare legislative savings and program expansions assumed in the President's budget. In fact, a number of the proposals are included in H.R. 3990 and 4000, bills that have been reported by the IFC and the Ways and Means Committees. In addition, these bills include other changes in Medicare coverage and reimbursements that would add approximately \$200 million to the President's request.

● *Recommendation*

Legislative Savings.—The recommendation assumes that reforms to modify reimbursements in the Medicare program will be enacted and will achieve the total savings of \$1.1 billion. A number of possible reforms, including those recommended by the President or reported in H.R. 3990 and 4000, are available to the authorizing committees to enable them to achieve the savings goal.

The recommendation notes that the Voluntary Effort (VE) to contain hospital costs has helped to reduce the rates of growth in hospital expenditures according to the administration and the CBO. However, both the administration and CBO project that more significant savings could be achieved if mandatory controls were enacted. The administration estimates that \$680 million could be saved in fiscal year 1981 Medicare spending through such controls, and CBO estimates that \$320 million could be saved in the program. The recommendation of \$1.1 billion assumes that \$680 million in savings could be achieved through the mandatory program and as a result of the continuing efforts by the hospital industry to limit medical care cost increases.

Administrative Savings.—The recommendation assumes that the management initiatives being undertaken by the administration to increase efficiency will be achieved, and that they will save the \$700 million estimated in the President's budget.

Benefit Improvements.—It is proposed that most of the benefit expansions and improvements assumed in the President's budget to begin in fiscal year 1981 will be postponed until late in fiscal year 1981 or sometime in 1982. The improvements are important ones designed to remedy inadequacies in the current coverage provisions. However, given the existing budgetary constraints, the recommendation assumes \$37 million for benefit improvements. This is approximately half of the total requested.

A number of Medicare benefit expansions already are included in bills that have been reported by the House Ways and Means and Interstate and Foreign Commerce Committees. The recommendation assumes that the effective dates of these program improvements will be adjusted, if needed, to remain within the total assumed for program expansions.

• *Action Required to Implement Recommendation*

To achieve the legislative savings assumed in the recommendation, the House will have to support legislative savings proposals similar to those recommended by the President or which already have been reported or are under consideration in the Ways and Means and the Interstate and Foreign Commerce Committees. It also is assumed that the cost of the program expansions approved during the current session will remain within the total assumed in the recommendation.

The hospital cost containment proposal recommended by the President is an important mechanism for helping to lower the rate of increase of hospital costs. The Committee urges the House to reconsider this proposal in its efforts to achieve the legislative savings that are assumed in the recommendation.

• *Outyear Impact of Recommendation*

Spending in the Medicare program is expected to increase at an average annual rate of 15 percent from 1982 through 1983 if no changes are made in the current legislative provisions. The legislative proposals that are assumed in the Medicare recommendation would decrease this rate to an average annual increase of 14.4 percent. The projected rates of increase, with and without new legislation are shown below:

MEDICARE OUTLAYS

[In billions of dollars]

	1981	1982	1983	Average annual percent of increase
Current law.....	\$38.4	\$44.3	\$50.8	15.0
Legislative proposals:				
Hospital cost containment.....	— .7	— 1.4	— 2.1	
Other savings.....	— .4	— .7	— .8	
Benefit improvements.....	(¹)	.1	.2	
Total outlays, with legislative proposals..	37.3	42.3	48.1	14.4

¹ Less than \$50,000,000.

4. MEDICAID FUNDING LEVEL

● *President's Budget Reestimated by CBO*

The President's request includes \$16.4 billion in budget authority and \$15.8 billion in outlays for the Medicaid program. This level assumes both legislative and administrative savings reforms and benefit improvements in the program.

Legislative Savings.—The President's request assumes that the mandatory hospital cost containment proposal (described in Recommendation #3) will result in savings of \$100 million for the Medicaid program in fiscal year 1981. In addition, the request assumes that other legislative reforms will reduce program expenses by \$98 million. Among these other activities are common audit procedures for Medicaid and Medicare and assessment of a civil money penalty for filing fraudulent claims.

Administrative Savings.—Both the Congress and the administration have supported efforts to reduce the level of fraud, abuse and error in the Medicaid program. In response to these concerns, the Department of Health and Human Services is continuing its management improvement efforts. These efforts will reduce fiscal year 1981 Medicaid expenditures under current law provisions by an estimated \$318 million. In addition, other administrative changes, including changes in determining how hospitals are reimbursed for routine medical services and for malpractice insurance, will save \$85 million in fiscal year 1981.

Benefit Improvements.—The President's budget also proposes to make certain needed improvements in the coverage of medical services. Most significant among the changes is the Child Health Assurance Program (CHAP) which will support comprehensive health care for children under Medicaid, including two million low-income children who previously were not eligible for coverage under the program. In addition, prenatal services for an additional 100,000 low-income pregnant women will be covered. The President's budget includes \$403 million for these services expansions. Other benefit improvements, such as coverage of services provided in comprehensive health clinics and expanded home health care, are included in the President's request for a total of \$91 million.

● *House Committees' Views and Estimates*

The Interstate and Foreign Commerce (IFC) Committee has reported H.R. 3990 and H.R. 4000, which include both expansions and savings reforms in the Medicaid program. The changes proposed in the bills include many of those recommended by the President. However, in total, the bills will result in spending that is \$900 million over the requested fiscal year 1981 outlays. The additional spending reported by the Committee includes increased funding for CHAP, assistance for financially troubled hospitals, and provisions to exclude hospital philanthropy from determination of reimbursement rates.

● *Recommendation*

Legislative Savings.—The recommendation assumes that legislative reforms, including mandatory hospital cost containment, will result in the total level of savings assumed in the request. The recommendation also assumes with regard to hospital cost containment,

that the Voluntary Effort will continue to have a positive impact on controlling hospital cost increases. The authorizing committees have a number of proposals from which to select in order to reach the savings total that is assumed in the recommendation. The President's request and both H.R. 3990 and H.R. 4000 contain a number of possible legislative reform proposals.

Administrative Savings.—The recommendation assumes that the efforts undertaken by the administration to improve program efficiency will result in the savings which the request projects. The recommendation also assumes that an additional \$70 million above the President's estimate will be saved in fiscal year 1981 as a result of intensified efforts to reduce the incidence of program errors.

Benefit Improvements.—Expansion of comprehensive services to additional low-income children and provision of prenatal care to low-income pregnant women will address some of the outstanding inadequacies of the current Medicaid program. The recommendation endorses these and other benefit improvements proposed in the President's request. It is recommended that the benefit changes under CHAP and for children and pregnant women first become effective at the end of fiscal year 1981 rather than in fiscal year 1980 as proposed by the President. The recommendation includes \$40 million to initiate CHAP. It is further assumed that \$59 million is provided in fiscal year 1981 for other benefit improvements. The remaining program expansions should be delayed until fiscal year 1982 or given effective dates in 1981 that would allow total new spending to remain within the totals assumed in the recommendation.

The justification for the delay in fully implementing the new CHAP benefit is twofold. Given the existing economic restraints, the additional funding required cannot be made available. In addition, the one-year delay will give the administration sufficient time to develop the CHAP program, including the preparation of guidelines, in such a way as to assure that the problems associated with previous Medicaid programs for children are not repeated.

● *Action Required to Implement Recommendation*

The recommendation assumes that the House will approve legislation that will achieve the total savings assumed in the President's request. Hospital cost containment is the most significant of these items. In addition, the recommendation assumes that the House will not enact any legislative provisions which would expand Medicaid new spending above the totals provided.

● *Outyear Impact of Recommendation*

Medicaid program costs are expected to increase by 13.9 percent annually to a total of \$20,081 million by fiscal year 1983 if no changes are made in the current law provisions. However, this assumes that the management reforms proposed by the administration result in the savings which are projected in the request. The program expansions assumed in the recommendation will increase the Medicaid growth rate to 15.9 percent annually over the same period. Total program costs in 1983 will be \$20,544 million with the expansions. These program expansions, however, will be partially offset by savings from hospital cost-containment and other legislative reforms,

which will equal over \$300 million for Medicaid by fiscal year 1983. Over the long term, it is anticipated that CHAP also will result in Medicaid savings by assuring that preventive care is provided and that problems are identified early and appropriately treated. Total Medicaid costs, based on the assumptions in the recommendation, are as follows:

[Outlays in millions of dollars]

	1981	1982	1983	Average annual percent of increase
Medicaid—Current law	15,473	17,696	20,081	13.9
Error rate reduction assumed by committee	—70			
Hospital cost—Containment and other legisla- tive reforms	—198	—227	—329	
CHAP	40	403	650	
Other benefit improvements	59	120	142	
Total program costs	15,304	17,992	20,544	15.9

5. FUNDING FOR REMAINING OTHER HEALTH PROGRAMS

● *President's Budget Reestimated by CBO*

The budget request provides \$10.2 billion in budget authority and \$9.3 billion in outlays for "other health programs." This reflects an increase of 6 percent above the fiscal year 1980 estimates.

Included in the category of "other health programs" is a wide range of discretionary grant activities and other programs operated directly by the Federal Government. These programs provide health services, with special emphasis upon meeting the needs of medically underserved persons; support biomedical research; subsidize health manpower training and education when they are related to national health service goals and priorities; and support consumer and occupational health and safety. Also included in this category are several mandatory health programs, such as health benefits for commissioned officers of the Public Health Service and for retired Federal employees.

The largest of the increases in the President's budget is for health care services, which at \$4,595 million is 9 percent above the comparable figure for 1980. The additional funds will support expanded services for medically underserved persons through the Community Health Centers and the National Health Service Corps programs. In addition, initiatives are proposed to increase mental health and alcoholism prevention services to high risk groups, such as adolescents and women, and to support occupational alcoholism programs. Mandatory increases to cover the higher costs of health benefits for retired Federal workers and for PHS commissioned officers also are included in the health services totals.

A total of \$3.838 million, a 5 percent increase compared to fiscal year 1980, is requested for health research. This request would allow research activities in the National Institutes of Health to be stabilized at a level of 5,000 awards per year for competitive grants, in addition to continuation grant awards.

The request further includes \$1,086 million for consumer and occupational health and safety, an increase of 8 percent above fiscal year 1980 funding for such programs.

The President has requested \$662 million, an 11 percent reduction, in funding for programs that support the education and training of the health professions. The administration's request projects that adequate numbers of personnel will be available in the foreseeable future for all of the major health professions. The President's request, therefore, proposes discontinuing general support which was initially designed to increase the number of health professionals. Instead, emphasis is placed upon continuing funding for those programs that are associated with increasing the number of professionals practicing in geographic shortage areas or in primary care practices where additional persons are needed.

- *House Committees' Views and Estimates*

The Interstate and Foreign Commerce (IFC) Committee has jurisdiction over most of the spending for the "other health programs." That Committee anticipates legislation which will increase the President's 1981 budget by \$2.1 billion in budget authority and \$500 million in outlays.

The President's request for the Mental Health Systems Act is the major 1981 legislative initiative proposed for a discretionary health program. The IFC Committee plans to consider the proposal during the current session, but does not anticipate that it will be enacted this year.

The Interior Committee also plans to consider legislation which will add \$100 million in budget authority to the President's request for Indian Health Services.

- *Recommendation*

The recommendation assumes a total of \$9,973 million in budget authority and \$9,200 million in outlays for health programs other than Medicare and Medicaid. An increase of \$400 million is available for these programs above the amount currently appropriated for 1980. Given the existing budgetary restraints, the Committee considers this an adequate level of increase.

To achieve the 1981 outlay recommendation of \$9.2 billion, it is assumed that an additional \$117 million in rescissions for discretionary health programs will be approved by Congress in fiscal year 1980. These rescissions are in addition to those already submitted by the administration.

- *Action Required To Implement Recommendations*

The recommendation assumes that total fiscal year 1981 spending for health programs other than Medicaid and Medicare will increase by 6 percent above fiscal year 1980. However, decisions on specific program allowances are the prerogative of the Appropriations Committee. The recommendation assumes that the Appropriations Committee and the Congress will not provide funds in excess of the amount assumed in the recommendation.

Additional fiscal year 1980 rescissions of \$117 million above the amount already submitted by the administration must be approved by Congress.

● *Outyear Impact of Recommendation*

The recommendation provides budget authority for health programs other than Medicaid and Medicare of \$11,419 million by fiscal year 1983. This is \$400 million less than the President's estimate for 1983. The recommendation assumes that the level of restraint applied in 1981 will continue in 1982 and 1983.

BUDGET AUTHORITY

[In millions of dollars]

	Fiscal year—		
	1981	1982	1983
President's request:			
Health service.....	\$4,595	\$5,041	\$5,531
Health research.....	3,838	4,096	4,415
Education and training of the health care work force.....	662	706	759
Consumer and occupational safety and health.....	1,086	1,087	1,122
Offsetting receipts.....	-8	-8	-8
Total.....	10,173	10,922	11,819
Reduction from President's request.....	-200	-400	-400
Total recommendation.....	9,973	10,522	11,419

6. CONTINGENCY FOR NATIONAL HEALTH INSURANCE

● *President's Budget Reestimated by CBO*

The President's fiscal year 1981 budget includes \$24.1 billion as part of the contingency for 1983. These funds would be used to initiate the first phase of a national health insurance program which the administration submitted to Congress in the fall of 1979. The plan would provide increased coverage for low-income, elderly, and employed persons. The Federal Government, employers and individuals themselves would share in the cost of coverage.

The cost of the first stage of the proposed program in fiscal year 1984 and in 1985 would be \$27.1 billion and \$30.4 billion. Estimates are not available on the cost of implementing all stages of the plan.

● *House Committees' Views and Estimates*

Initial hearings on the President's proposal have been held by the Interstate and Foreign Commerce and the Ways and Means Committees. However, no decisions have been made.

In addition to the President's proposal, several other health insurance plans have been introduced during the current session of the Congress. The Senate Human Resources Committee is considering a bill that also would begin a national health insurance plan in fiscal year 1983. The Senate Finance Committee is developing a plan to provide catastrophic health insurance coverage.

● *Recommendation*

The recommendation assumes sufficient funding in fiscal year 1983 to accommodate the first phase of a national health insurance plan should such a program be approved by the Congress. However, inclusion of these funds is not intended as endorsement of any health insurance plan. Specific consideration and recommendations can be made more effectively as the bills are considered in committees. In addition, the recommendation will depend in large part on the state of the total economy.

● *Outyear Impact of the Recommendation*

Estimates of the full cost of a national health insurance program in the outyears are not yet available. Such estimates should be available and carefully weighted before a decision is made on national health insurance.

The President's budget reestimated and the Committee's recommendation for the function compare as follows:

COMPARISON OF PRESIDENT'S BUDGET AND FIRST BUDGET RESOLUTION—RECOMMENDATIONS FOR FISCAL YEAR 1981

[In billions of dollars]

	President's budget (reestimated)		First budget resolution recommendations		Difference	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Medicare—Current law.....	45.7	38.4	45.7	38.4		
Proposed legislation:						
Savings reforms.....		-1.2		-1.1		+0.1
Program expansions.....		.1		(1)		-.1
Subtotal.....	45.7	37.3	45.7	37.3		(1)
Medicaid—Current law.....	16.1	15.5	² 16.0	² 15.4	-0.1	-.1
Proposed legislation:						
Savings reforms.....	-.2	-.2	-.2	-.2		
CHAP and other program expansions.....	.5	.5	.1	.1	-.4	-.4
Subtotal.....	16.4	15.8	15.9	15.3	-.5	-.5
Discretionary programs.....	10.2	9.3	10.0	9.2	-.2	-.1
Total ¹	72.2	62.4	71.5	61.8	-.7	-.6

¹ Less than \$50,000,000.

² Assumes \$70,000,000 savings to be achieved through management efforts to reduce program's error rate.

Note: Totals may not add due to rounding.

OUTLINE OF FUNCTION CHAPTERS

FUNCTION 600: INCOME SECURITY

The Committee recommends \$252.1 billion in budget authority and \$220.1 billion in outlays for this function. These totals represent decreases of \$2.0 billion in budget authority and \$2.7 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlay	Budget author- ity	Outlay	Budget author- ity	Outlay
President's budget request, Jan. 28, 1980.....	251.5	220.0	285.7	241.7	310.5	264.0
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....	+2.1	+1.9	+4.1	+8.2	+5.7	+9.0
Other reestimates.....	-.3	+ .1				
Transfer of welfare reform costs from Function 920: Allow- ances.....	+ .8	+ .8	+2.6	+2.6	+2.8	+2.8
President's budget reesti- mated.....	254.1	222.8	292.4	252.5	319.0	275.8
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....		-.1				
3. Welfare reform.....	-1.1	-1.1	-2.0	-2.0	-.1	-.1
4. Federal employee retirement legis- lative savings.....		-.6		-.8		⁰ -1.3
5. Food stamps legislative savings.....	-.4	-.4	-.3	-.3	-.3	-.3
6. Low-income energy assistance.....	-.2	-.2				
7. Child nutrition legislative savings.....	-.1	-.1	-.1	-.1	-.1	-.1
8. Funding for entitlement legislation approved by the House.....	+ .1	+ .1	+ .2	+ .6	+ .2	+ .6
9. Denial of federally financed unem- ployment benefits to former CETA workers.....	-.2	-.2	-.2	-.2	-.2	-.2
10. Reductions in remaining discretion- ary programs.....	-.1	-.1	-.1	-.1	-.1	-.1
Total difference.....	-2.0	-2.7	-2.7	-2.9	-.6	-1.2
Committee recommendation.....	252.1	220.1	289.9	249.6	318.4	274.6

EXPLANATION OF COMMITTEE RECOMMENDATION

● *Recommendation*

As a result of CBO reestimates based on the revised economic assumptions and CBO methodology, the recommendation includes an addition of \$1.8 billion in budget authority and \$2 billion in outlays.

Changes due to economic assumptions

As a result of CBO reestimates, using the revised economic assumptions, increases of \$2.1 billion in budget authority and \$1.9 billion in outlays are recommended.

[In billions of dollars]

	Fiscal year 1981	
	Budget authority	Outlay
Primarily attributable to higher inflation projections:		
Social security.....		+1.4
Other retirement.....		+2
Unemployment compensation.....	+0.5	+2
Means-tested assistance programs.....	+1	+2
Primarily attributable to higher revenue and interest income to trust funds.....	+1.5	
Total changes due to economic assumptions.....	+2.1	+1.9

● *Other Reestimates*

Other reestimates, resulting in \$0.3 billion net reduction in budget authority and \$0.1 billion net addition in outlays are recommended. These consist of the following items:

[In billions of dollars]

	Fiscal year 1981	
	Budget authority	Outlay
• Social security revenue adjustment.....	-0.8	
• Allowance for October 1980 pay raise for Social Security Administration's employees.....		+0.1
• Reestimates of income to civil service retirement trust fund, primarily attributable to impact of October 1980 pay raise.....	+6	
• Higher spend-out rates in child nutrition programs.....		+1
• Reestimate of savings in food stamp program from proposed fiscal sanction system.....		+1
• Projected lower average family size in public assistance.....	-1	-2
Total, other reestimates.....	-3	+1

Not included in this recommendation is the impact of the transfer of \$850 million in budget authority and outlays from Function 920: Allowances, to Function 600: Income Security. This transfer is discussed in Recommendation 3: Welfare Reform.

represent the difference in interest costs between the tax-free municipal bond rates, and the rate required to finance the bonds in the private taxable bond market. HUD considers this change necessary to allow the continued sale of public housing authority bonds and notes.

Refugee Assistance.—The President's budget includes a supplemental request of \$107 million in budget authority and \$52 million in outlays. The largest component of this request is \$65 million to reimburse States for direct cash and medical assistance. Other increases include \$12 million for increased assistance to voluntary agencies, \$23 million for education assistance, and \$6 million for preventive health services.

Rail Labor Assistance.—A supplemental of \$62 million in budget authority and \$57 million in outlays is requested for continued benefits to certain ConRail employees. An authorization is required before these funds can be appropriated. The Regional Rail Transportation Act of 1974 authorized \$250 million for benefits to railroad workers who lost jobs or benefits as a result of railroad reorganizations. These funds have now been fully appropriated and the administration is requesting a new authorization totaling \$235 million.

Food Donations.—A supplemental request of \$16 million in budget authority and \$13 million in outlays is requested to maintain the level of commodity assistance support to food programs for the aged which are authorized under the Older Americans Act of 1965.

● *Second Budget Resolution for Fiscal Year 1980*

Of the discretionary supplementals proposed by the President, only those for the Food Stamp and Refugee Assistance programs were assumed in the Second Budget Resolution. The Second Resolution assumed an amount for the Food Stamp program, which is \$780 million in budget authority and \$801 million in outlays below the current CBO estimate. The amount for Refugee Assistance in the Second Budget Resolution was \$122 million in budget authority and \$43 million in outlays below current estimates.

● *Recommendation*

The recommendation assumes \$3,512 million in budget authority and \$3,359 million in outlays, which is sufficient to accommodate the pending supplemental in the Food Stamp program as well as the supplementals to fund entitlement programs. Because of the need to hold down Federal spending, the recommendation assumes that none of the other proposed supplementals for discretionary programs will be enacted.

The recommendation to include the President's request of \$2,556 million in budget authority and \$2,470 million in outlays for the Food Stamp program is based on the following considerations:

- Because the current appropriation will be used up by June, 1980, the Secretary of Agriculture has announced that if additional funds are not made available by May 15, 1980, the program will be closed down in June. The Secretary has also announced that he will order a reduction in food stamp benefits if at any time before May 15 Congress indicates that additional funding will not be provided. Termination of the program or a reduction in benefits would affect about 20 million recipients.

A reduction in benefits starting in April would reduce benefits by more than one-half. CBO estimates a reduction of 58 percent, if no additional funds were to be made available and the cut was effective April 1, 1980. For a family of four, this would mean a \$480 reduction in benefits between April and September, 1980.

—The recommendation for this program in fiscal year 1981 assumes the legislative savings totaling \$90 million which were approved by the House Agriculture Committee in the bill (S. 1309) to increase the ceiling for fiscal years 1980 and 1981 plus the additional savings of \$430 million from a proposed reform to annualize the cost-of-living adjustments procedures and make other benefit reforms. Achievement of substantial legislative savings in the remaining months of fiscal year 1980 would be difficult because of the time required to implement any changes which the Congress might propose.

The recommendation of \$956 million in budget authority and \$889 in outlays to accommodate the current estimates for mandatory supplements includes a reduction of \$20 million in outlays for the pending pay supplemental for employees of the Social Security Administration. This reduction matches the absorption rate assumed in the recommendation for the pay raise in Function 920: Allowances.

The recommendation includes the impact in fiscal year 1980 of several bills on which final action is assumed in fiscal year 1980 as well as several legislative savings proposals which will have a fiscal year 1980 impact. These bills and legislative savings proposals include:

[In millions of dollars]

	Budget authority	Outlays
Social Welfare Amendments of 1979 (H.R. 4904)—This is addressed in recommendation 3.....	-79	-79
Disability insurance amendments (H.R. 3236).....	-14	-14
Social Services and Child Welfare Amendments of 1979 (H.R. 3434).....	+86	+86
Annual cost of living for Federal retirees—This is addressed in recommendation 4.....	+106	+106
Annual benefit adjustment in the food stamp program—This is addressed in recommendation 5.....	-90	-90
Trade adjustment assistance (H.R. 1543)—This is addressed in recommendation 8.....	+100	+100
Total.....	+123	+109

WELFARE REFORM

● *President's Budget Reestimated by CBO*

In 1979, the administration transmitted a proposal to reform the welfare system. The House approved the Social Welfare Amendments of 1979 (H.R. 4904), which incorporates the major administration proposals to reform the cash benefit provisions of the welfare system. The President's budget includes \$850 million in budget authority and outlays in Function 920: Allowances to accommodate the fiscal year

1981 cost of welfare reform. The President's budget also includes legislative savings of \$279 million in budget authority and outlays in Function 600: Income Security. The net cost in the President's budget for welfare reform is, therefore, \$571 million in budget authority and outlays. This amount is consolidated in Function 600: Income Security in this recommendation.

The major cost and legislative savings in fiscal year 1981 from the administration's welfare reform proposals include:

Budget Authority/Outlays

[In millions of dollars]

Cost Provisions:

National Minimum—Require all States to provide a minimum Aid to Families with Dependent Children (AFDC) plus food stamp benefits equal to 60 percent of the poverty level starting January 1, 1981, and increasing to 65 percent starting on October 1, 1981...	130
Reduce Federal Share of AFDC Costs—Beginning January 1, 1981, reduce each state's matching fund requirement for AFDC by 10 percent.....	424
Hold Harmless—Beginning January 1, 1981, the Federal Government would reimburse a state the amount by which its combined AFDC, Medicaid, and administrative costs resulting from caseload growth exceed 95 percent of its 1979 AFDC costs.....	129
Implementation costs.....	150
Other.....	17
Subtotal (Cost Provisions).....	850

Legislative Savings Provisions:

Simplify the treatment of earnings and work expenses in AFDC.....	-141
Reduce AFDC benefits by the full amount of income which is reported late.....	-26
In determining AFDC benefit levels, permit states to prorate shelter, utility, and related expenses between household members who are eligible for AFDC and those not eligible and also permit states to count the income of stepparents in certain cases (This provision was not included in H.R. 4904).....	-31
Several changes to the Child Support Enforcement program.....	-65
Other reductions, primarily administrative savings from benefit changes.....	-16

Subtotal (Legislative Savings Provisions)..... (-279)

Total: Welfare Reform Budget Impact..... 571

The President's fiscal year 1981 request does not include any savings from two legislative savings proposals which are included in H.R. 4904 and would first be effective in fiscal year 1982. These include institution of more frequent reporting of income by public assistance recipients and benefit determination based on past rather than anticipated income (retrospective accounting). These provisions could save up to \$250 million.

• *House Committees' Views and Estimates*

The Committee on Ways and Means recommends that the First Budget Resolution assume the budgetary impact of the Social Welfare Amendments of 1979 (H.R. 4904). Consistent with its recommendations for all legislative initiatives under the jurisdiction of the Public Assistance and Unemployment Compensation Subcommittee, the Committee on Ways and Means assumes that this cost will not exceed the total amount in the President's budget for programs within the jurisdiction of that Subcommittee. The Committee on Ways and Means also notes that included in the President's budget are savings of \$31 million in budget authority and outlays from changes in the treatment of stepparents' income in determining benefits in the Aid

to Families with Dependent Children (AFDC) program, which were not included in H.R. 4904.

● *Recommendation*

The recommendation assumes savings of \$500 million in budget authority and outlays from welfare reform, which is about \$250 million higher savings than were included in the House-passed welfare reform proposal (H.R. 4904) and were assumed in the President's budget. These higher savings could result from implementation in fiscal year 1981 of the changes in the reporting of income and the determination of benefits which are included in H.R. 4904. The recommendation also assumes that the implementation of the cost provisions of welfare reform will be delayed for one year.

● *Action Required to Implement Recommendation*

Implementation of this recommendation will require changes to H.R. 4904 to delay the effective date for one year of the cost provisions, and to achieve an additional \$250 million in legislative savings for fiscal year 1981 through implementation of savings provisions currently scheduled to be the first effective in fiscal year 1982.

● *Outyear Impact of Recommendation*

The outyear impact of welfare reform would be as follows:

BUDGET AUTHORITY/OUTLAYS

[In millions of dollars]

	Fiscal year—		
	1981	1982	1983
CBO cost estimate (current schedule).....	1 912	2, 630	2, 765
CBO cost estimate (implementation delayed 1 year).....		912	2, 630
Acceleration of implementation of legislative savings.....		-250	
Adjusted estimate under recommended schedule.....	NA	662	2, 630
Recommendation less original CBO estimate.....	NA	-1, 968	-135

¹ Differs from estimate in President budget.

4. FEDERAL EMPLOYMENT RETIREMENT LEGISLATIVE SAVINGS

● *President's Budget Reestimated by CBO*

The President's budget assumes no legislative savings in Federal employee retirement programs even though the First and Second Budget Resolutions for Fiscal Year 1980 assumed legislative savings through annual cost-of-living increases for retired Federal employees rather than the semi-annual increases provided under current law.

● *House Committees' Views and Estimates*

The Post Office and Civil Service Committee did not address the issue of annual cost-of-living increases but did recommend that the first Budget Resolution assume savings from two other proposals. The first would eliminate the minimum Civil Service disability benefit for individuals who are already collecting military pensions. The Committee estimates that this proposal would save \$49 million in fiscal year 1981, while the Congressional Budget Office assumes the savings to be \$4 million. The second proposal would change the pro-

cedures for the initial cost-of-living increase after retirement. Under current law, Federal employees have the option of calculating their annuities as if they had retired before the previous cost-of-living adjustment. In addition, the first cost-of-living increase after retirement is not prorated to reflect the number of months in retirement status. This proposal is estimated by CBO to save \$19 million in fiscal year 1981, using the economic assumptions in the recommendation.

The Education and Labor Committee did not submit recommendations pertaining to the Federal Workmen's Compensation program.

● *Recommendation*

The recommendation assumes legislative savings totalling \$5 million in budget authority and \$645 million in outlays through reforms to Federal employee retirement and disability programs. This estimate is based on the savings which could be achieved from phasing in annual cost-of-living increases for Federal employees, implementing the GAO recommendations for reform of the Federal Workmen's Compensation program, which could achieve budget authority and outlay savings of \$5 million, and targeting savings of \$31 million in Federal employee disability. These could be achieved through the recommendations of the Post Office and Civil Service Committee and the suggestions in the CBO report, cited above, to move to stricter definitions of disability for Federal employees, similar to those used in private sector.

The recommendation for fiscal year 1980 assumes an increase in outlays of \$106 million as a result of the phase-in of the annual cost-of-living procedures. As described in Function 050: National Defense, the recommendation assumes that retired Federal employees would receive a special cost-of-living adjustment in July, 1980, for changes in the CPI between December, 1979 and the first quarter of 1980. Subsequent cost-of-living adjustments would be made annually in July based on the first quarter over first quarter CPI changes. This procedure is the same as that used for social security cost-of-living adjustments.

● *Action Required to Implement Recommendation*

Achievement of these savings will require action by the Post Office and Civil Service and Education and Labor Committees.

● *Outyear Impact of the Recommendation*

The following table indicates the outlay impact of the recommendation over the next five years. The estimates are based on the economic projections assumed in the Resolution.

LEGISLATIVE SAVINGS IN RECOMMENDATION

[Outlays in millions of dollars]

	1980	1981	1982	1983	1984	1985	Total
• Annual cost-of-living increase.....	+106	-590	-596	-671	-688	-740	-3,179
• Revise procedures for initial cost-of-living-increase after retirement.....		-19	-57	-100	-149	-204	-529
• Disability reforms.....		-31	-92	-161	-236	-319	-839
• Workmen's compensation reforms.....		-5	-14	-27	-44	-63	-153
Total.....	+106	-645	-759	-959	-1,117	-1,326	-4,700

5. FOOD STAMPS

● *President's Budget Reestimated by CBO*

The President's budget requests funding for the Food Stamp program of \$9,730 million in budget authority and outlays of \$9,838 million, based on CBO estimates using the revised economic assumptions.

The President's budget assumes the lifting of the ceiling on appropriations which was imposed by the Food Stamp Act Amendments of 1977. The fiscal year 1981 ceiling under current law is \$6,235 million. The President's budget request also assumes legislative savings from a system to impose fiscal sanctions on states with high error rates. CBO estimates that this system would achieve savings of \$90 million in fiscal year 1981.

● *House Committees' Views and Estimates*

The Agriculture Committee recommends that the Budget Resolution include the impact of the Food Stamp Act of 1980 (S. 1309), which that Committee reported favorably on February 27, 1980. The bill would increase the authorization ceiling to the President's budget request. This bill includes legislative savings of \$90 million from the fiscal sanction system and also makes two benefit changes which would increase fiscal year 1981 costs by \$122 million. These changes are: (1) an increase in the child care deduction to \$160 a month and increased medical deductions for the aged and disabled. These additional costs were not included in the ceiling on appropriations of \$9,739 million which was approved in S. 1309.

● *Recommendation*

The recommendation assumes funding of \$9,300 million in budget authority and \$9,408 million in outlays for the Food Stamp program. This level is \$430 million in budget authority and outlays below the President's request, as reestimated by CBO. The recommendation assumes the deferral until fiscal year 1982 of the liberalizations to the program included in the House version of S. 1309. It also assumes target savings of \$520 million in this program, including the \$90 million included in S. 1309 plus an additional \$430 million. The additional savings could come from the following changes in the Food Stamp program:

Potential Additional Savings—Budget Authority/Outlays

[In millions of dollars]

Cost-of-Living Adjustments.....	—300
Provide annual (rather than the current semi-annual) cost-of-living adjustments each January for both benefits and allowable standard deductions. In addition, move shelter cost adjustments to the same schedule. These adjustments would reduce fiscal year 1980 budget authority and outlays by \$90 million.	
Eligibility Level.....	—50
Limit eligibility for a family of four to an income level of \$7,450 in fiscal year 1981.	
Students.....	—60
Eliminate benefits for students, except for those who meet one of the following criteria: under age 18 or over age 65, disabled, head of households, or working part-time.	
Assets Limitation.....	—20
Decrease from \$1,750 to \$1,500 the maximum liquid assets which a non-aged household can have and still be eligible for benefits.	
Total.....	—430

- *Action Required to Implement Recommendation*

This recommendation could be achieved through floor amendments to S. 1309, as reported in the House. The Committee on Agriculture could offer the benefit changes as a Committee amendment.

- *Outyear Impact of Recommendation*

It is assumed that the fiscal year 1982 and 1983 savings would be about the same as the fiscal year 1981 target, and that these savings would be in part offset by the increased cost for the higher child care and medical expense deductions. The recommendation includes the CBO reestimate of the President's request.

6. LOW-INCOME ENERGY ASSISTANCE

- *President's Budget Reestimated by CBO*

In fiscal year 1980, the Congress appropriated \$1,600 million in budget authority and outlays for assistance to low-income families to help meet their energy bills. This included \$1,200 million in budget authority and outlays for special energy allowances, of which \$400 million was distributed to participants in the Supplemental Security Income (SSI) program and \$800 million was allocated to states for distribution to low-income persons who needed assistance in defraying the increase cost of energy, principally AFDC families. In addition, \$400 million in budget authority and outlays was made available for distribution to states by the Community Services Administration (Agency) under the Crisis Intervention program. The President's request for \$2,400 million in budget authority and outlays in fiscal year 1981 assumes an increase of \$800 million for the special energy allowances and no increase for the Crisis Intervention program. The fiscal year 1981 program would be funded with revenues from the windfall profits tax and would be administered by the Department of Health and Human Resources.

- *House Committees' Views and Estimates*

The Committee on Ways and Means recommends that the First Budget Resolution assume the authorization of \$3,115 million in budget authority and outlays, which was agreed to in the conference on the Crude Oil Windfall Profit Tax Act of 1980 (H.R. 3919). That conference allocated 25 percent of the estimated revenue from the windfall profits tax for assistance to lower-income families for heating and cooling costs. Funding for such assistance, however, would be subject to appropriations. Of the total appropriation, 95 percent would be allocated to the states and the District of Columbia. These block grants could be used to provide assistance to persons with incomes less than the Bureau of Labor Statistics lower living standard, which in 1979 averaged \$11,600 for a family of four. States would develop plans for the distribution of the funds, subject to approval by the Secretary of Health and Human Services. The remaining 5 percent of the appropriation would be reserved for the territories, the Community Service Administration's Crisis Intervention program, and matching incentive grants to states.

- *Recommendation*

The recommendation assumes that savings of \$200 million in budget authority and outlays below the President's request of \$2,400 million.

This recommendation would represent an increase of \$600 million above the fiscal year 1980 appropriation. The decrease below the President's request should be possible through improved administration, including targeting benefits on low-income persons who are responsible for their own heating bills.

● *Action Required to Implement Recommendation*

A reduction below the authorization level through the appropriations process will be required.

● *Outyear Impact of the Recommendation*

The recommendation assumes that the funding for low-income energy assistance in fiscal years 1982 and 1983 would be at the President's request \$2.4 billion in budget authority and outlays.

7. CHILD NUTRITION LEGISLATIVE SAVINGS

● *President's Budget Reestimated by CBO*

The President proposes legislative savings totaling \$458 million in budget authority and \$432 million in outlays from a number of changes to Child Nutrition programs. In general, the President's savings proposals are the same as those proposed in his fiscal year 1980 budget.

The proposals include:

[In millions of dollars]

	Fiscal year 1981 savings	
	Budget authority	Outlay
Reduce reimbursement to schools by 5 cents for each meal served to children from families with incomes over \$15,080 a year. Under current law, the per meal subsidy will be 36 cents.....	-158	-150
Limit eligibility for free lunches to children from families with incomes under \$9,000 a year and limit eligibility for reduced-price meals (10 cents) to children from families with incomes between \$9,000 and \$15,080 a year.....	-197	-185
Exclude private sponsors employing private food vendors from the summer food program.....	-45	-42
Reduce the reimbursement rate in the special milk program to 5 cents a half pint from current level of 8.64 cents if the school participates in other child nutrition programs.....	-56	-53
Reduce child care equipment authorization from \$6 to \$4 million.....	-2	-2
Total savings.....	-458	-432

● *House Committees' Views and Estimates*

The Committee on Education and Labor recommends that the First Budget Resolution assume only the savings from the proposed change to the Summer Food Program.

● *Recommendation*

The recommendation assumes savings of \$533 million budget authority and \$507 million in outlays. This includes the President's proposed savings of \$458 million in budget authority and \$432 million in outlays plus savings of \$75 million in budget authority and outlays from providing annual cost-of-living increases in the reimbursement rates

under Child Nutrition programs. This proposed reform parallels the recommendations for the Food Stamp program and Federal employee retirement systems, which like Child Nutrition programs are currently adjusted twice a year for inflation.

● *Action Required to Implement Recommendation*

The Child Nutrition programs are entitlement programs. Any changes would require action by the Education and Labor Committee.

● *Outyear Impact of the Recommendation*

The recommendation would result in legislative savings above the President's estimates by \$125 million in budget authority and outlays in fiscal year 1982 and \$150 million in fiscal year 1983.

8. FUNDING FOR ENTITLEMENT LEGISLATION APPROVED BY THE HOUSE

● *President's Budget Reestimated by CBO*

The President's budget includes \$39 million in budget authority and \$66 million in outlays to accommodate some of the provisions included in the House-passed entitlement legislation, as shown in the following table:

[In millions of dollars]

	Fiscal year 1981	
	Budget authority	Outlay
● Increased public assistance matching funds for Puerto Rico and other overseas jurisdictions.....	26	26
● Increased funding for foster care programs.....	13	13
● Changes to the earnings test in social security program.....		27
Total.....	39	66

● *House Committees' Views and Estimates*

The following table indicates the anticipated cost in fiscal year 1981 of entitlement legislation (other than the Social Welfare Amendments of 1979 (H.R. 4904) which is addressed in Recommendation 3), which has been approved by the House but has not yet been enacted into law:

[In millions of dollars]

	Fiscal year 1981	
	Budget authority	Outlay
● Trade adjustment assistance amendments (H.R. 1543).....	147	147
● Legislation pertaining to the social security earnings test (H.R. 5295).....		114
● Social Services and Child Welfare Amendments of 1979 (H.R. 3434).....	126	141
● Supplemental Security Income Disability Amendments of 1979 (H.R. 3464).....	64	64
● Legislation pertaining to repayment of Federal unemployment loans to States (H.R. 4007).....	¹ - 94	
● Legislation pertaining to treatment of retirement or pension benefits under the unemployment compensation program (H.R. 5507).....		200
Total.....	243	678

¹ Revenue loss as well.

The Committee on Ways and Means, which has jurisdiction over all the pending legislation discussed in this recommendation, indicated in its March 7th report that the First Budget Resolution should include \$147 million in budget authority and \$261 million in outlays to accommodate the cost of the changes to the Trade Adjustment Assistance program and the social security earnings test approved by the House. The other legislation is all under the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation. The following recommendation pertaining to this legislation as well the H.R. 4904 is included in the March 7th report:

[T]he Committee on Ways and Means recommends that the fiscal year 1981 budget assume that, as enacted, the cost of these bills will not exceed the total amount contained in the President's budget for the programs within the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation.

● *Recommendation*

Consistent with the recommendation of the Committee on Ways and Means, \$147 million in budget authority and outlays is included to accommodate the cost of the changes to the Trade Adjustment Assistance program (H.R. 1543) approved by the House last year and favorably reported in the Senate. No additional funds are assumed in addition to the President's request of \$39 million in budget authority and \$66 million in outlays to accommodate legislation under the jurisdiction of the Subcommittee on Public Assistance and Unemployment Compensation. It is anticipated that the cost of all legislation, when enacted, will be fully offset by other program reductions. Alternatively, these initiatives could be deferred until fiscal year 1982. This contingency is accommodated within the funding plan for the out-years. The recommendation also assumes that the \$114 million in outlays, which is the increase over the President's request needed to finance the changes to the social security earnings test approved by the House (H.R. 5295), could either be delayed until fiscal year 1982 or could be accommodated within the \$138.4 billion in outlays that social security is estimated to cost in fiscal year 1981.

● *Action Required to Implement Recommendation*

Achievement of this recommendation will require one of the following: enactment of legislative savings equal to the cost of entitlement legislation which is enacted, achievement of administrative savings or lower estimates which are validated in OMB and CBO reestimates, or deferral of these initiatives until fiscal year 1982.

● *Outyear Impact of the Recommendation*

The outyear impact accommodates the cost of the proposed legislation if implementation is deferred until fiscal year 1982.

9. DENIAL OF FEDERALLY-FINANCED UNEMPLOYMENT BENEFITS TO
FORMER CETA WORKERS

● *President's Budget Reestimated by CBO*

The President's budget includes about \$200 million in budget authority and outlays for unemployment benefits to former CETA workers

and assumes no change in the current entitlement of these individuals for Federally-financed unemployment compensation benefits.

● *Committee's Views and Estimates*

The Committee on Ways and Means which has jurisdiction over this component of unemployment compensation did not make any comment on this program in its March 7th report.

● *Recommendation*

The recommendation assumes budget authority and outlay savings of \$200 million from termination of unemployment compensation benefits for former CETA workers. This recommendation is based on the premise that individuals who have had CETA jobs for 18 months have had an adequate opportunity to find regular employment.

● *Action Required to Implement Recommendation*

A change in the Emergency Jobs and Unemployment Assistance Act of 1974, as amended. Any change would require action by the Committee on Ways and Means.

10. REDUCTIONS IN REMAINING DISCRETIONARY PROGRAMS

● *President's Budget Reestimated by CBO*

The following table shows the funding levels included in the President's budget for the discretionary programs in this function other than salaries and expenses and the Food Stamp and Low-Income Energy Assistance programs. Recommendations for funding for salaries and expenses is addressed in Function 920: Allowances. Recommendations for funding the Food Stamp and Low-Income Energy Assistance programs have been covered in previous recommendations.

DISCRETIONARY FUNDING

	Fiscal year 1981	
	Budget authority	Outlay ¹
Subsidized housing:		
● Sec. 8 and public housing.....	32,179	13
● Other subsidized housing.....	1,309	431
Refugee assistance.....	598	347
Special supplemental food (WIC) program.....	970	808
Unemployment compensation (State administrative expenses).....		1,273
Total.....	35,056	2,872

¹ Excludes all outlays from obligational authority made available in prior years.

● *House Committees' Views and Estimates*

The following programs were specifically mentioned in March 7 reports:

Subsidized Housing.—The Committee on Appropriations notes that the strong concern which it expressed at the beginning of the Section 8 program about the "potential for enormous costs" has been warranted. As a result that Committee currently has underway an investi-

gation of the Section 8 program which it indicates will be reviewed carefully in allocating funding for the program. At the same time, that Committee indicates that the net overall change in budget authority and outlays for the Department of Housing and Urban Development will not be significant. The Committee on Banking, Finance, and Urban Affairs has reported that its funding recommendations for subsidized housing will be transmitted after the President announces his proposed revisions to the budget.

Refugee Assistance.—The Committee on Appropriations expresses concern about the cost of refugee assistance, noting that the funding in fiscal year 1981 is expected to triple over the amounts required in fiscal year 1979. That Committee indicates that “Congress must review carefully whether this level of benefits is necessary to accomplish the task of assimilating these new immigrants into American society.” The Judiciary Committee recommends that the President’s request be assumed.

Special Supplemental Food (WIC) Program.—The Education and Labor Committee indicates that it will approve the increase of \$46 million in the authorization for the Special Supplemental Food (WIC) program which will be necessary before the full President’s request can be appropriated.

- *Recommendation*

The recommendation assumes reduction of \$57 million in budget authority and outlays in discretionary programs in this function, which could be achieved through appropriations or administrative actions. For example, the Appropriations Committee expressed concern in its Committee views and estimates about the cost of subsidized housing and refugee assistance. The recommendation also notes that the funding increases for the Special Supplemental Food (WIC) program have been dramatic in recent years. When the program started in fiscal year 1972, funding was \$20 million. By fiscal year 1979, funding had increased to \$570 million, and the fiscal year 1981 request is for an increase of \$400 million over that level.

There is also a potential outlay savings in subsidized housing if the minimum rent were to be increased from 25 to 30 percent of net income. Under the Housing and Community Development Amendments of 1979, the Department of Housing and Urban Development currently has the authority to require that tenants pay up to 30 percent of their net income for rent. The Congressional Budget Office has estimated that an increase in rent, phased in over three years, could achieve outlay savings of about \$100 million in the first year and \$1 billion in fiscal year 1985.

- *Action Required to Implement Recommendation*

Reductions through the appropriations process and/or action of the Department of Housing and Urban Development to increase tenant rent in subsidizing housing projects.

- *Outyear Impact of the Recommendation*

Because the recommendation does not specify where the reductions should be made, it is assumed that the outyear impact is the same as the assumed reduction in fiscal year 1981.

COMPARISON OF PRESIDENT'S BUDGET AND FIRST BUDGET RESOLUTION FOR FISCAL YEAR 1981

[In billions of dollars]

	President's budget Jan. 28, 1980 re- estimated		First budget resolution		Difference	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
Social security (current law).....	131.7	138.5	131.7	138.5	-----	-----
Legislative savings.....	.2	-.1	.2	-.1	-----	-----
Special benefits for disabled coal miners.....	2.0	2.0	2.0	2.0	-----	-----
Railroad retirement (current law).....	4.8	5.2	4.8	5.2	-----	-----
Legislative savings.....	+.2	-.1	+.2	-.1	-----	-----
Other.....	-----	.1	-----	.1	-----	-----
Subtotal, general retirement.....	138.9	145.6	138.9	145.6	-----	-----
Federal employee retirement and disability:						
Current law.....	21.1	17.3	27.1	17.3	-----	-----
Legislative savings.....	-----	-----	-----	-.6	-----	-.6
Subtotal, Federal employee re- tirement and disability.....	21.7	17.3	27.1	16.7	-----	-.6
Unemployment compensation:						
Current law.....	19.8	18.9	19.8	18.9	-----	-----
Legislative initiative: Trade adjust- ment assistance.....	-----	-----	.1	.1	.1	.1
Legislative savings.....	-----	-----	-.2	-.2	-.2	-.2
Subtotal, unemployment com- pensation.....	19.8	18.9	19.7	18.8	-.1	-.1
Public assistance and other income supple- ments:						
Subsidized housing.....	33.5	6.6	33.5	6.6	-----	-----
Child nutrition (current law).....	5.5	5.2	5.5	5.2	-----	-----
Legislative savings.....	-.5	-.4	-.6	-.5	-.1	-.1
Food stamps.....	9.8	9.9	9.8	9.9	-----	-----
Legislative savings.....	-.1	-.1	-.5	-.5	-.4	-.4
Low-income energy assistance.....	2.4	2.4	2.2	2.2	-.2	-.2
Cash assistance:						
Supplemental security income.....	7.0	7.0	7.0	7.0	-----	-----
Aid to families with disabled children.....	7.6	7.4	7.6	7.4	-----	-----
Legislative savings.....	-.2	-.2	-.5	-.5	-.3	-.3
Refugee assistance.....	.6	.5	.6	.5	-----	-----
Earned income tax credit.....	1.6	1.6	1.6	1.6	-----	-----
Other.....	.3	.3	.3	.2	-----	-.1
Subtotal, public assistance and other.....	67.4	40.2	66.4	39.1	-1.0	-1.1
Undistributed reductions in discretionary appropriations.....	-----	-----	-.1	-.1	-.1	-.1
Welfare reform transfer from allowances.....	.8	.8	-----	-----	-.8	-.8
Total.....	254.1	222.8	252.1	220.1	-2.0	-2.7

Note: Totals may not add due to rounding.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

The Committee recommends \$21.7 billion in budget authority and \$21.2 billion in outlays for this function. These totals represent decreases of \$0.4 billion in budget authority and \$0.2 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlays	Budget author- ity	Outlays	Budget author- ity	Outlays
President's budget request, Jan. 28, 1980.....	2.7	21.7	23.8	23.2	24.9	24.6
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....	-.6	-.3	-.3	-.2	-.2	-.1
President's budget reestimated..	22.1	21.4	23.6	23.0	25.1	24.7
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....						
3. Education and training spending ini- tiatives.....	(1)	(1)	(1)	(1)	(1)	(1)
4. Reductions in remaining discretionary programs.....	-.4	-.2	-.2	-.2	-.1	-.3
5. Legislative savings.....						
Total difference.....	-.4	-.2	-.2	-.2	-.1	-.3
Committee recommendation.....	21.7	21.2	23.4	22.8	25.0	24.4

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

The recommendation includes the following CBO reestimates, which are explained in the text following the table.

Changes due to economic assumptions

None.

Other reestimates

[In millions of dollars, fiscal year 1981]

	President's budget		President's budget reestimated		Differences: President's budget reestimated plus or minus original budget submission	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Compensation.....	7,508	7,471	7,508	7,599	-----	+128
COLA legislation (13 percent).....	923	846	988	909	+65	+63
Pensions.....	4,074	4,032	3,434	3,546	-640	-486
Readjustment benefits.....	1,822	1,837	1,678	1,712	-144	-125
COLA legislation (10 percent).....	180	180	286	271	+106	+91
GI bill extension.....	63	63	45	45	-18	-18
Other.....	8,146	7,302	8,146	7,310	-----	+8
Total.....	22,716	21,731	22,085	21,392	-631	-339

CBO's upward reestimate in compensation is based on assumptions of higher average benefits for veterans and survivors. The dramatic cost decline in the pension program is based on CBO's examination of preliminary data from annual income questionnaires which became available after the President's budget was submitted. That data indicates that higher-than-estimated numbers of pensioners are being dropped from the pension caseload because of excess income. CBO also projects a faster decline in the caseload than the administration forecasts.

The readjustment benefit reestimates nearly offset one another: the current law program level was reestimated downward on the basis of participation rates; the cost-of-living adjustment legislation is estimated upward because CBO believes an increase will attract nearly 55,000 new trainees.

1981 IMPACT OF 1980 SUPPLEMENTALS

President's Budget Reestimated by CBO

The President's budget includes a request for the following fiscal year 1980 program supplementals:

BUDGET AUTHORITY

[In millions of dollars]

Veterans compensation payments.....	55
General operating expenses (GOE).....	13
Construction.....	4
Total.....	72

The President's \$55 million compensation supplemental is requested to cover a portion of the 9.9 percent cost-of-living adjustment which became effective last October.

The GOE supplemental is requested to provide 449 man-years of additional average employment in the Department of Veterans Benefits. Additional personnel are needed to process compensation, pension and education benefits which were scheduled to be processed automatically by the TARGET system which has been delayed.

Construction funds are requested for advance planning of the expanded multiyear medical facility construction program.

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for Fiscal Year 1980 assumed that a supplemental of approximately \$600 million would be required to fund the October, 1979, cost-of-living adjustment in veterans' compensation payments.

● *Recommendation*

The recommendation does not assume that these fiscal year 1980 supplementals will be enacted.

CBO's reestimates of the VA compensation and pension accounts indicate that excess budget authority in the pension account will be sufficient to cover any requirements in the compensation program. There is transfer authority in the appropriation language for these accounts which permits this action. The recommendation therefore, assumes that the appropriation of an additional \$55 million will not be necessary.

The administration's \$17 million request for general operating expenses and construction is not assumed because it is expected that such a small sum can be absorbed in a \$21 billion function or the projects delayed until a later date.

● *Action Required to Implement Recommendation*

Implementation of the recommendation would require that the supplemental appropriations request be denied in the appropriations process.

● *Outyear Impact of Recommendation*

This recommendation reduces fiscal year 1981 outlays by \$6 million and has no further effect on the outyears.

3. EDUCATION AND TRAINING SPENDING INITIATIVES

● *President's Budget Reestimated by CBO*

The President's budget includes \$340 million in budget authority and \$325 million in outlays for legislative proposals to:

- Provide a 10 percent cost-of-living adjustment (COLA) in GI Bill education benefits because the escalating cost of living has reduced real GI Bill education and vocational rehabilitation benefits (\$286 million in budget authority and \$271 million in outlays).
- Provide a 2-year extension of GI Bill eligibility for Vietnam-era veterans who are pursuing on-the-job training or a high school diploma (\$45 million in budget authority and outlays).
- Enhance the vocational rehabilitation program for service-disabled veterans by eliminating a time limit on eligibility, increasing length of training from 48 to 64 months, providing

additional counseling and other improvements (\$8 million in budget authority and outlays).

● *House Committees Views and Estimates*

The Veterans' Affairs Committee's March 15 Report requests new entitlement authority for a 15 percent cost-of-living increase in GI Bill education benefits, estimated by CBO to cost \$429 million in budget authority and \$407 million in outlays in fiscal year 1981. The Veterans' Affairs Committee also requests approximately \$13 million to cover provisions of H.R. 5288, Veterans' Rehabilitation and Education Amendments of 1979, which passed the House last year. This legislation would provide additional vocational rehabilitation services and an increase in subsistence allowance for veterans in the VA vocational rehabilitation program.

● *Recommendation*

The recommendation assumes \$312 million in budget authority and \$297 million in outlays to accommodate a 10 percent cost-of-living increase in GI bill education payments and the House-passed vocational rehabilitation legislation (H.R. 5288). Other new spending requests of the President are not assumed in the recommendation.

It is recognized that inflation has eroded real benefits in veterans' readjustment benefits, and that the CPI has risen significantly since the last rate adjustment (October, 1977). However, a cost-of-living adjustment commensurate with the inflation rate since October, 1977 would be prohibitive due to the severe budgetary constraints that exist. The cost would be \$981 million in budget authority for the first year and \$4 billion over the next five years.

Although the Senate has already passed a 15 percent GI Bill increase and the House Veterans' Affairs Committee's March 15 Report states that the committee will recommend an increase higher than the President's request, probably 15 percent, the recommendation assumes new entitlement authority of \$286 million to fund the President's proposed 10 percent rate increase in GI Bill benefits. This recommendation is considered more than reasonable in a year of fiscal austerity.

H.R. 5288, the Veterans Rehabilitation and Education Amendments of 1979, which passed the House last session, was recommended in both Budget Resolutions for fiscal year 1980. The \$26 million bill will provide for improved services and benefit increases to service-disabled veterans. (Legislative savings of \$13 million in H.R. 5288 are discussed in recommendation #5). The recommendation assumes enactment and implementation of the House-passed version of this legislation in fiscal year 1981.

● *Action Required to Implement Recommendation*

The 10 percent cost-of-adjustment assumed in this recommendation would have to be acted on by the House Veterans' Affairs Committee.

● *Outyear Impact of Recommendation*

[In millions of dollars]

	Fiscal year—		
	1981	1982	1983
President:			
Budget authority.....	340	380	291
Outlays.....	325	387	297
House Committee views and estimates:			
Budget authority.....	456	498	416
Outlays.....	434	607	425
Recommendation:			
Budget authority.....	312	341	286
Outlays.....	297	348	292

4. REDUCTIONS IN REMAINING DISCRETIONARY PROGRAMS

● *President's Budget Reestimated by CBO*

The President's budget proposes a major expansion in the Veterans Administration medical facility construction program, beginning with a fiscal year 1981 increase of 67 percent over the fiscal year 1981 level. The budget request for medical facility construction is \$660 million in budget authority and \$370 million in outlays to fund one new replacement hospital, with little impact in 1981 (\$15 million) but substantial outyear costs; 7 nursing homes; 5 outpatient additions; 8 clinical improvements; and a number of general improvements. The administration's long-range plan for VA construction would rapidly accelerate budget authority requests for construction, pushing the construction program to \$1 billion by fiscal year 1984. In addition, the President's budget includes approximately \$6.3 billion to fund hospital and medical care and other discretionary items. Nearly \$1.2 billion of this amount is for equipment, transportation, travel, supplies, and land purchases.

● *House Committees' Views and Estimates*

The Veterans' Affairs Committee approves the VA construction program, but requests approximately \$50 million more than the President's budget for ongoing medical care, research, and assistance for health manpower training institutions. The Veterans' Affairs Committee also requests \$74 million to cover medical care legislation proposed for fiscal year 1981.

● *Recommendation*

The recommendation for VA construction follows a general policy of constraining non-critical discretionary spending. Thus, the assumed budget authority for construction is \$400 million, with associated outlays of \$274 million in fiscal year 1981, which is the 1980 appropriated level. These amounts represent a reduction of approximately \$260 million in budget authority and \$100 million in outlays from the President's medical facility construction budget. It is assumed that the Veterans Administration can defer some construction projects until the economy has improved and there is greater availability of funds for new initiatives. This recommendation also reflects

the view that more specific construction priorities should be established and more fundamental justifications required before new construction funds are appropriated. In addition, the recommendation assumes a \$100 million reduction in outlays in other discretionary programs. This undistributed reduction could be achieved by decreasing non-essential accounts such as equipment or supplies, limiting direct housing loans, or through rescinding the unobligated balances in the Assistance for Health Manpower Training Institutions account. The recommendation does not assume that reductions in vital medical care services will be necessary.

● *Action Required to Implement Reduction*

Implementation of the recommendation would require that the President's budget request be reduced in the appropriations process.

● *Outyear Impact of Recommendation*

Budget year decisions about major construction projects create significant spending impacts on the outyear because of the long lead time required in construction starts. The recommendation's multi-year budget reflects the fiscal year 1981 decision to hold major discretionary programs at the fiscal year 1980 appropriation level and permit the deferred programs to be reinstated in the outyears.

[In millions of dollars]

	Fiscal year—		
	1981	1982	1983
President:			
Budget authority.....	7,022	7,512	7,919
Outlays.....	6,724	7,160	7,866
Recommendation:			
Budget authority.....	6,622	7,335	7,817
Outlays.....	6,517	7,002	7,521

5. LEGISLATIVE SAVINGS

● *President's Budget*

The President's budget a number of legislative savings proposals which are listed below with the administration estimates of the savings that would be achieved in fiscal year 1981.

[In millions of dollars]

	Budget authority	Outlays
Elimination of flight training benefits.....	-46	-46
Elimination of correspondence training benefits.....	-11	-11
Termination of predischARGE education program (PREP).....	-3	-3
Elimination of presumptive eligibility for dental benefits 1 year after military separation.....	-32	-32
Reimbursement from third parties for VA medical care provided to veterans with non-service-connected disabilities (non-pensioners).....	-321	-321
Total.....	-413	-413

● *House Committees' Views and Estimates*

The Veterans' Affairs Committee includes the following legislative savings proposals in its March 15 Report recommendation:

[In millions of dollars]

	Budget authority	Outlays
● Elimination of predischARGE education program (PREP).....	-3	-3
● Limitation on GI bill benefits to incarcerated veterans.....	-3	-3
● Modification of debt collection procedures.....	-10	-10
Total.....	-16	-16

The Appropriations Committee's March 15 Report states that it is "unlikely that all of these [President's savings] proposals will become law in fiscal year 1981, and the budget is understated accordingly."

● *Recommendation*

The Committee recommendation assumes that \$400 million in legislative savings could be achieved in a number of ways, such as combination of the following proposals or other legislation recommended by the Veterans' Affairs Committee.

● *Medical Care Savings*

The President's proposal to recover costs for medical care provided to veterans with non-service-connected disabilities offers the greatest possibility for savings. This proposal, estimated by the administration to save \$321 million in fiscal year 1981 (and estimated by CBO to save \$213 million), would prohibit insurance companies from refusing to reimburse the VA for the cost of care which would otherwise be reimbursed. This proposal is not assumed to affect veterans with service-connected disabilities or non-service-disabled veteran pensioners. It is targeted at younger veterans who are paying for insurance, yet present no liability to the insurance companies. The Veterans' Affairs Committee has not acted on this proposal, yet it appears to be a reasonable method of recouping hundreds of millions of dollars each year. This is an example of an area where substantial savings could be achieved. If the Veterans' Affairs Committee is reluctant to act on the reimbursement proposal, it could propose alternatives which would effect similar savings, for example, under current law, veterans who are compensation or pension beneficiaries are eligible for VA medical care without regard to ability to pay for care. However, VA medical care and treatment for all other veterans is contingent upon a veteran's inability to defray the expenses of necessary hospital or nursing home care. The only statutory requirement in this regard is that the applicant sign a form under oath that he or she is unable to defray necessary expenses. The law does not require evidence of income or assets, and it is quite conceivable that a veteran in the upper income bracket could avail himself of VA hospital or nursing home care in violation of the letter and spirit of the law.

The VA medical care system now costs over \$6 billion per year. It is unreasonable to expect taxpayers to subsidize the medical care

and treatment of veterans with high incomes or health care insurance coverage. The recommendation assumes that the Veterans' Affairs Committee will favorably consider the third-party reimbursement proposal of the President or some other measure to limit eligibility for VA medical care to truly needy veterans.

- *Travel Expenses*

The Veterans Administration estimates that approximately 60 percent of travel reimbursement funds paid to veterans traveling to and from medical facilities is paid to veterans with non-service-connected disabilities who are seeking non-emergency treatment. CBO estimates that eliminating travel cost reimbursement except in emergency cases would result in approximately \$50 million savings the first year and about \$250 million over a 5-year period. Eliminating these benefits or limiting reimbursement for travel would yield significant savings and should be considered a viable savings alternative.

- *Class II Dental Treatment*

Veterans are eligible for VA dental treatment within one year after military discharge as if dental problems were service-connected. The President's budget assumes the elimination of this provision in its fiscal year 1981 budget. CBO estimates that terminating these benefits would result in approximately \$36 million in savings in fiscal year 1981.

- *Readjustment Benefits*

For several years the President has proposed the elimination of flight and correspondence training benefits. These benefits were designed to enhance readjustment to civilian life, to provide training for basic employment. However, it has become clear that these programs are not serving their intended goals, that the training is used for recreational purposes and does not lead to professional full-time employment. Action could be taken this year to eliminate these benefits and the Pre-discharge Education Program (PREP). CBO estimates that approximately \$60 million in savings would result from termination of these benefits.

- *Debt Collection*

The Veterans Administration is currently seeking repayment of \$400 million in overpayments of educational assistance payments. In addition, there is approximately \$200 million in debts which the VA has ceased to pursue. There have been several proposals to recover these debts, and one provision is contained in legislation which has passed both Houses of Congress. It is urged that this provision be implemented this year. The Veterans' Affairs Committee has incorporated one such recommendation in H.R. 5288 and recommends that \$10 million in fiscal year 1981 savings be assumed from its passage. This recommendation strongly supports that action and other measures which may be taken to recoup these monies.

- *Pension Program*

Under current law veterans' surviving spouses are eligible for pension benefits equal to two-thirds of a veteran's pension without regard to age or disability. This is in contrast to the requirement that veteran pension beneficiaries be age 65 or over or totally disabled (in addition

to income criteria). If equal eligibility standards and benefits were implemented for surviving spouses, CBO estimates that approximately \$35 million would be saved the first year. It is recommended that this proposal be closely examined by the Veterans' Affairs Committee during the coming year with a view toward reform.

● *Denial of VA Benefits to Veterans Who Have Not Completed a Full Enlistment*

CBO estimates that approximately \$3 million could be saved in fiscal year 1981 from denying VA benefits to veterans who do not complete a full term of military enlistment. The savings would be due to reductions in the Federal matching portion of the post-Vietnam veterans education program. The only other benefit for which this group is eligible is medical care. However, these early discharged veterans are young and will not require a substantial amount of medical care for some time. Thus, any significant medical care savings would result in the future.

● *Outyear Impact of Recommendation*

[In millions of dollars]

	1981	1982	1983
President's request.....	-413	-445	-433
Recommendation.....	-400	-445	-433

Although no specific legislative proposals are assumed in the recommendation, the recommendation accepts the President's estimate of outyear savings as an achievable target.

**COMPARISON OF PRESIDENT'S BUDGET AND FIRST BUDGET
RESOLUTION RECOMMENDATIONS FOR FISCAL YEAR 1981**

[In billions of dollars]

	President's budget reestimated		First budget resolution recommendation		Resolution, plus (+) minus (-) President	
	Budget author- ity	Out- lays	Budget author- ity	Out- lays	Budget author- ity	Out- lays
Income security:						
Compensation.....	7.5	7.6	7.5	7.6		
Proposed COLA.....	1.0	.9	1.0	.9		
Pensions.....	3.4	3.5	3.4	3.5		
Other income security.....	.8	.7	.8	.7		
Subtotal.....	12.7	12.7	12.7	12.7		
Education and training:						
Readjustment benefits.....	1.7	1.6	1.7	1.6		
Proposed COLA.....	.3	.3	.3	.3		
GI bill and vocational rehabilitation legislation.....	.05	.05	(1)	(1)	(1)	(1)
Legislative savings.....	-.1	-.1	(2)	(2)	(2)	(2)
Subtotal.....	2.0	1.9	2.0	1.9		

COMPARISON OF PRESIDENT'S BUDGET AND FIRST BUDGET RESOLUTION RECOMMENDATIONS FOR FISCAL YEAR 1981—Continued

[In billions of dollars]

	President's budget reestimated		First budget resolution recommendation		Resolution, plus (+) minus (-) President	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
Hospital and medical care:						
Medical care.....	6.2	6.1	6.2	6.1	-----	-----
Legislative savings.....	-.4	-.4	(²)	(²)	(²)	(²)
Construction.....	.7	.4	.4	.3	-.3	-.1
Administration and other.....	.2	.2	.1	.1	-.1	-.1
Subtotal.....	6.7	6.4	6.7	6.5	-.4	-.2
Housing and other.....	.7	.4	.7	.4	-----	-----
Legislative savings.....	-.4	-.4	-.4	-.4	-----	-----
Function total.....	22.1	21.4	21.7	21.2	-.4	-.2

¹ Less than \$50,000,000.

² The first resolution recommends \$400,000,000 in undistributed legislative savings.

Note: Detail may not add to totals due to rounding.

FUNCTION 750: ADMINISTRATION OF JUSTICE

The Committee recommends \$4.2 billion in budget authority and \$4.6 billion in outlays for this function. These totals represent decreases of \$0.5 billion in budget authority and \$0.1 billion in outlays from the President's budget reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlay	Budget author- ity	Outlay	Budget author- ity	Outlay
President's budget request, Jan. 28, 1980.....	4.7	4.7	4.9	4.9	5.0	5.0
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....		(¹)		— .1		
President's budget reestimated.....	4.7	4.7	4.9	4.8	5.0	5.0
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....						
3. Law enforcement assistance adminis- tration.....	— .5	— .1	— .6	— .3	— .6	— .4
Total difference.....	— .5	— .1	— .6	— .3	— .6	— .4
Committee recommendation.....	4.2	4.6	4.3	4.5	4.4	4.6

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

● *Recommendation*

Various small CBO reestimates have been made of the President's budget request which reflect historical spendout patterns. The largest reestimate is a \$30 million decrease in outlays for the Law Enforcement Assistance Administration. Including other smaller reestimates the total fiscal year 1981 changes are increases of \$31 million in budget authority and \$5 million in outlays.

The decreased outlay reestimates for fiscal year 1982 reflect a slower spendout projection for the Law Enforcement Assistance program.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

A number of small Department of Justice supplementals have been requested by the President for fiscal year 1980. The requested supple-

mentals are for salary and expenses, which for the most part spend out in fiscal year 1980, with a small carry over into fiscal year 1981. The President's requests for fiscal year 1980 Administration of Justice supplementals are as follows:

[In millions of dollars]

Program	Fiscal year—		
	1980 budget authority	1980 outlays	1981 outlays
1. Department of Justice, legal salaries and expenses.....	4.0	2.4	1.6
2. Department of Justice, attorneys' and marshals' salaries.....	9.7	9.1	0.6
3. Immigration and Naturalization Service, salaries and expenses.....	1.6	1.4	0.2
4. Secret Service, salaries and expenses.....	13.6	11.6	2.0

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution did not assume any Justice supplementals.

● *Recommendation*

The Committee assumes enactment of the proposed Presidential supplemental for the Secret Service as reestimated by the Congressional Budget Office with total budget authority of \$13.6 million and outlays of \$11.6 million. Other supplementals are assumed to be absorbed as part of overall administration expenses.

● *Outyear Impact of Recommendations*

Of the \$13.6 million in budget authority for the fiscal year 1980 Secret Service supplemental recommended by the President, \$11.6 million would spend out in fiscal year 1980 and \$2.0 million in fiscal year 1981.

3. LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

● *President's Budget Reestimated by CBO*

The President requested \$521 million in budget authority and \$560 million in outlays for Law Enforcement Administration Assistance programs. In addition, \$50 million in budget authority and \$47 million in outlays was requested by the President for the National Institute of Justice and the Bureau of Justice Statistics.

● *Committees' Views and Estimates*

The Committee on the Judiciary's Majority March 15 report did not comment on the funding level for law enforcement assistance programs. The March 15 letter from the Committees' Minority supports full funding for the Law Enforcement Administration Assistance programs.

● *Recommendation*

The Committee recommends the elimination of the entire Law Enforcement Assistance program, a reduction of \$521 million in budget

authority and \$89 million in outlays for fiscal year 1981. The recommendation allows for the continuation of the National Institute of Justice and the Bureau of Justice Statistics at the requested funding level of \$49.5 million. A substantial amount of Law Enforcement Assistance Funding will continue in fiscal year 1981 in the form of prior year outlays which represents contractual agreements from previous years. The recommendation is based on the Committee's view that LEAA support for law enforcement and criminal justice activities has had minimal impact on local systems. Moreover, there is some evidence to indicate that States and local governments will continue to support useful projects out of local or State revenues.

- *Action Required to Implement Recommendation*

The Committee recommendation can be implemented through the appropriations process and it is assumed that no new authorizations will be provided for the Law Enforcement Assistance programs.

- *Outyear Impact of Recommendation*

The Committee recommendation to eliminate the entire Law Enforcement Assistance programs is reflected in the outyears as well. Outlay savings increase to approximately \$300 million in 1982 and \$445 million in 1983 as projected new outlays associated with the fiscal year 1981 budget request and subsequently the 1982 and 1983 budget request are foregone.

FUNCTION 800: GENERAL GOVERNMENT

The Committee recommends \$4.7 billion in budget authority and \$4.6 billion in outlays for this function. These totals represent decreases of \$0.1 billion in budget authority and \$0.1 billion in outlays from the President's budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlay	Budget author- ity	Outlay	Budget author- ity	Outlay
President's budget request, Jan. 28, 1980.....	4.9	4.9	5.3	5.1	5.0	5.1
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....						
Other reestimates.....	-.1	-.2	-.2	-.3	(1)	-.2
President's budget reestimated.....	4.8	4.7	5.1	4.8	5.0	4.9
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....						
3. Additional funds for Internal Revenue Service examinations and collections.....	(1)	(1)	(1)	(1)	(1)	(1)
4. Administrative and overhead cost savings in the legislative branch.....	-.1	-.1	-.1	-.1	-.1	-.1
5. Reduction in the Executive Office of the President.....	(1)	(1)	(1)	(1)	(1)	(1)
Total difference.....	-.1	-.1	-.1	-.1	-.1	-.1
Committee recommendation.....	4.7	4.6	5.0	4.7	4.9	4.8

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

The reestimate for this function is the net effect of individual reestimates of scores of accounts and offsetting receipts. The reestimates are based on CBO analysis of historical outlay and receipt patterns. The largest estimates are a \$66 million increase in mineral receipts in the Alaska Native Fund and a \$56 million reduction in the outlay estimates for the Federal Buildings Fund. The majority of the individual reestimates are less than \$5 million.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Budget Reestimated by CBO*

The President's 1981 budget includes the following 1980 supplemental appropriation requests in function 800:

[In millions of dollars]

	1980		1981 Outlays
	Budget authority	Outlays	
Discretionary supplementals:			
Legislative branch:			
House of Representatives—Contingent expenses	7.4	7.4	-----
Temporary Commission on Financial Oversight of the District of Columbia	6.5	1.5	3.5
Government Printing Office	.8	.6	.2
Executive Office of the President: Council on Wage and Price Stability	.5	.5	-----
General Services Administration:			
Increase in limitation on construction and repair of Federal buildings	(45.0)	38.9	6.1
National Archives and Record Service	3.0	3.0	-----
Office staff for former Presidents	.1	.1	-----
Department of the Interior:			
Eastern Indian land claims settlements	8.0	8.0	-----
Grant to the new Commonwealth of the Northern Marianas Islands	3.3	3.3	-----
Trust Territory of the Pacific Islands	6.1	4.6	1.5
Department of the Treasury:			
Payments to Guam, Virgin Islands, and American Samoa	2.0	2.0	-----
Bureau of the Public Debt: Expenses of savings bond redemptions	7.2	7.2	-----
Other agencies:			
Merit Systems Protection Board expenses	1.0	1.0	-----
Commission on Executive, Legislative, and Judi- cial Salaries	.2	.2	-----
Navajo and Hopi Indian Relocation Commission	.2	.2	-----
Mandatory supplemental: Office of Personnel Manage- ment: Payment to the Civil Service retirement and dis- ability fund	376.8	376.8	-----
Total	423.1	455.3	11.3

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for 1980 assumed a supplemental payment to the Civil Service Retirement and Disability Fund of \$357 million. No discretionary supplementals were assumed in the Second Resolution.

● *Recommendation*

The recommendation assumes absorption within current appropriations of the Government Printing Office supplemental (\$800 thousand), one-half of the National Archive and Record Service supplemental (\$1.5 million), the Merit Protection Board expenses supplemental (\$1.0 million), and the Navajo and Hopi Relocation Commission supplemental (\$200 thousand). The absorption of these

administrative expenses is consistent with the across-the-board administrative savings recommended for 1981.

- *Action Required to Implement Recommendation*

A reduction in 1980 supplemental appropriations would be required for the items recommended for reduction or deletion.

- *Outyear Impact of the Recommendation*

The recommended supplemental appropriations would have estimated 1982 outlays of \$11 million and 1983 outlays of \$2 million, the same impacts estimated in the President's budget.

3. INTERNAL REVENUE SERVICE EXAMINATIONS AND COLLECTIONS

- *President's Request as Reestimated by CBO*

For fiscal year 1981, the President's budget requests \$1,404 million for Internal Revenue Service (IRS) examinations and collections activities. This is \$62 million above the 1980 budget authority, including 1980 civilian pay increase supplemental requests. The \$1,404 million for 1981 would support 51,400 examinations and collections positions and related expenses.

- *House Committees' Views and Estimates*

The Appropriations and Ways and Means Committees make no recommendation to change IRS staffing from the President's request.

- *Recommendation*

The Committee's recommendation assumes \$50 million above the President's budget request for examining and auditing tax returns and collecting unpaid taxes. The IRS estimates that every additional dollar appropriated for tax examination activities generates \$4 to \$5 of tax revenues and that every additional dollar appropriated for the collection of unpaid accounts generates \$18 to \$20 of revenues. Assuming 90 percent of the additional appropriation is allocated to examinations and audits and 10 percent to collections, the \$50 million appropriation increase would generate an estimated \$298 million of additional revenues and reduce the deficit by an estimated \$248 million in 1981. The \$50 million increase would support about 1,700 additional IRS staff and related administrative expenses.

- *Action Required to Implement Recommendation*

An additional \$50 million would have to be appropriated for IRS examinations and collections.

- *Outyear Impact of the Recommendation*

The 1981-1985 cumulative 5-year effect of this recommendation would be to increase gross revenues by an estimated \$1.5 billion, net revenues by an estimated \$1.2 billion, and IRS administrative expenditures by \$250 million.

4. LEGISLATIVE BRANCH ADMINISTRATIVE SAVINGS

- *President's Request as Reestimated by CBO*

The President is expected to announce in his package of budget revisions measures to achieve \$598 million of savings in the overhead

and administrative expenses of the Executive Branch. This amounts to 2 percent of the estimated 1981 administration and overhead costs. In the January budget, the administration estimated that Federal Legislative functions would require \$1,065 million in budget authority and \$1,081 million in outlays in 1981.

- *House Committees' Views and Estimates*

The House Administration and Appropriations Committees make no recommendations for changes in Legislative Branch administrative costs.

- *Recommendation*

The Committee assumes administrative cost savings in the operation of the Legislative Branch to complement those savings expected to be proposed for the executive branch by the President. The recommendation assumes the savings would be applied to the expenses of Officers, Members' staffs, committee staffs, and other offices and organizations in the Legislative Branch. The recommendation also assumes that the Members of Congress and the Officers and Executive-level staff of the Legislative Branch will forego any cost-of-living pay increase in October, 1980.

- *Action Required to Implement Recommendation*

The recommendation assumes that appropriations for legislative branch items will be reduced. Those responsible for administrative expenditures—the Leadership of each House, Officers, Committee Chairmen, and for their own staff, the Members themselves—would have to institute measures to reduce administrative costs.

- *Outyear Impact of the Recommendation*

The Committee recommendation assumes equivalent administrative savings will be achieved in 1982 and 1983 by the Legislative Branch.

5. FUNDING FOR THE EXECUTIVE OFFICE OF THE PRESIDENT

- *President's Budget as Reestimated by CBO*

For subfunction 802, Executive direction and management, which contains the vast majority of the Executive Office of the President, the President's budget requests \$112 million of budget authority and \$110 million of outlays in 1981.

- *House Committee's Views and Estimates*

No changes from the President's budget were recommended by the Appropriations and the Government Operations Committees for the Executive Office of the President.

- *Recommendation*

The Committee recommends a reduction of \$14 million in budget authority and outlays for the Executive Office of the President. The Committee is concerned by the two year increase of 33 percent in budget authority and 34 percent in outlays between fiscal years 1979 and 1981 for the Executive Office of the President as estimated in the President's budget. The Committee recommendation would reduce that increase by fifty percent.

- *Action Required to Implement Recommendation*

The appropriations for the various elements of the Executive Office of the President would have to be reduced by an aggregate of \$14 million.

- *Outyear Impact of the Recommendation*

The Committee's recommendation assumes equivalent \$14 million reductions in 1982 and 1983.

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

The Committee recommends \$6.2 billion in budget authority and \$6.8 billion in outlays for this function. These totals represent decreases of \$3.4 billion in budget authority and \$2.8 billion in outlays from the President's budget as reestimated.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlays	Budget author- ity	Outlays	Budget author- ity	Outlays
President's budget request, January 28, 1980 ..	9.6	9.6	9.7	9.7	9.6	9.3
1. Reestimates (by CBO):						
Changes due to economic assumptions						
Other reestimates		(¹)	+ .1	+ .1	+ .1	+ .1
President's budget reestimated ..	9.6	9.6	9.8	9.8	9.4	9.4
Major policy recommendations:						
2. 1981 impacts of 1980 supplementals		— .1				
3. Elimination of the State government share of general revenue sharing	—2.3	—1.7	—2.3	—2.3	—2.3	—2.3
4. Elimination of the antirecession fiscal assistance initiative	— .1	— .9	—1.0	—1.0	— .5	— .5
5. Reduction in the Federal payment to the District of Columbia	— .1	— .1	— .1	— .1	— .1	— .1
Total difference	(—3.4)	(—2.8)	(—3.4)	(—3.4)	(—2.9)	(—2.9)
Committee recommendation	6.2	6.8	6.4	6.4	6.5	6.5

¹ Less than \$50,000,000.

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

The reestimate of this function is the net effect of reestimates in 12 different accounts. The reestimates are based on the analysis of historical outlay patterns by CBO. The majority of the reestimates are in relatively uncontrollable activities—the net cash flow of revolving funds and permanent appropriations for payments to territories, states, or counties out of the income earned from Federal lands or from tax collections.

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

● *President's Request as Reestimated by CBO*

The President's 1981 budget includes the following 1980 supplemental appropriation requests for Function 850:

[In millions of dollars]

	1980		1981 Outlays
	Budget authority	Outlays	
Discretionary supplementals:			
1. Targeted fiscal assistance.....	250.0	250.0	-----
2. Antirecession fiscal assistance.....	125.0	-----	125.0
3. National Wildlife Refuge Fund: Correction of prior year underpayments of payments in lieu of taxes to counties.....	3.9	3.9	-----
Mandatory supplemental:			
4. Federal payment to D.C. Retirement Fund.....	52.1	52.1	-----
Total.....	431.0	306.0	125.0

● *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution for 1980 assumed a \$524 million supplemental appropriation for targeted and antirecession fiscal assistance. No other supplementals were assumed for Function 850.

● *Recommendation*

The recommendation does not assume the \$125 million in outlays requested for antirecession fiscal assistance estimated to occur in fiscal year 1981. This is consistent with the recommendation not to assume funding of the Antirecession Fiscal Assistance program in 1981. Further, the recommendation for Targeted Fiscal Assistance is \$200 million in budget authority and outlays, \$50 million below the President's request. This recommendation is consistent with the authorization in the House version of targeted fiscal assistance (H.R. 5980). The Senate version (S. 566) contains a \$250 million authorization equal to the administration's. Conference action on these bills is still pending.

● *Action Required to Implement Recommendation*

Except for the targeted fiscal assistance request, the 1980 supplemental appropriation requests of the President would have to be denied.

● *Outyear Impact of the Recommendation*

Other than the supplemental for antirecession assistance requested by the administration, there is no 1981, 1982, or 1983 outlay effect from supplementals in this function.

3. STATE GOVERNMENT SHARE OF GENERAL REVENUE SHARING

● *President's Budget as Reestimated by CBO*

The President's 1981 budget submitted in January requests the full amount currently authorized for General Revenue Sharing (GRS), \$6,855 million. The current split of one-third for State governments and two-thirds for local governments would be retained. The admin-

istration has indicated that minor changes will be proposed in the allocation among local governments to achieve greater targeting to needy localities. However, specific reauthorization legislation has not yet been transmitted. In his March 14 anti-inflation message, the President indicated that his revised request would eliminate the \$2.3 billion share of GRS funds for States.

● *House Committees' Views and Estimates*

The Appropriations Committee notes that there is opposition to the one-third State government share of GRS and indicates that there is the possibility of budget savings in 1981 in this program. The Government Operations Committee, without recommending a specific budget amount, noted that the GRS program must be reauthorized for 1981 and that the reauthorization was expected to range from zero to \$6,855 million.

● *Recommendation*

The recommendation assumes the elimination of the \$2,285 million one-third share of GRS for State governments with a 1981 outlay saving of \$1,714 million. When GRS was first proposed, there was a concern that the Federal budget would move to a surplus and exert a fiscal drag on the economy. GRS was, in part, a measure to avoid that fiscal drag. The current fiscal situation is in many ways the opposite. The current threat is that Federal budget deficits will inhibit the effort to control inflation. Further, the fiscal positions of State governments have improved. In recent years, most States have had budget surpluses. Their tax structures have become more progressive and responsive to economic growth. Indeed, since January, 1978, 20 States have been able to cut taxes. When the focus of fiscal policy is to reduce the deficit, it is difficult for the Federal Government to share revenues with other levels of government. On the other hand, local government revenues are not as responsive to changes in fiscal conditions, and relatively more cities than States are experiencing fiscal distress. Local government revenue sources are often severely restricted by State laws.

● *Action Required to Implement Recommendation*

The recommendation could be implemented through changes by the Government Operations Committee in the reauthorization of GRS. If the entitlement nature of the program is altered in the reauthorization, the proposed budget reductions could be achieved through appropriation action.

● *Outyear Impact of the Recommendation*

The outlay impact of the recommended reduction would be \$686 million greater in 1982 and 1983 than in 1981. The 1981 outlay reduction is less because payments for a given quarter are made in the first few days of the succeeding quarter resulting in a one-quarter lag between budget authority and outlays.

4. ANTIRECESSION FISCAL ASSISTANCE

● *President's Request as Reestimated by CBO*

The President's budget assumes enactment of the pending legislation to authorize the Antirecession Fiscal Assistance program for

1980 at a level of \$125 million. The President requests continuation of the program in 1981 with a cap of \$1 billion. Using both the administration and CBO economic assumptions, the full \$1 billion would be "triggered" in 1981 under the administration's bill. (The Targeted Fiscal Assistance program proposed in the same legislation would be for 1980 only.) The President's detailed budget revisions, which have not been transmitted to Congress yet, are expected to reevaluate new initiatives.

● *House Committees' Views and Estimates*

The Government Operations Committee, without recommending a specific budget amount, notes that the Antirecession Fiscal Assistance program could range from zero to \$1 billion in 1981. Further, the Committee assumes that, if enacted, the program would be more like the current House-approved version (H.R. 5980) awaiting conference action, with the result that 1982 and 1983 budget authority and outlays would be below the administration's estimates for those years. The Appropriations Committee notes that, given the status of the 1980 authorization and the legislative calendar, the enactment of a 1981 authorization and appropriation is questionable.

● *Recommendation*

The recommendation does not assume funding of the Antirecession Fiscal Assistance program in fiscal year 1981. Only the most urgent new initiatives should be enacted when the focus of fiscal policy is on eliminating the deficit to help counter inflation.

● *Action Required*

The recommendation would require deletion of the Antirecession Fiscal Assistance program from the currently pending legislation for 1980 and no enactment of a 1981 authorization. The reduction could also be accomplished through the appropriations process.

● *Outyear Impact of the Recommendation*

The recommendation would reduce budget authority and outlays by \$1 billion below the President's budget in 1982 and \$525 million in 1983.

5. FEDERAL PAYMENT TO THE DISTRICT OF COLUMBIA

● *President's Request as Reestimated by CBO*

The President's budget requests a total of \$361.2 million for payment to D.C. in 1981. This is an increase of \$60.4 million over the 1980 level. The following table summarizes the 1980 and 1981 requests:

[In millions of dollars]

	Budget authority and outlays	
	1980	1981
Payment to the D.C. General Fund.....	238.2	301.0
Water and sewer payments.....	10.5	8.1
Retirement fund contributions.....	52.1	52.1
Total.....	300.8	361.2

The President's 1981 budget also requests an advance appropriation of \$320 million for 1982 for the portion of the payment going to the D.C. general fund. The authorization for the D.C. payment expires September 30, 1980. In its reauthorization legislation, the administration will propose placing the D.C. payment on a formula basis starting in 1981.

- *House Committees' Views and Estimates*

The Appropriations Committee concurs with the President's request for payments to D.C. The District of Columbia Committee recommends increases over the President's request for budget authority and outlays of \$17 million in 1981, \$30 million in 1982, and \$75 million in 1983:

- *Recommendation*

The recommendation assumes that the D.C. payment will be maintained at the 1980 level of \$301 million, a reduction of \$60 million in budget authority and outlays from the President's request. In an austere fiscal environment, it is difficult for the Federal Government to increase its financial support of the D.C. Government.

- *Action Required to Implement Recommendation*

A reduction in the appropriation for the Federal payment to the District of Columbia would be required to implement the recommendation.

- *Outyear Impact of the Recommendation*

In the outyears, the recommendation assumes a constant reduction of \$60 million from the administration's estimate. This would provide for the same nominal dollar increase from year to year as proposed by the administration but from a lower base.

FUNCTION 900: INTEREST

The Committee recommends \$72.2 billion in budget authority and outlays for this function. These totals represent no change from the President's Budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlay	Budget author- ity	Outlay	Budget author- ity	Outlay
President's budget request, Jan. 28, 1980.....	67.2	67.2	68.0	68.0	68.3	68.3
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....	+5.8	+5.8	+7.6	+7.6	+11.0	+11.0
Other reestimates.....	-0.8	-0.8	-2.0	-2.0	-2.8	-2.8
President's budget reestimated.....	72.2	72.2	73.6	73.6	76.5	76.5
Major policy recommendation:						
2. 1981 impact of 1980 supplementals.....						
None.....						
Total difference.....						
Committee recommendation.....	72.2	72.2	73.6	73.6	76.5	76.5

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

● *Changes due to economic assumptions*

This upward reestimate of \$15.8 billion, provided by CBO, increases interest payments substantially due largely to the higher interest rates assumed in the resolution. For example, the President's January Budget assumed a discount rate on 3-month Treasury bills averaging 11.05 percent in fiscal year 1980 and 9.2 percent in fiscal year 1981. The resolution assumes comparable rates of 12.53 in fiscal year 1980 and 10.00 in fiscal year 1981.

● *Other Reestimates*

The second reestimate, which decreases interest payments by \$0.8 billion in 1981 and greater amounts in the outyears, results from Committee recommendations that would result in a balanced budget in fiscal year 1981. The estimate of interest payments provided by CBO was based on the assumption of a \$15 billion deficit in fiscal year 1981 and a balanced budget in the outyears. Since the recommendation assumes a balanced budget in fiscal year 1981, it is appropriate to decrease interest payments.

FUNCTION 920: ALLOWANCES

The Committee recommends zero in budget authority and outlays for this function. That total represents a decrease of \$2.2 billion in budget authority and \$1.7 billion in outlays from the President's Budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlays	Budget author- ity	Outlays	Budget author- ity	Outlays
President's budget request, Jan. 28, 1980.....	3.1	2.6	11.2	9.8	38.0	36.5
1. Reestimates (by CBO):						
Changes due to economic assumptions.....						
Other reestimates.....	-.1	-.1	-.2	-.2	-.4	-.3
Transfer welfare reform to func- tions 500 and 600.....	-.8	-.8	-4.9	-4.8	-5.3	-5.2
Transfer health insurance to function 550.....					-24.1	-24.1
President's budget reestimated.....	2.2	1.7	6.1	4.8	8.2	6.9
Major policy recommendations:						
2. 1981 impact of 1980 supplementals.....		-.1				
3. Contingency allowance.....	-1.2	-.6	-3.0	-1.7	-3.2	-1.9
4. Pay reform.....						
5. Pay raise absorption.....	-.2	-.2	-.6	-.6	-.7	-.7
6. Reduce operating and administrative costs.....	-.6	-.6	-.6	-.6	-.7	-.7
7. Furniture purchases.....	-.2	-.2				
Total difference.....	-2.2	-1.7	-4.2	-2.9	-4.6	-3.3
Committee recommendation.....			1.9	1.9	3.6	3.6

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

Changes due to economic assumptions

None.

Other reestimates

The downward reestimates in this function are the result of items being transferred from this function to other functions.

1. *Welfare Reform.* The President is assuming amounts for welfare reform for fiscal years 1981–1983 as part of “contingencies for other requirements”, shown in Function 920 in the President’s Budget. CBO estimates the costs of the welfare reform bill at \$850 million in fiscal year 1981. This recommendation has transferred the estimated costs of the welfare reform bill to Function 600: Income Security, and the estimated costs of the jobs component of welfare reform to Function 500: Education, Training, Employment, and Social Services.

2. *National Health Insurance.* The President has requested \$24,100 million in budget authority and outlays in fiscal year 1983 for national health insurance. This amount is now shown in Function 550: Health.

3. *Trust Fund Limitations.* The President carries pay raise amounts that are funded from trust or revolving funds in this function, while congressional practice is to score them with the parent function.

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget authority	Outlays	Budget authority	Outlays	Budget authority	Outlays
1. Welfare reform.....	—850	—850	—4,930	—4,830	—5,256	—5,156
2. National health insurance.....					—24,100	—24,100
3. Trust fund limitations.....	—84	—50	—249	—188	—405	—311

2. 1981 IMPACT OF 1980 SUPPLEMENTALS

• *President’s Budget, Reestimated by CBO*

Contingency Allowance.—The President’s list of fiscal year 1980 supplementals includes a contingency allowance for unspecified other requirements of \$150 million in budget authority and \$100 million in outlays.

Pay Raise Absorption.—The full cost of last October’s 7 percent pay raise is \$1,472 million in budget authority and \$1,444 million in outlays. The President’s budget request is \$254 in budget authority and \$249 million in outlays less than the full cost, which amounts to a 17 percent rate of absorption.

• *Second Budget Resolution for Fiscal Year 1980*

The Second Budget Resolution did not assume a contingency allowance. It assumed 40 percent absorption of the cost of the pay raise.

• *Recommendation*

Contingency Allowance.—The recommendation assumes the elimination of the contingency allowance of \$150 million in budget authority and \$100 million in outlays that the President included in his list of supplementals. This is consistent with past congressional practice. It is assumed that any necessary increases are already addressed in other functions.

Pay Raise Absorption.—The recommendation assumes absorption of 35 percent, as opposed to 17 percent absorption assumed by the President, which will save \$261 million in budget authority and \$256 million in outlays from the President’s request. The historical average absorption has been 35 percent. It must be noted, however,

that three factors make a high absorption rate more difficult than usual in fiscal year 1980. First, the year is half over so the agencies have less leeway in finding savings. Second, the amount of the pay raise, 7 percent, is higher than usual. Therefore, the total amounts of dollars to be absorbed from the regular program base is also higher than usual. Third, the 1980 appropriations for many agencies were tighter than usual for discretionary accounts, which are the accounts that are further squeezed by absorption.

● *Outyear Impact of Recommendation*

Elimination of the fiscal year 1980 contingency allowance saves \$50 million in fiscal year 1981 outlays.

3. CONTINGENCY ALLOWANCE

● *President's Budget Reestimated by CBO*

The President has also included room in his 1981 budget for unspecified purposes. This is not a request for an appropriation of a contingency fund; rather, it is leeway so that the President may later request additional appropriations for specific purposes should the need arise. The amount shown here is the remaining portion of the allowance after the estimated requirements for welfare reform were transferred to Functions 500 and 600.

PRESIDENT'S REQUEST, REESTIMATED

[In millions of dollars]

	Budget authority	Outlays
Fiscal year 1981-----	1,150	600
Fiscal year 1982-----	2,970	1,670
Fiscal year 1983-----	3,244	1,944

● *House Committee Views and Estimates*

No House committees commented on this item.

● *Recommendation*

The recommendation assumes the elimination of the remaining portion of the contingency allowance for all three years. This is consistent with past congressional practice. It is assumed that any necessary contingencies are already addressed in other functions.

● *Outyear Impact of the Recommendation*

The contingency allowance is eliminated in the outyear as well as fiscal years 1980 and 1981.

4. PAY REFORM

● *President's Budget, reestimated by CBO*

The policy underlying the President's budget is to grant full comparability raises to Federal employees, assuming passage of HR 4477, the Federal Employees Compensation Reform Act of 1979.

HR 4477 would broaden the sample of private sector employees surveyed for comparability purposes by including employees of State and local governments, and take into account the comparative fringe benefits of public and private sector employees. Salary levels of white-collar (general schedule) workers would be based on local rather than national comparability. In addition, restrictive features of the blue-collar (wage board) system, such as the step-two fixed payline and uniform night-shift differential, would be repealed, which would allow the Federal Government to maintain local blue-collar comparability. Finally, the bill would also uncouple military and civilian pay rates. Private sector employees are surveyed each spring. The percent pay raise indicated by the survey takes effect the following October.

The President expects that without pay reform the pay raise indicated by the survey would be 10.9 percent, while with pay reform it would be 6.2 percent, saving approximately \$1 billion per year for the civilian agencies.

- *House Committees' Views and Estimates*

The House Post Office and Civil Service Committee recommended reducing the savings attributable to HR 4477 to zero. The Committee has held two days of hearings and states that it plans extensive field hearings. The Committee states that it cannot substantiate the amount of savings claimed by the administration.

- *Recommendation*

The recommendation assumes passage of HR 4477, the Federal Employees Compensation Reform Act of 1979. The President's budget included this legislative savings, and estimated that it would reduce the pay raise from 10.9 percent to 6.2 percent, thus saving about \$1.0 billion.

- *Action required to Implement Recommendation*

Passage of HR 4477 would require action by both the Armed Services Committee and the Post Office and Civil Service Committee.

- *Outyear Impact of the Recommendation*

Passage of HR 4477 would align Federal compensation with private sector compensation in fiscal year 1981, based on broader definitions of compensation. By assuming a fiscal year 1981 pay raise of 6.2 percent, the civilian agencies' payroll base for the outyears is reduced from what it would have been if the bill were not enacted and a 10.9 percent raise took effect. This reduction will save \$1.1 billion in 1982 and \$1.2 billion in 1983.

5. PAY RAISE ABSORPTION

- *President's Budget, Reestimated by CBO*

The President's budget request for the fiscal year 1981 civilian agencies' pay raise was \$1,031 million in budget authority and \$1,020 million in outlays. The full cost of the 6.2 percent pay raise is higher than the President's request by \$279 million in budget authority and \$268 million in outlays. Thus the President is assuming that the agencies will absorb that amount, about 21 percent of the full cost, through greater management efficiency and tightening of related expenses.

- *House Committees' Views and Estimates*

House committees did not comment on this issue.

- *Recommendation*

The recommendation assumes a 35 percent rate of absorption rather than the 21 percent assumed in the administration's figure for fiscal year 1981. This recommendation will save \$180 million budget authority and \$186 million in outlays from the President's request. The recommendation also assumes 35 percent in the outyears. It must be noted, however, that two factors make a high absorption rate more difficult than usual in fiscal year 1981.

First, the amount of the pay raise, 6.2 percent, is higher than usual. Therefore, the total amounts of dollars to be absorbed from the regular program base is also higher than usual. Second, the recommendation for fiscal year 1981 assumes negative real growth for discretionary accounts, which are the accounts that would be further reduced by absorption.

- *Outyear Impact of the Recommendation*

By assuming 35 percent absorption rather than zero in the outyears, \$0.6 billion is saved in fiscal year 1982 and \$0.7 billion in fiscal year 1983. Since almost 100 percent of pay raise costs are spent the first year, the impact of absorption on each following year is insignificant.

6. REDUCE OPERATING AND ADMINISTRATIVE COSTS

- *President's Budget Reestimated by CBO*

The President's budget includes about \$30 billion for executive branch agencies, excluding the Department of Defense, for personnel compensation and benefits and other overhead costs in fiscal year 1981. The President does not assume a general reduction from the sum of his specific plans for each agency.

Agency overhead costs are the costs of administering Federal programs. Those costs include personnel compensation, travel, data processing, contract services, general supplies, and so on. These can be viewed as the operating budget. Capital budget items, such as buildings, furniture, scientific equipment, and so on, are not included in the \$30 billion figure. Annual operating costs can be restrained in a number of ways, most directly by reducing personnel costs and related expenses through hiring freezes, filling vacancies at lower grade levels, slowing down promotions and step increases, or any combination of the above. Additional savings could be achieved through more restrictive policies on official travel and other reimbursable expenses. The Committee is also aware that some agencies obligate funds at an especially high rate just as the fiscal year is about to end, to prevent the funds from lapsing. This practice may waste a considerable amount of money. The conferees on the Second Budget Resolution stated that the practice should halt, and urged executive and legislative remedies if necessary. The Committee reaffirms its concern, and believes that year-end wasteful spending is an area where savings can be made.

- *House Committees' Views and Estimates*

No House committees commented on this item.

● *Recommendation*

The recommendation assumes a reduction of \$598 million in budget authority and \$568 million in outlays in executive branch overhead costs below the President's request. This constitutes a reduction of about 2 percent. Combined with 35 percent absorption of the pay raise, civilian agencies will have their fiscal year 1981 funding cut by about 0.8 billion. The exact disposition of the \$598 million cut proposed in this issue is within the jurisdiction of the Appropriations Committee, which will be allocated \$598 million less as a result of this recommendation. However, if the cut were applied to each executive branch agency in proportion to its full-time personnel, funding would be reduced as follows:

<i>Civilian Agency</i>	<i>Reduction (millions)</i>
Veterans Administration.....	\$116
Health and Human Services.....	80
Treasury.....	65
Agriculture.....	49
Transportation.....	42
Justice.....	32
Interior.....	32
General Services Administration.....	20
Commerce.....	18
Corps of Engineers.....	16
Labor.....	13
NASA.....	13
State.....	13
Energy.....	12
Tennessee Valley Authority.....	10
Housing and Urban Development.....	9
Environmental Protection Agency.....	6
Education.....	3
All Others.....	49
Total.....	598

● *Outyear Impact of the Recommendation*

The recommendation assumes that the fiscal year 1981 reductions will not be reversed in the outyears. Rather, the 2 percent reduction in agency overhead costs is maintained in the outyears. Thus, while agencies will still experience the same rate of growth in the recommendation as in the President's budget, that growth will start from a 2 percent lower base.

7. FURNITURE PURCHASES

● *President's Budget Reestimated by CBO*

There are no verifiable figures on agency furniture purchases, though there is informal agreement that the amount of total agency furniture purchases for 1981 assumed in the President's budget is probably in the neighborhood of \$200 million. Of that amount, 80 percent at a minimum is purchased directly by the agencies; the remainder is bought by the General Services Administration (GSA) on behalf of the agencies.

Widespread abuses of furniture purchases by many agencies and by GSA have been discovered. An interagency group of Inspectors Gen-

eral have attempted an audit of existing furniture procurement needs and practices. Their draft report concludes:

Most Federal agencies have generally done a poor job of implementing the property management guidelines set forth in the Federal Property Management Regulations (FPMR). The General Services Administration has been very remiss in its oversight responsibility regarding implementation and enforcement of these guidelines. These inactions have resulted in confusion, inconsistency and mismanagement in the areas of furniture acquisition, storage and disposal.

Starting March 1, 1980, the President ordered an indefinite freeze on new furniture requisition by agencies.

- *House Committees' Views and Estimates*

No committees commented on this issue.

- *Recommendation*

The Committee recommends a decrease in the fiscal year 1981 budget by \$200 million in budget authority and outlays.

The Committee is aware that federal agencies and the General Services Administration have seriously mismanaged their purchases of office furniture. Practically no agency of the government has a firm idea of its inventory; warehouses are overloaded; furniture is often discarded by one agency while another is ordering new furniture of the same type; and furniture is scrapped rather than repaired. For these reasons the Committee supports the President's March 1 freeze on requisition of new furniture, and supports the interagency effort to develop a complete audit of existing furniture, including inventories.

The Committee also urges that agency and department expenditures for furniture be given the most careful scrutiny through the congressional appropriations process. As a result of the Executive and congressional efforts the Committee assumes that savings of \$200 million, about one year's worth of furniture costs, can be achieved in the fiscal year 1981 budget.

- *Action Required to Implement Recommendation*

The Presidential freeze on furniture purchases would have to be maintained for a considerable amount of time. The agencies would have to make major reforms of the furniture audit and procurement practices, and would have to cooperate in routing excess furniture to areas of special need. Funding for Salaries and Expenses would have to be reduced by \$200 million below the President's request in the appropriations process, with the directive that such a cutback be aimed specifically at furniture.

- *Outyear Impact of Recommendation*

The effect of the Committee proposal would be to draw down the existing stockpile of furniture, lessen the incentive to scrap adequate furniture, and promote repair over acquisition. Presumably once stockpiles are drawn down, furniture purchases would start again, though not at the same level as in the past.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

The Committee recommends —\$24.6 billion in budget authority and outlays for this function. This recommendation is identical to the President's budget as reestimated by CBO.

SUMMARY OF BUDGET COMMITTEE RECOMMENDATION

[In billions of dollars]

	Fiscal year 1981 budget		Fiscal year 1982 plan		Fiscal year 1983 plan	
	Budget author- ity	Outlays	Budget author- ity	Outlays	Budget author- ity	Outlays
President's budget request, Jan. 28, 1980.....	-25.1	-25.1	-26.4	-26.4	-27.9	-27.9
1. Reestimates (by CBO):						
Changes due to economic as- sumptions.....	— .3	— .3	— .3	— .3	— .5	— .5
Other reestimates.....	+ .8	+ .8	— .6	— .6	-1.3	-1.3
President's budget reestimated.....	-24.6	-24.6	-27.3	-27.3	-29.7	-29.7
Major policy recommendations:						
None.....						
Total difference.....						
Committee recommendation.....	-24.6	-24.6	-27.3	-27.3	-29.7	-29.7

EXPLANATION OF COMMITTEE RECOMMENDATIONS

1. REESTIMATES

● *Changes due to economic assumptions*

This downward reestimate of \$300 million, provided by CBO, increases receipts to the interest received from the trust funds due to our economic assumptions.

This change is for the interest received by the trust funds—that income which trust funds earn on their investments in public securities. This change is based on the net trust fund surplus and on changes in the interest rates for public debt securities. The interest rates assumed are significantly higher than the President's budget request and result in lower trust fund surpluses.

● *Other reestimates*

The upward reestimate of \$800 million provided by CBO decreases offsetting receipts. Lower receipts are assumed in this recommendation for the Outer Continental Shelf (OCS) rents and royalties. The

Office of Management and Budget (OMB) estimates that receipts from OCS rents and royalties will total \$6 billion in fiscal year 1981. CBO estimates that OCS rents and royalties will be \$800 million less than the OMB estimate. The OMB estimate is based primarily on sale acreage, whereas the CBO estimate is based on the U.S. Geological Survey (USGS) estimates of oil and gas reserves in the sale area as well as likely prices and production costs. In addition, there are different assumptions about the proportion of receipts that will be put into escrow as a result of state claims.

OMB has indicated March reestimates will lower the expected OCS receipts by \$500 million which will lower the estimating difference from \$800 million to \$300 million.

VI. SURPLUS AND THE DEBT

For the first time in 12 years and only the second time in the last 21 years, the Federal Budget will show a surplus in fiscal year 1981. The Resolution adopted by the Committee provides for a budget surplus of \$2 billion. The surplus reflects the concern of the Committee that a balanced budget is imperative because of runaway inflation which rose at an annual rate of 18 percent during the first two months of this year.

The Committee estimate differs from that of the administration as reestimated by the CBO because of higher revenues and lower outlays when economic and other conditions are considered. Higher revenues result from economic conditions and policy choices discussed more fully in the revenue section. In brief, they are largely attributable to higher inflation and a significant rise in the estimates of oil prices both of which raise receipts. The major expenditure changes are detailed in the section on the budget functions.

The proposed surplus is a culmination of a trend toward lower deficits since the recession-induced levels of 1975-76. (See chart Y.)

The surplus or deficit is one of three major components which enter into the calculation of the change in the public debt figure every year. The calculations for fiscal years 1980 to 1983 are as follows:

[In billions of dollars]

Fiscal year 1980 debt:

Debt September 30, 1979	827.6
Fiscal year 1980 deficit	38.2
Trust funds surplus fiscal year 1980	15.1
Off-budget outlays fiscal year 1980	16.8
Change in cash balances and other adjustments	-1.0
Total	<u>896.7</u>

Fiscal year 1981 debt:

Debt September 30, 1980 (estimated)	896.7
Fiscal year 1981 surplus	2.0
Trust funds surplus fiscal year 1981	14.0
Off-budget outlays fiscal year 1981	18.1
Change in cash balances and other adjustments	
Total	<u>926.8</u>

Fiscal year 1982 debt:

Debt September 30, 1981 (estimated)	926.8
Fiscal year 1982 surplus	11.7
Trust funds surplus fiscal year 1982	21.0
Off-budget outlays fiscal year 1982	18.1
Change in cash balance and other adjustments	
Total	<u>954.2</u>

[In billions of dollars]

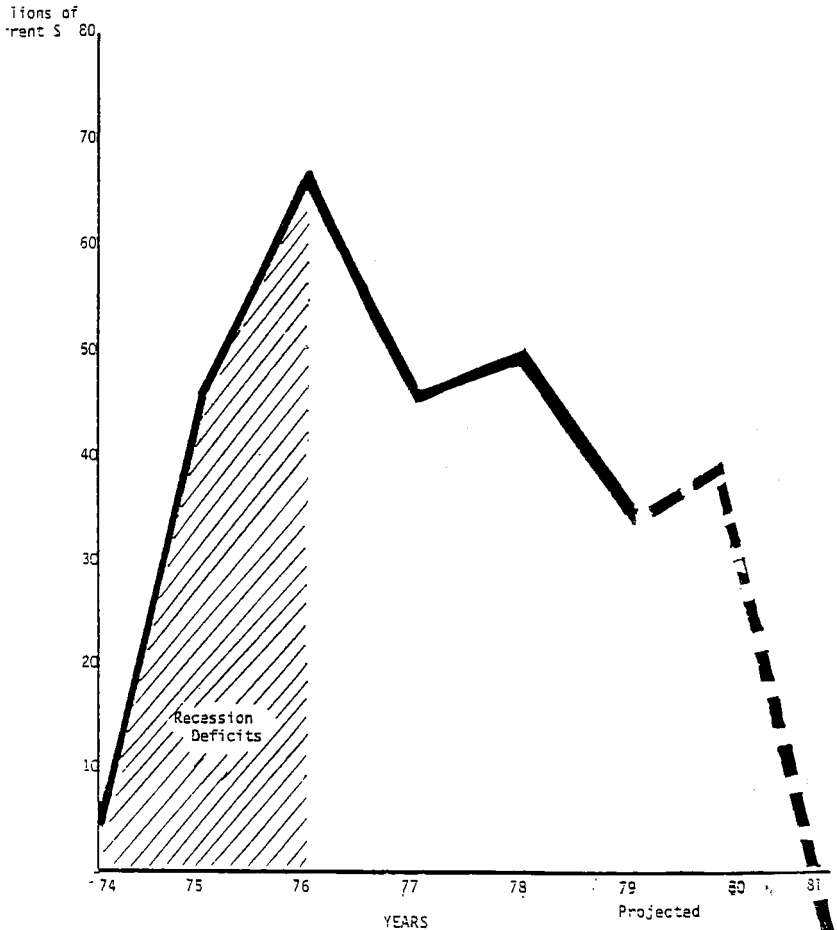
Fiscal year 1983 debt:

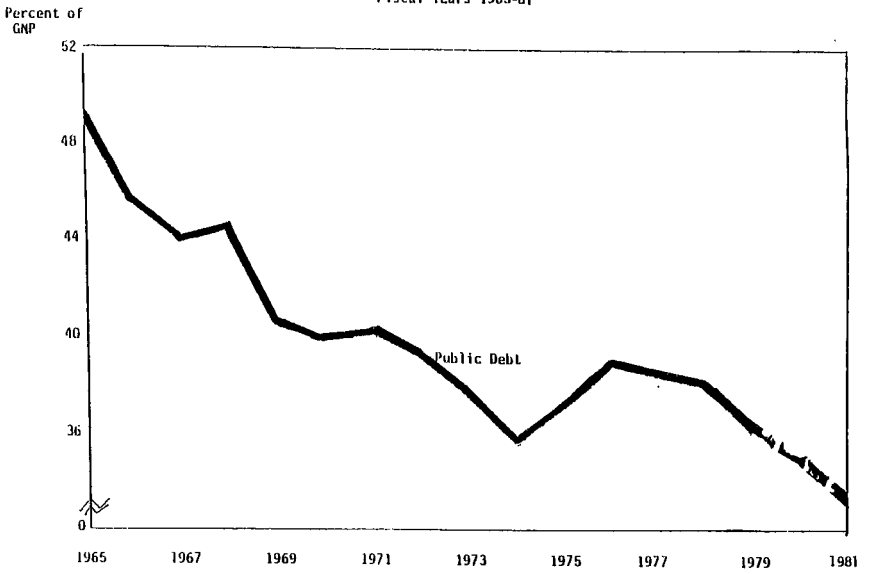
Debt September 30, 1982 (estimated)	954.2
Fiscal year 1983 surplus	28.7
Trust funds surplus fiscal year 1983	27.0
Off-budget outlays fiscal year 1983	18.1
Change in cash balances and other adjustments	
Total	970.6

The recommended increase in the public debt limit is \$30.1 billion to cover the period from December 30, 1980 to September 30, 1981. Interest on the public debt for fiscal year 1981 is estimated at \$84.4 billion. The public debt as a percent of gross national product has fallen from 49.2 percent in 1965 to 33 percent in 1981. (See chart X.)

FISCAL YEAR DEFICIT / SURPLUS

Actual level or level of last Budget Resolution



PUBLIC DEBT AS A PERCENT OF GNP
Fiscal Years 1965-81

VII. REVISED SECOND BUDGET RESOLUTION FOR FISCAL YEAR 1980

Section 6 of this resolution revises the Second Budget Resolution for Fiscal Year 1980. This has become necessary due to unanticipated increases in payments mandated by existing law, which have caused budget authority and outlays to exceed the ceilings established in the original Second Budget Resolution enacted November 28.

Inflation has reached a higher level than was assumed in the Second Budget Resolution, and interest rates have soared. The economy has continued to experience real growth, despite predictions of a recession. The effect of these changes in the economy has been to drive up both outlays and revenues. Net interest payments, for example, are now \$7.5 billion more than the Second Resolution estimate. Entitlements such as social security, medicaid, and medicare are also up. The grain embargo has added substantially to crop price support outlays. The total effect of these changes has been to add \$15.8 billion in budget authority and \$14.1 billion in outlays to the budget even though Congress enacted no new spending legislation. The current law estimate of revenues increased by \$6.1 billion during the same period.

Since the ceilings in the Second Budget Resolution have been exceeded, spending for fiscal year 1980 is subject to a point of order. But the President has requested the enactment of an additional \$10.4 billion in budget authority and \$6.4 billion in outlays for fiscal year 1980, in the form of pending requests, supplemental requests, and proposed legislation. Some of these amounts, such as food stamps, forest firefighting, and disaster relief, should not be deferred. Passage of a revised Second Budget Resolution will allow consideration of such additional amounts. Overall, however, the Budget Committee recommends substantial reductions from the appropriations requested by the President. These are detailed at a later point in this section.

Section 6 of this resolution revises the Second Resolution for Fiscal Year 1980 as follows:

BUDGET AGGREGATES, FISCAL YEAR 1980

[Dollars in billions]

	Second resolution	Revised second resolution
Revenues.....	\$517.8	\$528.8
Budget authority.....	638.8	657.2
Outlays.....	547.6	567.0
Deficit.....	29.8	38.2
Debt subject to limit.....	886.4	896.7

FUNCTIONAL CATEGORIES, FISCAL YEAR 1980

[Dollars in billions]

		Second resolution	Revised second resolution
050	National defense:		
	Budget authority	\$141.2	\$142.5
	Outlays	129.9	132.7
150	International affairs:		
	Budget authority	13.1	15.8
	Outlays	8.4	10.1
250	General science, space, and technology:		
	Budget authority	5.85	6.1
	Outlays	5.7	5.9
270	Energy:		
	Budget authority	39.5	40.3
	Outlays	7.25	6.7
300	Natural resources and environment:		
	Budget authority	12.6	12.3
	Outlays	11.9	12.9
350	Agriculture:		
	Budget authority	5.0	5.0
	Outlays	2.55	5.9
370	Commerce and housing credit:		
	Budget authority	6.8	10.1
	Outlays	2.85	5.4
400	Transportation:		
	Budget authority	19.5	21.0
	Outlays	18.6	19.4
450	Community and regional development:		
	Budget authority	8.9	8.7
	Outlays	8.35	9.4
500	Education, training, employment, and social services:		
	Budget authority	30.9	29.9
	Outlays	31.0	30.3
550	Health:		
	Budget authority	58.8	59.9
	Outlays	54.45	56.5
600	Income security:		
	Budget authority	218.5	223.0
	Outlays	190.0	190.0
700	Veterans benefits and services:		
	Budget authority	21.45	21.0
	Outlays	20.8	20.3
750	Administration of justice:		
	Budget authority	4.2	4.3
	Outlays	4.4	4.4
800	General government:		
	Budget authority	4.45	4.5
	Outlays	4.2	4.4
850	General purpose fiscal assistance:		
	Budget authority	9.05	8.6
	Outlays	9.05	8.6
900	Interest:		
	Budget authority	58.1	65.5
	Outlays	58.1	65.5
920	Allowances:		
	Budget authority	— .2	1.0
	Outlays	— .2	0.9
950	Undistributed offsetting receipts:		
	Budget authority	—19.7	—22.3
	Outlays	—19.7	—22.3

The totals shown above encompass amounts already enacted in the previous session of Congress, appropriations for mandatory programs that need additional funding, and some but not all of the discretionary changes requested by the President.

The following tables compare the President's request for fiscal year 1980 (as reestimated by CBO) to the Committee's recommendation. The recommendation assumes funding of all mandatory appropriations at the full amount needed, with one exception. Budget authority of \$827 million and outlays of \$834 million associated with last October's pay raise are assumed to be absorbed by the agencies in addition to the amount that the President planned to absorb.

For discretionary programs, many of the items in the President's budget are not assumed on the theory that agencies should be able to absorb these additional costs within their existing appropriations. Further, rescissions and deferrals not yet requested by the President are assumed in the recommendation, though these are primarily needed to restrain 1981 outlays rather than 1980 outlays. In sum, the President recommends \$10.4 billion in budget authority and \$6.4 billion in outlays as additions to existing commitments. The Committee, on the other hand, recommends \$9.2 billion in budget authority and \$7.0 billion in outlays. It must be stressed that the President had not submitted sums for additional fuel costs for defense or for additional disaster loan assistance at the time of markup. The Committee has therefore provided amounts above the President's request totaling \$1,478 million in budget authority and \$1,336 million in outlays for these two needs. Excluding these additions, and counting the additional pay raise absorption assumed in the recommendation, the Committee is \$3,469 million in budget authority and \$1,546 million in outlays below the President's request.

SUMMARY OF FISCAL YEAR 1980 RECOMMENDATION

	President's budget reestimated		Recommendation	
	Budget authority	Outlays	Budget authority	Outlays
A. Already enacted.....	639.9	552.3	639.9	552.
B. Mandatory supplementals:				
Pay (all agencies).....	4.0	4.1	3.2	3.3
Military retired pay.....	.5	.5	.5	.5
Highway contract liquidation.....		.4		.4
Transportation subsidies.....	(1)	.1	(1)	.1
Guaranteed student loans.....	.6	.3	.6	.3
Title XX claims.....	.2	.2	.2	.2
Medicaid.....	2.3	2.3	2.3	2.3
Advances to U.I. and Black Lung trust funds.....	.6	.6	.6	.6
Child nutrition.....	.3	.1	.3	.1
U.I. State payments.....		.1		.1
Public assistance.....	.1	.1	.1	.1
Payments to D.C. retirement.....	.1	.1	.1	.1
All others.....	(1)	(1)	(1)	(1)
Total mandatory supplementals.....	8.8	8.7	7.9	7.8
C. Already committed (current level).....	648.7	561.0	647.8	560.13

SUMMARY OF FISCAL YEAR 1980 RECOMMENDATION—Continued

	President's budget reestimated		Recommendation	
	Budget authority	Outlays	Budget authority	Outlays
D. Discretionary actions not yet taken:				
Defense anticipated increases.....	.9	.9	2.0	2.0
Nunn amendment.....			.3	.3
Foreign Assistance bill.....	1.2	.3	1.2	.3
Pakistan and other supplementals.....	.3	.3	.1	.1
Space Shuttle.....	.3	.2	.3	.2
Energy supplementals.....	1.1	.4	.7	.4
Windfall profits tax.....	.3	.3	.3	.3
Firefighting.....	.2	.1	.2	.1
Energy transportation initiative.....	1.3	(1)	1.3	(1)
EDA supplemental.....	.6	.1	.1	(1)
Disaster relief.....	.3	(1)	.3	(1)
Disaster loan assistance.....			.4	.2
Social service and child welfare amendments.....	.4	.4	.2	.2
Food stamps.....	2.6	2.5	2.6	2.5
Refugee assistance.....	.1	.1		
Pending legislation, function 600.....	-.1	-.1		
Annualize COLA for Federal retirees.....			.1	.2
Targeted fiscal assistance.....	.4	.3	.2	.2
Contingency allowance.....	.2	.1		
All other supplementals.....	.5	.5	.1	.2
Rescissions and deferrals.....	-.1	(1)	-1.0	-.4
Total discretionary action.....	10.4	6.4	9.2	7.0
E. Fiscal year 1980 budget.....	659.0	567.4	657.2	567.0

¹ Less than \$50,000,000.

Note: Detail may not add to totals due to rounding.

DISCRETIONARY CHANGES TO CURRENT LEVEL AS REESTIMATED,
FISCAL YEAR 1980

[In millions of dollars]

	President's request (reestimated)		Recommendation	
	Budget authority	Outlays	Budget authority	Outlays
050 National defense:				
Anticipated price increases.....	922	914	2,000	2,000
Others.....	-6	-8		
Military pay increases.....			306	306
Annualize COLA.....			57	57
150 International affairs:				
Foreign assistance bill.....	1,182	328	1,182	328
Pakistan.....	110	100		
Public Law 480.....	197	197	150	150
Others.....	21	18		
250 General science, space and technology: Space Shuttle.....	300	180	300	180
270 Energy:				
Windfall profits tax ¹	284	284	284	284
Energy initiative.....	556	26	65	.6
Ongoing programs.....	503	402	503	402
Alaskan petroleum reserve rescission.....	-18	-18	-18	-18

See footnotes at end of table.

**DISCRETIONARY CHANGES TO CURRENT LEVEL AS REESTIMATED,
FISCAL YEAR 1980—Continued**

[In millions of dollars]

	President's request (reestimated)		Recommendation	
	Budget authority	Outlays	Budget authority	Outlays
300 Natural resources and environment:				
Corps of Engineers.....	37	92	37	92
Firefighting.....	157	145	157	145
Oil pollution fund.....	21	5	21	5
Others.....	32	28		
350 Agriculture: None.				
370 Commerce and housing credit: Miscellaneous.....	32	15		
400 Transportation:				
Energy initiatives.....	1,276	30	1,276	30
Highway deferral.....			(-1,000)	-50
Others.....	20	20		
450 Community and regional development:				
EDA.....	599	53	150	13
Disaster relief.....	314	31	314	31
C.D. block grant rescission.....			-160	-16
UDAG rescission.....			-175	-8
Disaster loan assistance.....			400	250
Others.....	21	30		16
500 Education, training, employment and social services:				
Social service and child welfare amendments (H.R. 3434).....	438	438	216	216
Action.....	28	14		
Department of Labor.....	11	8		
Department of Education.....	2	2		
Title I ESEA rescission.....			-100	-20
BEOG's rescission.....			-135	
CETA rescission.....			-240	-200
550 Health:				
Health services.....	78	27		
Health manpower training rescission.....	-98	-13	-98	-13
Other discretionary health rescissions.....			-117	-39
CHAP.....	34	34		
600 Income security:				
Food stamps.....	2,556	2,470	2,556	2,470
Refugees.....	107	52		
Social welfare amendments (H.R. 4904).....	-79	-79	-79	-79
Rail labor assistance.....	62	57		
Low income housing.....	53	53		
Food donations.....	16	13		
Low rent public housing.....		18		
Social security savings.....		-14		-14
Annualize COLA for Federal retirees.....				106
Annual COLA for food stamps.....			-90	-90
Trade adjustment assistance.....			100	100
Social services and child welfare amend- ments (H.R. 3434).....			83	83
Others.....	4			
700 Veterans benefits and services:				
Third-party savings.....	-37	-37		
Others.....	17	14		
750 Administration of justice:				
Secret Service.....	14	12	14	12
U.S. attorneys and marshals.....	10	9		
Others.....	5	4		

See footnotes at end of table.

**DISCRETIONARY CHANGES TO CURRENT LEVEL AS REESTIMATED,
FISCAL YEAR 1980—Continued**

[In millions of dollars]

		President's request (reestimated)		Recommendation	
		Budget authority	Outlays	Budget authority	Outlays
800	General government:				
	Federal building fund.....		39		39
	Miscellaneous.....	46	39	43	36
850	General purpose fiscal assistance:				
	Targeted fiscal assistance.....	250	250	200	200
	Antirecession fiscal assistance.....	125			
	Others.....	4	4		
900	Interest: None.				
920	Allowances: Contingency allowance.....	150	100		
950	Undistributed offsetting receipts: None.				
	Total.....	10,356	6,386	9,202	7,010
	Addendum:				
	Total discretionary actions.....	10,356	6,386	9,202	7,010
	Additional pay raise absorption, all agencies.....			-827	-834
	Total change to current level.....	10,356	6,386	8,375	6,176

¹ Revenues are increased by same amount.

VIII. BACKGROUND AND NATURE OF THE RESOLUTION

The First Budget Resolution for Fiscal Year 1981 is in many ways a landmark document. For the first time since the enactment of the Congressional Budget Act, the Committee has reported a budget with a surplus. In addition, the budget resolution would apply for the first time the reconciliation process to spending and revenue bills and would set in place a procedure whereby spending bills in violation of budget resolution targets would not be enrolled and sent to the President for signature until adoption of the second budget resolution in the fall. Pursuant to extensive hearings by the Budget Process Task Force and consistent with the recommendations of the President, the budget resolution sets a target for Federal credit activities. Finally, it revises the Second Budget Resolution for Fiscal Year 1980.

The Resolution was developed after extensive hearings and more than a week of unprecedented consultations between the leadership of both houses of Congress and the administration. In January the President submitted his economic report and budget proposals for fiscal year 1981. 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. 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 G. William Miller; Defense Secretary Harold Brown; Energy Secretary Charles E. Duncan; Office of Management and Budget Director James T. McIntyre; Council of Economic Advisers Chairman Charles L. Schultze; and Comptroller General of the United States Elmer Staats. In addition, testimony was received from Congressional Budget Office Director Alice Rivlin, as well as a number of distinguished economists and representatives from labor, business and public interest groups.

Following the submission of the President's budget recommendations and subsequent to testimony from his key economic and policy advisors it became apparent that the persistent and rising rate of inflation demanded a reexamination of fiscal policy initiatives contained in the original budget. For over a week representatives of the Budget Committees and the leadership of both Houses met with representatives from the administration and the Federal Reserve Board to consult as to what actions were appropriate in light of the rapidly changing economic realities. The Committee's recommendations benefited greatly from those deliberations.

Provisions of Law Relating to the First Budget 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 1981 or changes in revenues or the public debt for fiscal year 1981. In order to promote timely action on appropriations bills, the Budget Act requires that all authorizations for fiscal year 1981 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 in 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 Budget Committee and its Budget Process Task Force have long been concerned about the impact of Federal credit activities on financial markets, the economy, and the Federal budget. The President, in his statement of March 14, 1980, also pointed out the importance of controlling credit activities. As a first step toward establishing firm controls over these programs, the resolution includes targets for the gross amount of direct loans and loan guarantees which the Federal Government may make or enter into during fiscal year 1981.

After an initial period of experience with flexible targets for credit activities, it may be advisable to place hard and fast ceilings on these programs as a means of exercising further control in this area.

Enforcement of Spending Restraint.—Achievement of the balanced budget targeted in the recommended budget resolution will require extraordinary discipline and restraint. Existing programs, including entitlement programs, will have to be cut back and new initiatives deferred. To insure that this goal is realized in fact and not just on paper, the resolution proposes two radical procedures: reconciliation and the deferral of enrolling certain spending bills. The authority for these procedures is found in section 301(b) of the Budget Act, which 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 resolution 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.

Enrollment of Spending Bills.—Section 301(b)(1) authorizes Congress, by means of its first budget resolution, to require that appropriation and entitlement bills for the ensuing fiscal year not be sent to the President until the congressional budget process has been completed for that year.

The resolution would require that all spending bills, including both appropriation and entitlement bills, which exceed the section 302 allocation in the budget resolution by the committees pursuant to the first budget resolution rolled until after the adoption of the second budget resolution in the fall. Of course, bills which are consistent with these budget resolution targets will be sent to the President for signature immediately.

Reconciliation Process.—Section 301(b) (2) of the Act provides that the first budget resolution may require any procedure “which is considered appropriate to carry out the purposes of this Act.” If the Congress is to effectuate its goal of balancing the 1981 budget, it will be necessary to cut back on some existing programs, including entitlement programs. Consequently, the resolution includes directions to House and Senate committees to consider and report by June 15, 1980, legislation making tax or spending changes required to achieve the targets in the budget resolution. Under normal circumstances this procedure would be implemented in reconciliation directives in the second resolution, as provided in section 310 of the Act. Due to the necessity of prompt action to implement the targets in this budget resolution, however, it is imperative that the reconciliation process begin immediately.

The reconciliation process contemplated in the resolution would follow the procedures outlined in section 310 of the Budget Act.

Section 310(a) provides that reconciliation instructions shall direct changes in new budget authority, carryover budget authority from prior fiscal years, and spending authority.

Implementation of the changes directed in the budget resolution would be handled by the committees holding jurisdiction over the particular legislation. The Budget Committees would become involved in the process only if more than one committee must report implementing legislation, and their role would be limited to assembling the parts prepared by the various committees into a single bill or resolution.

Section 310 provides:

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary—

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401(c) (2) (C) which is to become effective during such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that

committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported.

(b) **COMPLETION OF ACTION OF CONCURRENT RESOLUTION.**—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).

(c) **RECONCILIATION PROCESS.**—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) **COMPLETION OF RECONCILIATION PROCESS.**—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

Revisions of Budget Resolutions.—Section 304 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 resolution revises the Second Concurrent Resolution on the Budget for Fiscal Year 1980.

Public Debt Limit.—Pursuant to P.L. 96-38, which became law on September 29, 1979, the debt limit for fiscal year 1981 will be the amount specified in the most recently approved conference report to accompany the First Concurrent Resolution on the Budget for Fiscal Year 1981.

The new procedure on the House side would blend the public debt limit as part of the congressional budget process which, by setting the budget totals, would fundamentally determine what amount of debt must be incurred and be outstanding.

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

Legislative jurisdiction over the public debt will remain in the Committee on Ways and Means. The proposed new 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 19 and 20, 1980. The Resolution was ordered reported on March 20, 1980 by a recorded vote of 18-6, with one Member voting present. The committee reconsidered the resolution on March 26, 1980 and ordered it reported.

IX. HOUSE CONCURRENT RESOLUTION 307

[H. Con. Res. 307, 96th Congress, 2d session]

CONCURRENT RESOLUTION setting forth the congressional budget for the United States Government for the fiscal years 1981, 1982, and 1983 and revising the congressional budget for the United States Government for the fiscal year 1980

Resolved by the House of Representatives (the Senate concurring), That the Congress hereby determines and declares, pursuant to section 301(a) of the Congressional Budget Act of 1974, that for the fiscal year beginning on October 1, 1980—

(1) the recommended level of Federal revenues is \$613,800,000,000, and the amount by which the aggregate level of Federal revenues should be decreased is \$10,300,000,000 and the amount by which the aggregate level of Federal revenues should be increased is \$22,300,000,000;

(2) the appropriate level of total new budget authority is \$694,600,000,000;

(3) the appropriate level of total budget outlays is \$611,800,000,000;

(4) the amount of the surplus in the budget which is appropriate in the light of economic conditions and all other relevant factors is \$2,000,000,000;

(5) the appropriate level of the public debt is \$926,800,000,000 and the amount by which the statutory limit on such debt should accordingly be increased is \$30,100,000,000; and

(6) the appropriate level of total gross obligations for the principal amount of direct loans is \$60,600,000,000 and the appropriate level of total commitments to guarantee loan principal is \$79,600,000,000.

SEC. 2. Based on allocations of the appropriate level of total new budget authority and of total budget outlays as set forth in paragraphs (2) and (3) of the first section of this resolution, the Congress hereby determines and declares pursuant to section 301(a) (2) of the Congressional Budget Act of 1974 that, for the fiscal year beginning on October 1, 1980, the appropriate level of new budget authority and the estimated budget outlays for each major functional category are as follows:

(1) National Defense (050):

(A) New budget authority, \$160,800,000,000;

(B) Outlays, \$147,900,000,000.

(2) International Affairs (150):

(A) New budget authority, \$24,000,000,000;

(B) Outlays, \$9,600,000,000.

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

(A) New budget authority, \$6,700,000,000;

(B) Outlays, \$6,300,000,000.

- (4) Energy (270) :
 - (A) New budget authority, \$7,500,000,000;
 - (B) Outlays, \$7,100,000,000.
- (5) Natural Resources and Environment (300) :
 - (A) New budget authority, \$12,000,000,000;
 - (B) Outlays, \$12,400,000,000.
- (6) Agriculture (350) :
 - (A) New budget authority, \$5,400,000,000;
 - (B) Outlays, \$2,300,000,000.
- (7) Commerce and Housing Credit (370) :
 - (A) New budget authority, \$5,100,000,000;
 - (B) Outlays, —\$100,000,000.
- (8) Transportation (400) :
 - (A) New budget authority, \$22,800,000,000;
 - (B) Outlays, \$19,500,000,000.
- (9) Community and Regional Development (450) :
 - (A) New budget authority, \$9,000,000,000;
 - (B) Outlays, \$9,400,000,000.
- (10) Education, Training, Employment and Social Services (500) :
 - (A) New budget authority, \$33,300,000,000;
 - (B) Outlays, \$30,700,000,000.
- (11) Health (550) :
 - (A) New budget authority, \$71,500,000,000;
 - (B) Outlays, \$61,800,000,000.
- (12) Income Security (600) :
 - (A) New budget authority, \$252,100,000,000;
 - (B) Outlays, \$200,100,000,000.
- (13) Veterans Benefits and Services (700) :
 - (A) New budget authority, \$21,700,000,000;
 - (B) Outlays, \$21,200,000,000.
- (14) Administration of Justice (750) :
 - (A) New budget authority, \$4,200,000,000;
 - (B) Outlays, \$4,600,000,000.
- (15) General Government (800) :
 - (A) New budget authority, \$4,700,000,000;
 - (B) Outlays, \$4,600,000,000.
- (16) General Purpose Fiscal Assistance (850) :
 - (A) New budget authority, \$6,200,000,000;
 - (B) Outlays, \$6,800,000,000.
- (17) Interest (900) :
 - (A) New budget authority, \$72,200,000,000;
 - (B) Outlays, \$72,200,000,000.
- (18) Allowances (920) :
 - (A) New budget authority, \$000,000,000;
 - (B) Outlays, \$000,000,000.
- (19) Undistributed Offsetting Receipts (950) :
 - (A) New budget authority, —\$24,600,000,000;
 - (B) Outlays, —\$24,600,000,000.

SEC. 3. Pursuant to sections 301 (b) (2) and 310 of the Budget Act:

(a) (1) the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry shall recommend pro-

gram reductions for fiscal year 1981 in reported or enacted laws, bills, and resolutions that reduce spending by \$520,000,000 in budget authority and \$520,000,000 in outlays and are instructed to report on or before June 15, 1980, such recommendations to effectuate reductions in corresponding new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority for programs within the jurisdiction of those committees; and (2) the Senate Committee on Agriculture, Nutrition, and Forestry shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$533,000,000 in budget authority and \$507,000,000 in outlays and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(b) the House Committee on Armed Services and the Senate Committee on Armed Services shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$3,263,000,000 in budget authority and \$3,188,000,000 in outlays and are instructed to report on or before June 15, 1980, their recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdictions of those committee sufficient to accomplish the reduction required by this subsection.

(c) the House Committee on Education and Labor shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$839,000,000 in budget authority and \$786,000,000 in outlays, and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(d) the House Committee on Interstate and Foreign Commerce shall reduce spending for fiscal year 1981 in reported or enacted laws, bills, and resolutions by \$200,000,000 in budget authority and \$270,000,000 in outlays and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in reported or enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(e) the House Committee on Post Office and Civil Service and the Senate Committee on Governmental Affairs shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$3,639,000,000 in budget authority and \$4,204,000,000 in outlays and are instructed to report on or before June 15, 1980, their recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new

or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdictions of those committees sufficient to accomplish the reduction required by this subsection.

(f) (1) the House Committee on Public Works and Transportation and the Senate Committee on Environment and Public Works shall recommend program reductions for fiscal year 1981 in enacted laws, bills, and resolutions that reduce spending by \$400,000,000 in outlays and are instructed to report on or before June 15, 1980, such recommendations to effectuate reductions in corresponding outlays for programs within the jurisdiction of those committees; and (2) the House Committee on Public Works and Transportation shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$150,000,000 in budget authority and \$150,000,000 in outlays and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in reported or enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(g) the House Committee on Veterans Affairs and the Senate Committee on Veterans Affairs shall reduce spending or recommend program reductions for fiscal year 1981 in enacted laws, bills, and resolutions by \$400,000,000 in budget authority and \$400,000,000 in outlays and are instructed to report on or before June 15, 1980, their recommendations to reduce spending, or to effectuate reductions, in new or corresponding budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdictions of those committees, or for programs within the jurisdictions of those committees, sufficient to accomplish the reduction required by this subsection.

(h) the House Committee on Ways and Means shall reduce spending for fiscal year 1981 in reported or enacted laws, bills, and resolutions by \$717,000,000 in budget authority and \$1,869,000,000 in outlays, and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in reported or enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(i) the Senate Committee on Commerce, Science, and Transportation shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$150,000,000 in budget authority and \$150,000,000 in outlays and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(j) the Senate Committee on Finance shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$917,000,000 in budget authority and \$2,069,000,000 in outlays and is instructed to

report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacted laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection.

(k) the Senate Committee on Labor and Human Resources shall reduce spending for fiscal year 1981 in enacted laws, bills, and resolutions by \$306,000,000 in budget authority and \$349,000,000 in outlays and is instructed to report on or before June 15, 1980, its recommendations for changes in new budget authority for fiscal year 1981, budget authority initially provided for prior fiscal years, and new or existing spending authority contained in enacting laws, bills, and resolutions within the jurisdiction of this committee sufficient to accomplish the reduction required by this subsection, and

(l) the House Committee on Ways and Means and the Senate Committee on Finance shall increase revenues for fiscal years 1981 in reported or enacted laws, bills, and resolutions by \$22,200,000,000 and are instructed to report on or before June 15, 1980, their recommendations for changes in revenues for fiscal year 1981 contained in reported or enacted laws, bills, and resolutions within the jurisdictions of those committees sufficient to accomplish the increase required by this subsection.

SEC. 4. In accordance with section 301(b)(1) of the Budget Act, no bill or resolution providing new budget authority for fiscal year 1981 or providing new or existing spending authority described in section 401(c)(2)(C) of the Budget Act in excess of the allocation of the appropriate levels of total budget outlays and total new budget authority submitted pursuant to section 302(b) of the Budget Act, shall be enrolled until Congress has completed action on the second budget resolution for that fiscal year as required to be reported under section 310 of the Budget Act; 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.

SEC. 5. The Congress sets forth the following budgetary levels for fiscal years 1982-1983—

- (1) the recommended level of Federal revenues is as follows:
 Fiscal year 1982: \$694,800,000,000;
 Fiscal year 1983: \$804,100,000,000.

and the amount by which the aggregate levels of Federal revenues should be increased or decreased is as follows:

 Fiscal year 1982: +\$300,000,000;
 Fiscal year 1983: \$000,000,000.

- (2) the appropriate level of total new budget authority is as follows:

 Fiscal year 1982: \$767,300,000,000;
 Fiscal year 1983: \$864,500,000,000.

- (3) the appropriate level of total budget outlays is as follows:
 Fiscal year 1982: \$683,100,000,000;
 Fiscal year 1983: \$775,400,000,000.

(4) the amount of the surplus in the budget which is appropriate in light of economic conditions and all other relevant factors is as follows:

Fiscal year 1982: \$11,700,000,000;

Fiscal year 1983: \$28,700,000,000.

(5) the appropriate level of the public debt is as follows:

Fiscal year 1982: \$954,200,000,000;

Fiscal year 1983: \$970,600,000,000.

(b) Based on allocations of the appropriate level of total new budget authority and of total budget outlays for fiscal years 1982 and 1983 as set forth above, the appropriate level of new budget authority and the estimated budget outlays for each major functional category are respectively as follows:

(1) National Defense (050) :

Fiscal year 1982:

(A) New budget authority, \$182,100,000,000;

(B) Outlays, \$166,500,000,000.

Fiscal year 1983:

(A) New budget authority, \$203,900,000,000;

(B) Outlays, \$185,600,000,000.

(2) International Affairs (150) :

Fiscal year 1982:

(A) New budget authority, \$16,200,000,000;

(B) Outlays, \$10,000,000,000.

Fiscal year 1983:

(A) New budget authority, \$15,900,000,000;

(B) Outlays, \$10,700,000,000.

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

Fiscal year 1982:

(A) New budget authority, \$6,900,000,000;

(B) Outlays, \$6,700,000,000.

Fiscal year 1983:

(A) New budget authority, \$7,000,000,000;

(B) Outlays, \$6,900,000,000.

(4) Energy (270) :

Fiscal year 1982:

(A) New budget authority, \$8,600,000,000;

(B) Outlays, \$10,500,000,000.

Fiscal year 1983:

(A) New budget authority, \$10,200,000,000;

(B) Outlays, \$11,700,000,000.

(5) Natural Resources and Environment (300) :

Fiscal year 1982:

(A) New budget authority, \$13,400,000,000;

(B) Outlays, \$13,200,000,000.

Fiscal year 1983:

(A) New budget authority, \$13,900,000,000;

(B) Outlays, \$13,600,000,000.

- (6) Agriculture (350) :
 Fiscal year 1982 :
 (A) New budget authority, \$6,300,000,000;
 (B) Outlays, \$4,200,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$4,300,000,000;
 (B) Outlays, \$5,200,000,000.
- (7) Commerce and Housing Credit (370) :
 Fiscal year 1982 :
 (A) New budget authority, \$5,500,000,000;
 (B) Outlays, \$2,300,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$5,700,000,000;
 (B) Outlays, \$2,300,000,000.
- (8) Transportation (400) :
 Fiscal year 1982 :
 (A) New budget authority, \$22,300,000,000;
 (B) Outlays, \$20,500,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$24,500,000,000;
 (B) Outlays, \$22,200,000,000.
- (9) Community and Regional Development (450) :
 Fiscal year 1982 :
 (A) New budget authority, \$9,200,000,000;
 (B) Outlays, \$9,000,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$9,500,000,000;
 (B) Outlays, \$9,300,000,000.
- (10) Education, Training, Employment, and Social Services (500) :
 Fiscal year 1982 :
 (A) New budget authority, \$36,500,000,000;
 (B) Outlays, \$33,900,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$41,000,000,000;
 (B) Outlays, \$39,300,000,000.
- (11) Health (550) :
 Fiscal year 1982 :
 (A) New budget authority, \$83,100,000,000;
 (B) Outlays, \$70,100,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$119,000,000,000;
 (B) Outlays, \$103,300,000,000.
- (12) Income Security (600) :
 Fiscal year 1982 :
 (A) New budget authority, \$289,900,000,000;
 (B) Outlays, \$249,600,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$318,400,000,000;
 (B) Outlays, \$274,600,000,000.

- (13) Veterans Benefits and Services (700) :
 Fiscal year 1982 :
 (A) New budget authority, \$23,400,000,000 ;
 (B) Outlays, \$22,800,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$25,000,000,000 ;
 (B) Outlays, \$24,400,000,000.
- (14) Administration of Justice (750) :
 Fiscal year 1982 :
 (A) New budget authority, \$4,300,000,000 ;
 (B) Outlays, \$4,500,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$4,400,000,000 ;
 (B) Outlays, \$4,600,000,000.
- (15) General Government (800) :
 Fiscal year 1982 :
 (A) New budget authority, \$5,000,000,000 ;
 (B) Outlays, \$4,700,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$4,900,000,000 ;
 (B) Outlays, \$4,800,000,000.
- (16) General Purpose Fiscal Assistance (850) :
 Fiscal year 1982 :
 (A) New budget authority, \$6,400,000,000 ;
 (B) Outlays, \$6,400,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$6,500,000,000 ;
 (B) Outlays, \$6,500,000,000.
- (17) Interest (900) :
 Fiscal year 1982 :
 (A) New budget authority \$73,600,000,000 ;
 (B) Outlays, \$73,600,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$76,500,000,000 ;
 (B) Outlays, \$76,500,000,000.
- (18) Allowances (920) :
 Fiscal year 1982 :
 (A) New budget authority, \$1,900,000,000 ;
 (B) Outlays, \$1,900,000,000.
 Fiscal year 1983 :
 (A) New budget authority, \$3,600,000,000 ;
 (B) Outlays, \$3,600,000,000.
- (19) Undistributed Offsetting Receipts (950) :
 Fiscal year 1982 :
 (A) New budget authority. — \$27,300,000,000 ;
 (B) Outlays, — \$27,300,000,000.
 Fiscal year 1983 :
 (A) New budget authority, — \$29,700,000,000 ;
 (B) Outlays, — \$29,700,000,000.

SEC. 6. Section 1 of S. Con. Res. 53 is revised as follows—

(a)—

(1) the recommended level of Federal revenues is \$528,800,000,000, and the amount by which the aggregate level of Federal revenues should be increased is \$4,300,000,000;

(2) the appropriate level of total new budget authority is \$657,200,000,000;

(3) the appropriate level of total budget outlays is \$567,000,000,000;

(4) the amount of the deficit in the budget which is appropriate in the light of economic conditions and other relevant factors is \$38,200,000,000; and

(5) the appropriate level of the public debt is \$896,700,000,000, and the amount by which the statutory limit on such debt should accordingly be increased is \$17,700,000,000.

(b)—

(1) National Defense (050) :

(A) New budget authority, \$142,500,000,000;

(B) Outlays, \$132,700,000,000.

(2) International Affairs (150) :

(A) New budget authority, \$15,800,000,000;

(B) Outlays, \$10,100,000,000.

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

(A) New budget authority, \$6,100,000,000;

(B) Outlays, \$5,900,000,000.

(4) Energy (270) :

(A) New budget authority, \$40,300,000,000;

(B) Outlays, \$6,700,000,000.

(5) Natural Resources and Environment (300) :

(A) New budget authority, \$12,300,000,000;

(B) Outlays, \$12,900,000,000.

(6) Agriculture (350) :

(A) New budget authority, \$5,000,000,000;

(B) Outlays, \$5,900,000,000.

(7) Commerce and Housing Credit (370) :

(A) New budget authority, \$10,100,000,000;

(B) Outlays, \$5,400,000,000.

(8) Transportation (400) :

(A) New budget authority, \$21,000,000,000;

(B) Outlays, \$19,400,000,000.

(9) Community and Regional Development (450) :

(A) New budget authority, \$8,700,000,000;

(B) Outlays, \$9,400,000,000.

(10) Education, Training, Employment and Social Services (500) :

(A) New budget authority, \$29,900,000,000;

(B) Outlays, \$30,300,000,000.

(11) Health (550) :

(A) New budget authority, \$59,900,000,000;

(B) Outlays, \$56,500,000,000.

- (12) Income Security (600) :
 - (A) New budget authority, \$223,000,000,000 ;
 - (B) Outlays, \$190,000,000,000.
- (13) Veterans Benefits and Services (700) :
 - (A) New budget authority, \$21,000,000,000 ;
 - (B) Outlays, \$20,300,000,000.
- (14) Administration of Justice (750) :
 - (A) New budget authority, \$4,300,000,000 ;
 - (B) Outlays, \$4,400,000,000.
- (15) General Government (800) :
 - (A) New budget authority, \$4,500,000,000 ;
 - (B) Outlays, \$4,400,000,000.
- (16) General Purpose Fiscal Assistance (850) :
 - (A) New budget authority, \$8,600,000,000 ;
 - (B) Outlays, \$8,600,000,000.
- (17) Interest (900) :
 - (A) New budget authority, \$65,500,000,000 ;
 - (B) Outlays, \$65,500,000,000.
- (18) Allowances (920) :
 - (A) New budget authority, \$1,000,000,000 ;
 - (B) Outlays, \$900,000,000.
- (19) Undistributed Offsetting Receipts (950) :
 - (A) New budget authority, -\$22,300,000,000 ;
 - (B) Outlays, -\$22,300,000,000.

SEC. 7. The Congress urges the President to study and review the current inflation measure for indexing Federal programs, and to submit his findings and recommendations for the most appropriate cost-of-living measure within 60 days after passage of this budget resolution.

X. APPENDICES

APPENDIX A

DESCRIPTION OF FUNCTIONS

Function 050: National Defense

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

DESCRIPTION OF FUNCTION

This function represents 24 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 60 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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; military retired pay; research, development and 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: Military Assistance
- 153: Conduct of Foreign Affairs
- 154: Foreign Information and Exchange Activities
- 155: International Financial Programs

DESCRIPTION OF FUNCTION

This function represents 2 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 53 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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 supporting assistance, military assistance to foreign governments; foreign military sales made through the trust fund, U.S. contributions to the international financial institutions, and Export-Import Bank activities.

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

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of State
 Department of Defense
 Department of Treasury
 Department of Agriculture
 Agency for International Development
 International Communication 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 represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 71 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

This function includes space research and technology, general science, and basic research not specifically covered by other functional areas, and represents nearly 20 percent of the total Federal research

and development outlays. The budgets for the National Science Foundation (NSF), certain research programs of the Department of Energy (DOE), a small Smithsonian Institution program, and the National Aeronautics and Space Administration (NASA) program (except for aeronautical programs) are within this category.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

General Science and Basic Research (Not primarily associated with other functions)
Space Research, Technology and Applications

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of Energy
National Science Foundation
National Aeronautics and Space Administration

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 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 37 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

This function represents a consolidation of nearly all Federal energy and energy-related programs. Outlays in recent years have risen substantially reflecting the national goal of increasing energy security.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Energy Supply
Energy Research, Development, and Demonstration
Energy Conservation
Strategic Petroleum Reserve
Nuclear Regulation
TVA Power Program

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

This function represents 2 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 49 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

Programs in this function are primarily designed to develop, manage, and maintain the Nation's natural resources and environment. Over the last 5 years, outlays in this function have risen significantly, reflecting substantial spending for activities related to the national goal of enhancing the environment.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Natural Resources Management, Development and Conservation
 Water Resources Programs
 Management and Acquisition of Natural Parks
 Sewage Treatment Plant Construction Grant Program
 Implementation of National Environmental Program
 Development, Regulation, and Conservation of Minerals
 Management and Preservation of the Public Lands

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of the Interior
 Department of Agriculture
 Department of Commerce
 Army Corps of Engineers
 Environmental Protection Agency

Function 350: Agriculture

- 351: Farm Income Stabilization
- 352: Agriculture Research and Services

DESCRIPTION OF FUNCTION

This function represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 99 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

Programs in this function are designed to assist food purchasers, provide market information and services, and support food research. Food producers are assisted through deficiency payments, disaster payments, product purchases, insurance, nonresource 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 provide for direct support of Federal biological research facilities, grants for State-supported facilities, and economic analysts.

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
 374: Federal Financing Bank
 376: Other Advancement and Regulation of Commerce

DESCRIPTION OF FUNCTION

This function represents 0 percent of total outlays containing in the recommendation for fiscal year 1981. After making allowance for offsetting receipts and transactions in revolving funds, almost 100 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

This function, which is highly volatile from year to year because of changing economic conditions, provides for assistance through the Government's mortgage credit programs and other activities related to commerce and finance.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Mortgage Insurance Programs
 Secondary-Market Support for Insured and Subsidized Mortgages
 Rural Housing Programs
 Payments to the Postal Service
 Small Business Loan and Guarantee Assistance
 Thrift and Deposit Insurance
 Regulatory Agencies

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 Commissions
 Federal Deposit Insurance Corporation
 Federal Home Loan Bank Board

Function 400: Transportation

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

DESCRIPTION OF FUNCTION

This function represents 3 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 33 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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 Construction and Safety
 Mass Transit
 Railroad Assistance
 Airways and Airports
 Maritime Subsidies
 Coast Guard

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of Transportation
 Department of Commerce
 NASA : Aeronautical Research
 Interstate Commerce Commission
 Civil Aeronautics Board

Function 450: Community and Regional Development

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

DESCRIPTION OF FUNCTION

This function represents 2 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 18 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

During the past five years, the function has ranged between one percent and two percent of the Federal budget. Community development block grants account for more than half of the outlays in this function. The balance is made up of a wide variety of urban and rural development grant programs, Indian programs and disaster and emergency aid programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Community Development Block Grants
 Urban Development Action Grants
 Rehabilitation Loans
 Rural Development Assistance
 Economic Development Assistance
 Local Public Works
 Appalachian and Other Regional Programs
 Indian Programs
 Disaster Relief
 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 Services
 505: Other Labor Services
 506: Social Services

DESCRIPTION OF FUNCTION

This function represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 41 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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 and public service employment 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, or social service programs; and direct research and departmental management expenditures.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Financial Assistance for Elementary and Secondary Education (ESEA)
Occupational, Vocational and Adult Education
Higher Education Student Assistance
Higher and Continuing Education
Comprehensive Employment and Training Act (CETA) Program
Grants to States for Social and Child Welfare Services
Human Development Services

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of Education
Department of Health and Human Services
Department of Labor
Department of Interior
Community Services Administration, 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

This function represents 10 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 8 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

The major purpose of programs in this function is to promote the physical and mental health of the population. Programs include financing of medical care for aged, poor, and disabled persons; provision of health care for certain population groups, such as American Indians and merchant seamen; and grants to States, localities, and

community groups to support health services programs. The function also includes research into the causes and cure of disease; promotion of consumer and occupational health and safety; training support for health care workers and researchers; construction of health training and health care facilities; and food, drug, and other product safety and inspection programs.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Health Insurance for the Aged and Disabled (Medicare)
Grants to States for Medical Assistance Programs (Medicaid)
National Institutes of Health
Alcoholism, Drug Abuse and Mental Health Research, Training
and Services
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 600: Income Security

601: General Retirement and Disability Insurance
602: Federal Employee Retirement and Disability
603: Unemployment Compensation
604: Public Assistance and Other Income Supplements

DESCRIPTION OF FUNCTION

This function represents 36 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 7 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

Programs in this function provide cash and in-kind benefits to people who need permanent or temporary income assistance. Over half of the estimated outlays will go to retirees through such programs as social security, Federal civilian retirement, and Railroad Retirement. In-kind assistance benefits include food stamps and other food programs, as well as subsidized housing. Cash assistance benefits include Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and special benefits for disabled coal miners. Cash benefits for the disabled are provided through special programs, the largest of which is the disability component of social security. Finally, unemployment benefits for workers temporarily out of work are included in this function.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Old-Age, Survivors and Disability Insurance
 Railroad Retirement
 Special Benefits for Disabled Coal Miners
 Federal Employee Retirement and Disability
 Unemployment Compensation
 Supplemental Security Income (SSI)
 Grants to States for Maintenance Payments (Primarily AFDC)
 Housing Assistance
 Food Stamps
 Child Nutrition

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

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

This function represents 3 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 33 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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. Nearly one-third of the outlays are targeted at hospital and medical care for veterans, and about one-tenth comprise the remainder. Nearly the entire function requires current action by Congress, yet the bulk 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 DEPARTMENTS 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 represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 55 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

The largest law enforcement programs are for the operations of the Federal Bureau of Investigation, Customs Service, and Immigration and Naturalization Service which together constitute over 25 percent of total outlays in this function. Approximately 30 percent of total outlays is accounted for by Federal litigative and judicial activities. Approximately 25 percent of outlays is accounted for by criminal justice assistance and correctional activities.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Federal Bureau of Investigation
Drug Enforcement
Immigration and Naturalization
Legal Services
Customs
Prisons
Courts
Law Enforcement Assistance
Juvenile Delinquency Prevention

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of Justice
Department of Treasury
Civil Rights Commission
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

DESCRIPTION OF FUNCTION

This function represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 80 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

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

This function represents 1 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 83 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

The General Revenue Sharing program accounts for nearly 90 percent of the function. The balance of the function is comprised of anti-recession assistance, payments and loans to the District of Columbia, along with the return of portions of certain taxes and other charges to States and local governments.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

General Revenue Sharing
Antirecession Assistance
New York City Seasonal Loan Program
District of Columbia Federal Payment
Payments in Lieu of Taxes

MAJOR FEDERAL DEPARTMENTS AND AGENCIES IN THIS FUNCTION

Department of Treasury
Department of Interior

Function 900: Interest

901: Interest on the Public Debt
902: Other Interest

DESCRIPTION OF FUNCTION

This function represents 12 percent of total outlays contained in the recommendation for fiscal year 1981. Approximately 0 percent of the outlays in the recommendation for this function could be described as outlays which are relatively controllable by Congress under existing law for fiscal year 1981.

This function is composed almost exclusively of interest on the public debt, to which are added minor amounts of interest paid by the Federal Government (interest on income tax refunds, for example) and from which are deducted offsetting receipts, such as interest paid by the Federal Financing Bank on its Treasury borrowings. The Treasury Department accordingly accounts for almost all of the transactions in this function. A substantial share of interest paid out by the Treasury under this function is recovered through trust fund receipts. In fiscal year 1979, for example, approximately 19 percent of gross interest payments were collected by Government trust funds. In addition, approximately 16 percent of interest payments are returned to the Federal budget as revenues through the deposit of excess earnings of the Federal Reserve System.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Interest on the Public Debt
Interest on Income Tax Refunds

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 that take effect each October. The function also includes a contingency

allowance to cover unspecified requirements that may surface after the budget is submitted.

MAJOR FEDERAL PROGRAMS IN THIS FUNCTION

Civilian Agency Pay Raise
Contingencies for Other Requirements

Function 950: Undistributed Offsetting Receipts

951: Employer Share, Employee Retirement
952: Interest Received by Trust Funds
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 three items in this function are the employer share of employee retirement programs, composed of payments by Federal agencies to employee retirement funds; receipts from rents and royalties from oil leases on the Outer Continental Shelf; and deductions for interest received by certain trust funds.

APPENDIX B

ECONOMIC OUTLOOK

INTRODUCTION

Economic indicators project a mild recession in 1980 with a relatively weak recovery in 1981. The widely predicted recession in 1979 did not materialize for several reasons including continued high consumption levels and a growth rate which while low showed some moderate strength in the economy.

The forces which will dominate the economy in 1980 are inflation, high interest rates, declining productivity, and rising unemployment. Inflation will continue at high rates during the first half of 1980 and interest rates will remain correspondingly high. Unemployment will increase in 1980 and remain near the 7.5 percent level in 1981. Thus far in 1980, the consumer price index has increased to a new high, approaching an 18 percent annual rate. Productivity has continued to slow as unemployment has remained steady at 6 percent despite an increasing proportion of the population in the working force. A slowdown in housing construction and auto production have not yet caused the anticipated widespread unemployment. Meanwhile the savings rate (unspent income as a percent of disposable personal income) fell to the lowest level since 1950. Changes in consumption may hold the key to economic developments in 1980.

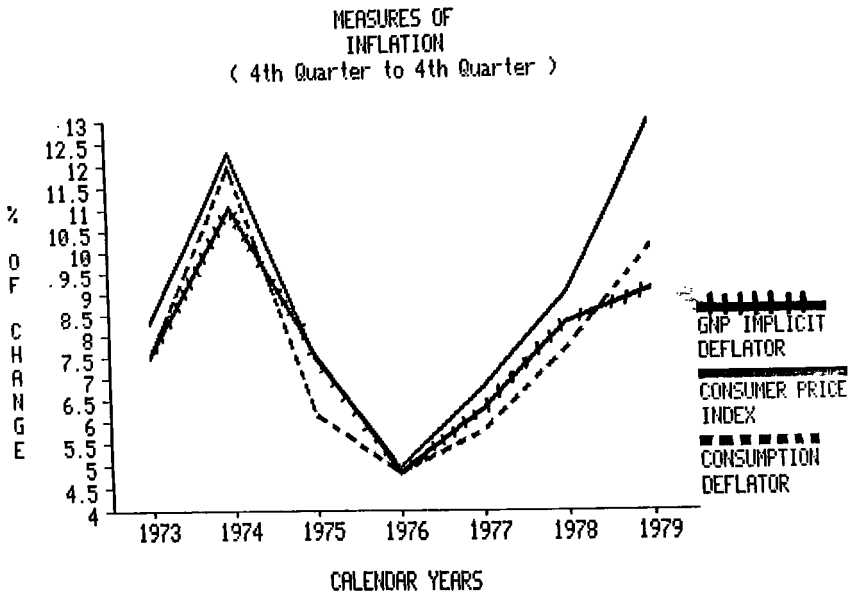
International concerns and domestic inflation have convinced the Federal Reserve Board to increase interest costs in the hope of moderating United States aggregate demand and strengthening the value of the dollar in the foreign exchange markets.

The following sections explained recent changes and current pressures as reflected in the major economic indicators of inflation, unemployment, productivity and real growth. Current developments in each of the major components of the Gross National Product are analyzed separately. Lastly, the recommended assumptions for 1980-1981 are explained and compared to other selected economic forecasts.

INFLATION

The persistence of inflation poses a central problem for modern economic policy. In February the country was startled to discover that in January the consumer price index rose more than 18 percent on an annual basis. This intensified concern about the country's number one economic problems, a concern that the Budget Committee anticipated when it set up the Inflation Task Force a year ago. The Task Force issued a comprehensive report in March of this year including recommendations to help reduce inflation.

The principal cause of the most recent increases in inflation is the huge rise in the cost of energy. Another contributing factor has been the increase in housing costs, driven by soaring interest rates. The rapid rise in prices is aggravated by the fact that many wage and pension agreements are tied to the consumer price index. That index tends to overestimate the cost of living increases for most households. The personal consumption expenditure deflator provides a more accurate measure of the rise in household purchase prices than the CPI. Estimates by the Congressional Budget Office show prices as measured by the PCE deflator rising at nearly 10.9 percent in 1980 and rising by 9.8 percent in 1981. A third measure of inflation, the gross national product deflator, which measures price changes throughout the economy, is expected to rise by 9.3 percent in 1980 and 9.7 percent in 1981. The following graph compares the measures.



The more fundamental problem is explained by the fact that wage increases minus productivity changes equals inflation. When inflation rises by double-digit rates, wages will follow that rise and inflation continues.

Some means must be found to break this spiral of inflation. Not only does inflation increase speculation and decrease productive investment, but rapidly rising inflation can lead to runaway inflation.

Inflation has multiple causes and few satisfactory solutions. A long sustained, multi-pronged attack is seen by most economists as the only feasible approach to the problem.

Employment and Unemployment

Unemployment, which rose to nearly 9 percent in the recession of 1974-1975, was reduced to nearly 6 percent by February 1978, and has remained at that rate (or less) in the last two years. Although the

rate dropped as low as 5.7 in June of last year and rose to 6.2 in January of 1980, the fundamental unemployment rate resisted significant changes during the last two years.

The decline in the unemployment rate paralleled an unprecedented growth in the labor force and in employment. The following graph illustrates these trends in growth of the labor force and employment, and the drop in the unemployment rate. The total civilian labor force, which includes those who are employed plus those who are seeking work, grew by over 14 million persons between 1973 and 1979. The number of people actually employed fell during the 1974-1975 recession while the labor force continued to grow. Since 1975, however, increases in employment have been large, averaging almost 3.5 percent per year.



Although employment rose even faster than the increase in the labor force those gains resulted in significant degree from the fact that productivity was slowing down. Higher productivity would, in fact, have held down the rise in new jobs and kept unemployment at higher levels.

The demographic changes that caused a jump in the labor force during the late 1970's is now behind us and by 1981 increases in the labor force will decline to rates similar to those of the 1960's. The slowdown in the number of new workers will reduce the pressure to increase the rate of employment additions, but will not be sufficient to keep unemployment from rising.

Estimates of increases in unemployment resulting from a decline in economic growth have never been forecast with great precision. Fundamental changes in the economy during the last several years have made such estimates subject to even greater uncertainty.

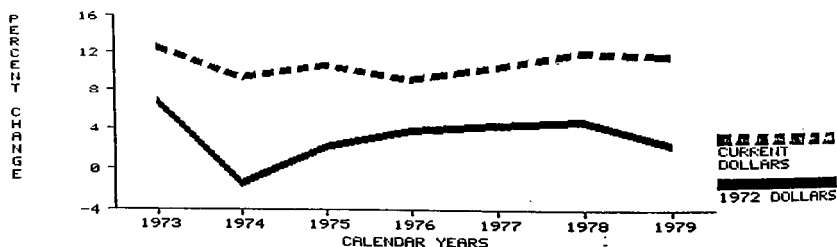
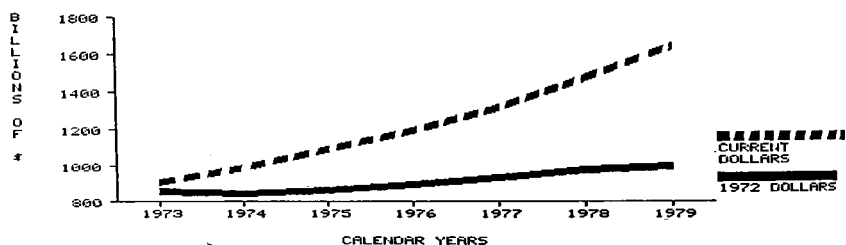
The Committee estimates that unemployment will average 6.8 percent in 1980 and 7.5 percent in 1981, while estimates of the largest econometric forecasting companies range from 6.6 percent to 7.3 percent in 1980 and 7.4 percent to 8.2 percent in 1981. The most important factor influencing the unemployment rate will be the pace of real economic growth.

Incomes

Despite the high inflation of the 1970's, the per capita personal income, adjusted for taxes and inflation, rose by 25 percent. While this was below the 30 percent increase of the '60's, it more than doubled the 13 percent increase of the '50's. Since the second quarter of 1979, per capita personal income has declined. Adjusted for inflation, average hourly earnings fell 4.2 percent during the last year. If an adjustment is made to offset the CPI's overestimate of homeownership costs, average hourly earnings fell by a smaller 2.4 percent. That is nearly the amount accounted for by energy price increases.

The following graph shows the change in the dollar level of disposable personal income in both current and 1972 dollars. In constant 1972 dollars, disposable personal income declined in the 1974-1975 recession, then rose until the first half of 1979. When viewed in terms of percent change, disposable personal income has been relatively constant in current dollars, but the rate of increase has been declining in constant dollars since 1978.

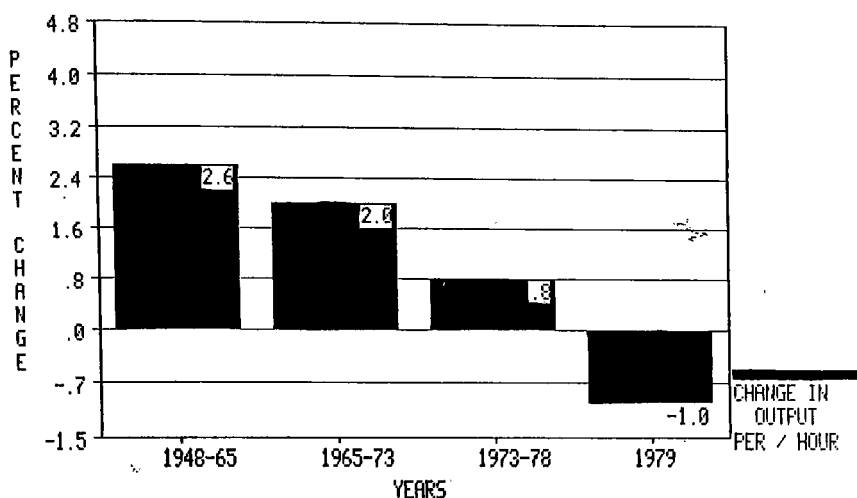
DISPOSABLE PERSONAL INCOME



Productivity

Productivity in the U.S. economy is no longer rising by 2 or 3 percent per year. As shown in the following bar chart productivity increases have been moving downward since World War II. The reductions, however, did not actually result in declining productivity until 1979.

PRODUCTIVITY (NONFARM BUSINESS SECTOR)



When output per man-hour rises, wage and salary increases of a like amount will not increase inflation. When the rise in this measure of productivity is zero, any increase in pay tends to aggravate inflation.

Although many explanations and many cures for this decline have been offered, neither the explanations nor the prescriptions are exact or certain. Nevertheless, virtually every student of this issue urges measures to increase investment as the most likely means of bringing productivity back to the rates of recent years.

Taxes or other subsidies will probably alter the mix of investment rather than increase total investment as a percent of GNP. However, a change in the mix might increase productivity even if the overall rate of investment does not rise.

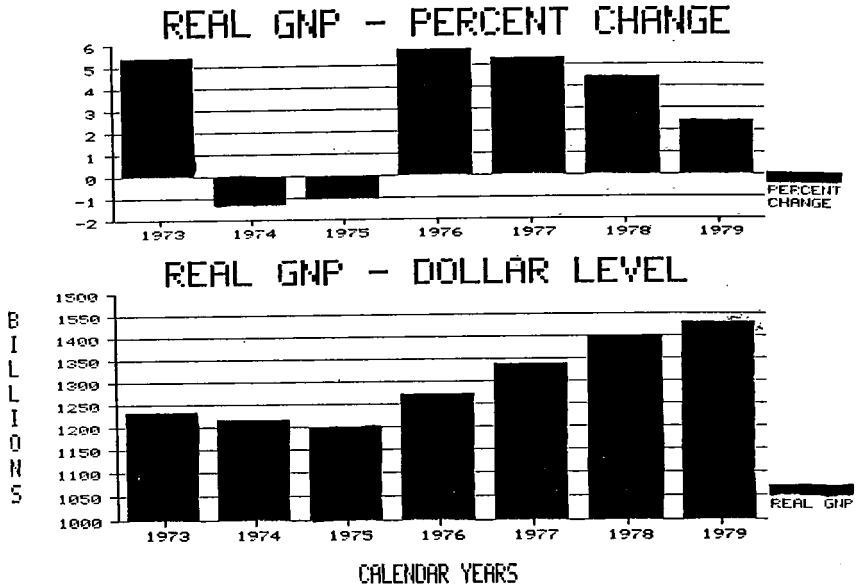
Whatever the result, clear evidence of the effect of new incentives cannot be expected for several years. Changes in tax law and the economic results must therefore be regarded as long-term investments rather than a quick cure of this difficult problem.

Economic Growth

The consensus forecast in early 1979 projected a mild recession, beginning last spring or summer and lasting less than a year. In fact, the forecast appeared on target when output fell in the April to June quarter. But in the following quarter, the economy rebounded and showed continued strength into the early months of 1980. Predictions of recession were pushed further into the future. The price of continued economic growth was a series of rapid jumps in already high price levels.

Economic growth since 1973, as shown in the following graph, fell during the 1974-1975 recession and then rose steadily with some quarterly aberrations. While the dollar level has increased, the rate of increase or percent change, has slowed since the rebound following the

last recession. It now appears that the rate of real growth will fall in 1980 and the dollar level at the end of the year may end up slightly below where it began in the beginning of the year.



Any significant decline in the rate of consumption from its current high could convert a mild into a serious recession, since continued high levels of consumer expenditures have been the backbone of the economy since the 1975 recession. If consumption does not fall, inventories and investment will continue to increase and may carry the economy through 1980 without a recession.

CHANGES IN GNP SECTORS

Consumer Demand and the Savings Rate

On March 14, President Carter invoked the Credit Control Act of 1969, imposing selective restraints on the growth of consumer credit. Mr. Carter gave us a rationale for his actions that inflation has been "fed by credit-financed spending" and that "consumers have gone into debt too heavily." He excluded curbs on housing and auto loans since these sectors are already showing considerable weakness.

The credit restraints are designed for lenders who will then pass the restrictions through to borrowers. The following is the major provision:

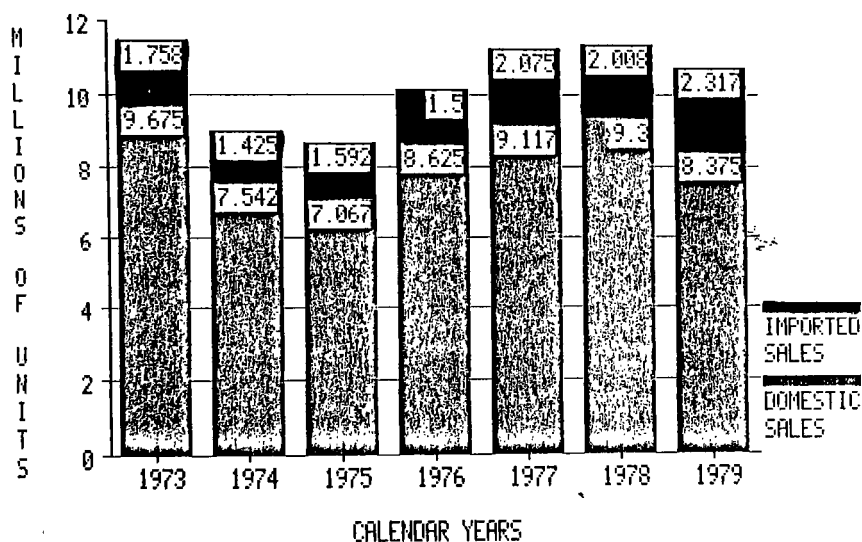
- Banks and other institutions offering credit cards, check credit overdraft plans and some other types of revolving credit must freeze in an account with the Federal Reserve 15 percent of any additional credit extended beyond the level reached March 14. This will make it

more difficult to open a new account and consumers will face more pressure for repayments on existing accounts.

Since auto loans and mortgages encompassed three-quarters of the consumer credit outstanding at the end of 1979, the limited credit restraints applied to consumers cannot be expected to have a large impact on inflation, although taken with other deterrents to lending it may have a symbolic effect.

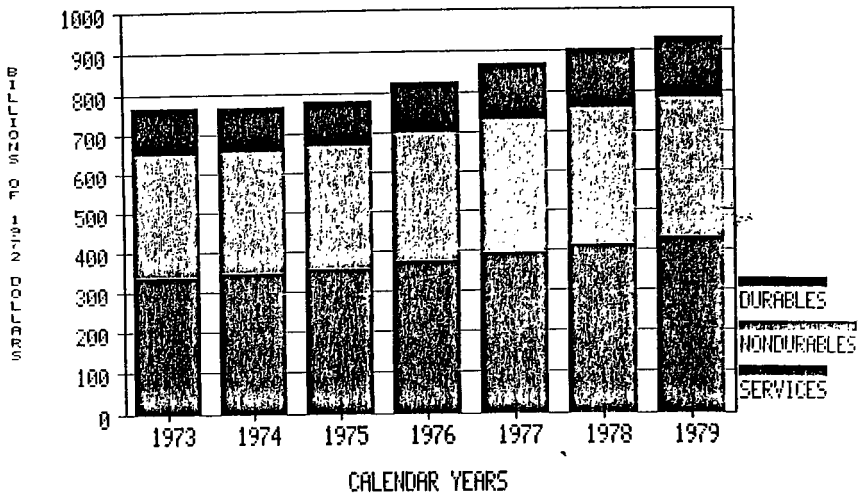
A decline in consumer spending has been predicted for 2 years, but consumer demand, though declining, is still stronger than most observers expected. Despite higher price rises than most buyers remember, extraordinarily high consumer debt burdens and a near-record draining of savings, the drop in demand has hit only certain markets. Housing (considered below) has been hardest hit. The market for domestic autos is poor, but consumers are buying more small foreign cars than ever before, reaching an annual rate of 3.1 million in January. The following chart shows trends in auto sales.

AUTOMOBILE SALES



Although some analysts attribute the strength in consumer spending to a buy-in-advance psychology, the strongest growth of personal consumption expenditures (12.9 percent) is in services (such as dining out at restaurants) which cannot be bought in advance. Retail sales rose in January and expenditures for clothes and household goods were up at discount department stores in February. However, personal consumption expenditures rose more slowly than inflation and therefore, in real terms, actually fell. The graph below shows trends in personal consumption expenditures from 1977 to 1979.

PERSONAL CONSUMPTION EXPENDITURES



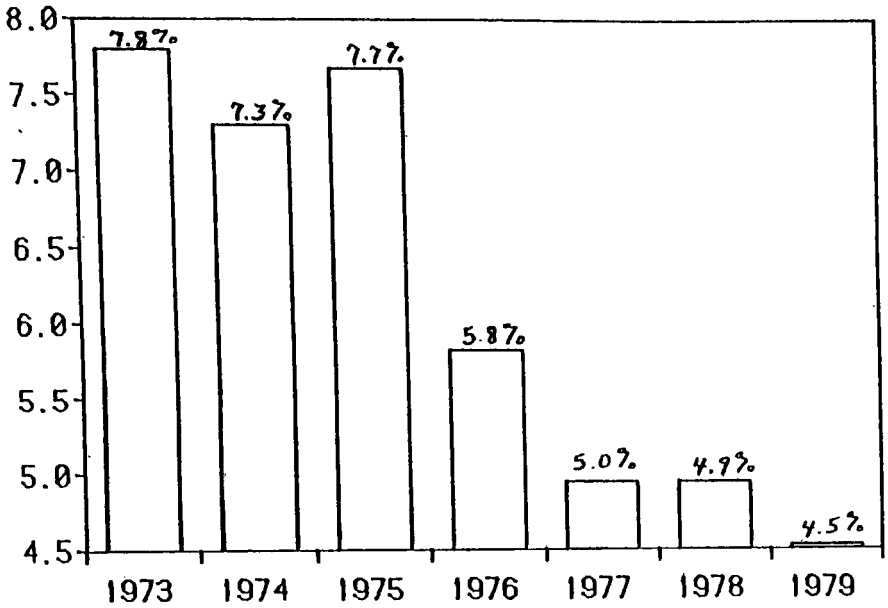
Since consumer demand makes up two-thirds of national output and has been the mainstay of the recovery from the 1973-1975 recession, large questions revolve around its present trends. Will weakness in the housing and auto markets spread to other sectors? Are consumers, who have been trying to maintain their living standards in spite of a tremendous surge in prices, finally developing caution or running out of money? Will the drop in sales be gradual or precipitous, shallow or deep? Much of the recession forecast hangs on answers to these questions.

A major factor in the consumer's outlook is the perceived size of a necessary savings cushion and the availability of credit. The savings rate, as traditionally measured, fell to a low of 3.3 percent in the last quarter of 1979. The graph below illustrates trends in the savings rate from 1973 to 1979.*

The rate has generally ranged between 5 and nearly 8 percent since 1950. There are four times as many bank credit cards in circulation as in the 1973-1975 recession and billions of dollars in pre-authorized loans. Although the ratio of personal debt to disposable income was up from its customary 18-19 percent range to 23 percent in 1979, the number of two-income families is growing and consumers are holding a large volume of liquid assets. Moreover, the long-term rise in home values have added a significant cushion to the asset structure of millions of families. While there was a rise in delinquency rates on mortgage and installment debt in the latter half of 1979, the rates are still fairly low. The growth in consumer installment credit slowed in the last quarter of 1979. It is still not clear whether consumers are over-extended to a dangerous degree. Old methods of measuring savings may not fit present-day consumer incomes.

*Illustration on top of page 217.

SAVING RATE



CALENDAR YEARS

Nevertheless, a number of pressures in addition to the new credit restraints may further reduce consumer buying. Over the past year, real disposable personal income fell. State usury laws have been a restraining influence on lenders. Extremely high interest rates are undoubtedly having some dampening effect on consumers.

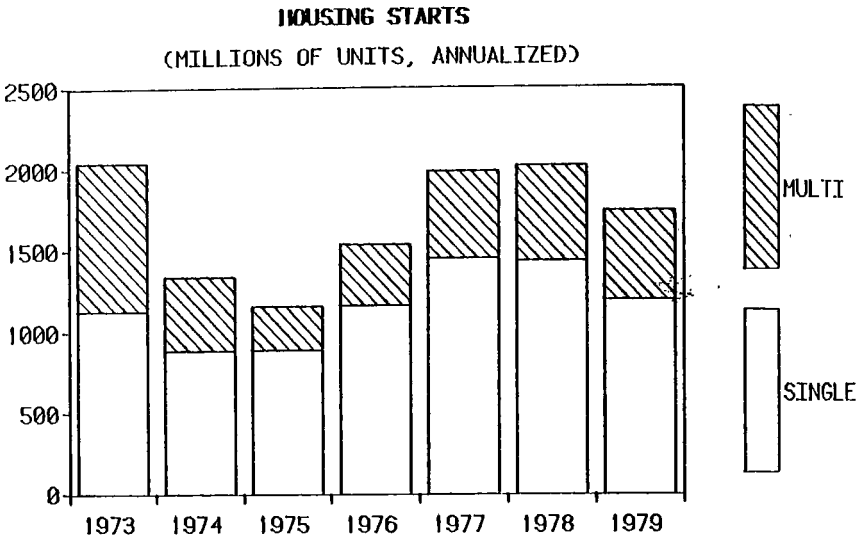
In the short-run, the new credit restraints will contribute to inflation because they will raise interest rates.

Housing: Investment in housing, adjusted for inflation, declined in 1979 to below 1977 levels. Real residential construction last year was about 6 percent below 1978 levels, although interest rates increased much more than had been anticipated.

Even before the Fed's latest rise in the discount rate, housing starts were down 18 percent between January 1979 and January 1980. After dropping for 4 consecutive months, in January of this year they reached an annual rate of 1.4 million, the lowest level since July 1976. The average effective mortgage rate for new homes which had risen to nearly 12 percent in early January was raised to 15½ percent by some banks in California and New Jersey by March. The District of Columbia's largest mortgage lender increased its rate to 17 percent in March in an effort to close off mortgage demand.

Housing starts are expected to fall to a 1.2 million annual rate during the second quarter of 1980 before turning upward again. Housing starts for the year are forecast to total 1.4 million and 1.7 million in 1981. Starts for multiple dwellings are dropping even more rapidly than for single-family homes.

The graph below illustrates the trends in housing starts from 1973 to 1979.



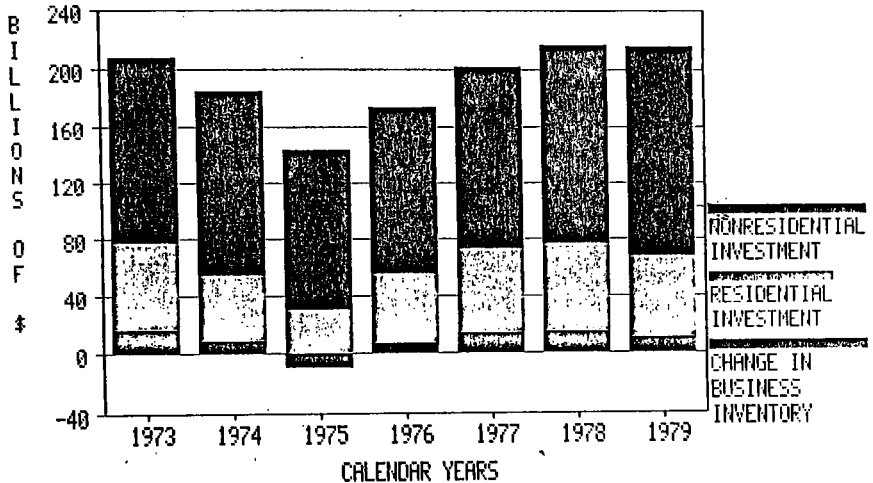
Changes in Business Inventories: Businessmen continue to demonstrate caution in their handling of inventories, and the recent credit-tightening moves by the administration and the Federal Reserve Board will create added pressure to hold down inventories. In the latest month for which figures are available, December 1979, inventories climbed only at a seasonally adjusted rate of 0.4 percent, reflecting slow sales and production growth and the high interest costs of keeping inventories. During the last recession, businesses found themselves overstocked with inventory for which buyers did not exist. To avoid that circumstance, business inventories have been maintained at very low levels relative to sales for some time. The December inventory to sales ratio was 1.41 percent. This tightness in business inventories should minimize the impact of a recession.

Investment

Business Fixed Investment. Real business fixed investment (which includes structures and producers' durable equipment both on and off the farm) ran between 9 and 10½ percent of GNP in the '60's and early '70's. It recovered strongly from the recession in early 1976, led by increased outlays for equipment, especially vehicles. Investment in plant and equipment followed the upturn a year later. From then till the end of 1978, rising business investment provided strong support for new jobs, higher incomes, and increased total real output. From the end of 1975 to the fourth quarter of 1978, the share of real GNP devoted to business capital formation rose from 9 to 10.2 percent but was still below levels of 10.8 and 10.95 percent in late 1973 and early 1974. But during 1979, investment growth fell as purchases of cars and trucks declined sharply. Excluding vehicles, growth of business

investment in equipment grew 8.9 percent; real growth in structures grew 6 percent. Other retarding factors included a gradual increase in excess capacity and the squeeze on profit margins that accompanied the reduced pace of economic expansion. The graph below shows trends, adjusted for inflation, in business fixed investments, residential investment and inventories in recent years.

INVESTMENT IN 1972 DOLLARS



Prospects for the future depend on the performance of the economy. Fewer businesses are impelled to expand during a recession, and investment may plummet.

In a survey of business spending intentions taken by the Commerce Department in late January and February, modest real capital spending increases of 1 to 2 percent were revealed, unchanged from last fall's survey. However, the most recent credit-tightening moves by the administration and the Federal Reserve Board are likely to chill spending plans for 1980.

International Trends

The revolution in Iran, the Soviet Union's invasion and occupation of Afghanistan, and continued instability in the strategic areas of the Middle East are beginning to have significant effect on the monetary and fiscal policies of the United States and of the industrial democracies.

These policy considerations are taking place at a time when the economies of the industrial countries are experiencing a slowdown in economic activity and the return of double-digit inflation. The industrial countries are adopting tight monetary policies and stringent fiscal policies in an attempt to slow down the inflation rate. The international banking community is pressing for monetary reforms to help stabilize foreign exchange markets.

These international events are leading to a 1980 with a lower level of worldwide economic activity, higher trade deficits for most non-OPEC and non-communist bloc countries, more inflation, and tightening monetary controls.

The United States current account transactions in merchandise trade and capital movements with the rest of the world were near balance in 1979. The deficit for 1979 was \$317 million compared to the \$13.5 billion for 1978. The improvement occurred even though the merchandise trade deficit dropped only from \$33.8 billion in 1978 to \$29.5 billion in 1979. The surplus in service transactions rose from an annual average of \$9.4 billion to \$34.8 billion due to large receipts of income of U.S. direct investment abroad primarily from petroleum affiliates. For 1980, however, a higher trade deficit is expected because of anticipated increase in consumer imports, particularly gas-efficient autos; cessation of planned gold sales by the U.S. which were intended to offset speculation in the gold markets; and, a downward revision of estimated food and farm exports as a result of the embargo against the Soviet Union.

The dramatic OPEC price increases and unsuccessful attempts at price unity in 1979 may have run its course. Spot prices are showing general weakness. Milder winter weather in 1979-1980 has reduced consumption of oil and worldwide inventories have risen. The Organization for Economic Cooperation and Development (OECD) predicts a drop in oil demand in 1980 because of a decrease in worldwide economic activity and the substitution of coal, nuclear energy, natural gas and other fuel sources. The OPEC countries are beginning to curtail production to keep the market tight.

Pressure on the dollar eased in 1979. While the dollar has moved up and down relative to particular foreign currencies, there has been no marked general downward pressure on the dollar's value. The flight from the dollar reflects a flight from all paper currencies. Nevertheless, the underlying causes which weaken the dollar persist. They are double-digit inflation experienced in the U.S. in 1979 and projected for 1980, the diversification of foreign central bank reserves from dollars to other currencies, and the demand for a new and more stable international reserve currency.

Monetary reforms under active consideration are intended to introduce greater stability in the foreign exchange market. An Interim Committee under IMF auspices will report in April 1980 on establishing a Substitution Account to "substitute" for the dollar Special Drawing Rights (SDRs)—which consist of a basket of currencies, including gold—as a principal international reserve asset. The SDR would be free of foreign exchange rate distortions and movements connected with the growing diversification by many central banks of currency portfolios.

Recycling of the petro-dollar, dollars earned by oil producing countries, is among the major monetary problems facing the international banking community in 1980. Western bankers are discouraged from drawing on the huge funds received from OPEC depositors to meet the financial needs of developing countries. The external debt burden of non-oil producing developing countries is quickly reaching limits beyond their capacity to service relative to projected export earnings.

These countries will be deprived of needed capital normally available through the private international banking community to meet compelling economic and social needs unless, of course, a recycling of OPEC funds can be arranged through a more ordered means of currency transfer preferably through international financial institutions.

FEDERAL GOVERNMENT POLICIES

Changes in Monetary Policy

On March 14, the President invoked a law giving the Federal Reserve System the authority to impose new requirements to slow consumer borrowing and make money market mutual funds less attractive. The Fed also imposed a three percentage point surcharge on the 13 percent discount rate for banks that borrow frequently at the discount window, and it asked banks to voluntarily restrict increases in their loans this year to a 6 to 9 percent range.

These initiatives reflect the belief that excessive borrowing is fueling inflation and that new methods are needed to limit credit growth. Last October 6, the Fed announced a tightening of money and credit policies that were designed to slow credit expansion. In a radical change in the implementation of monetary policy, the Fed said it would concentrate less on interest rate levels and focus instead on controlling the rates of growth of the money supply and reserves. However, borrowing continued even though interest rates increased, with the prime rate soaring to 19.0 percent. The newest moves may initially raise interest rates still further but are intended to limit the amount of new loans above existing levels.

Specifically the new Fed actions:

- Established a "voluntary special credit restraint program," restricting growth in bank loans to from 6 to 9 percent. The measure applies to domestic commercial banks, bank holding companies, business extended by finance companies and credit extended to U.S. residents by U.S. agencies and branches of foreign banks. It does not apply to thrift institutions and credit unions. Banks are expected to avoid increases in commitments to credit lines which support commercial paper type borrowing out of keeping with normal business needs. (Some businesses were reported earlier to have expanded their bank lines of credit in anticipation of some form of credit controls.)

- Established a non-interest-bearing 15 percent "special deposit requirement" for certain lenders of consumer credit, including credit cards and check credit overdrafts. (Specific provisions of this measure are discussed in the section on Consumer Demand and the Saving Rate.)

- Set a three percentage point surcharge on the 13 percent discount rate for large banks that borrow frequently from the Fed's discount window. (The discount rate had been raised to a record 13 percent in mid-February.) This applies to banks with \$500 million or more in deposits and is designed to bring the discount rate for large, frequent borrowers more in line with money market rates.

- Imposed a 15 percent special deposit requirement on increases in the assets of money-market mutual funds above the March 14 level. Mr. Volcker said these funds have added to inflationary pressure by "siphoning" credit away from thrift institutions and small banks.

- Increased to 10 percent from 8 percent the reserve requirement imposed last October on short-term time deposits, Eurodollar borrowings, Federal funds borrowed by member banks from nonmembers, and repurchase agreements (borrowings using government securities as collateral). The 10 percent requirement was also extended to non-member banks, and the base for calculating the reserve requirement for both members and nonmembers was lowered.

- Imposed ceilings on interest rates allowed to be paid by bank holding companies on debt instruments of \$100,000 or less with maturities of 4 years or less. For instance, obligations of \$10,000 or more with maturities of 6 months to 2½ years cannot exceed the maximum rate of 26-week money-market certificates which during the week ending March 14 amounted to 14.956 percent.

At the same time the President renewed an appeal to enact the Financial Institutions Reform Act which would gradually lift the ceiling which limits the return most small savers can earn.

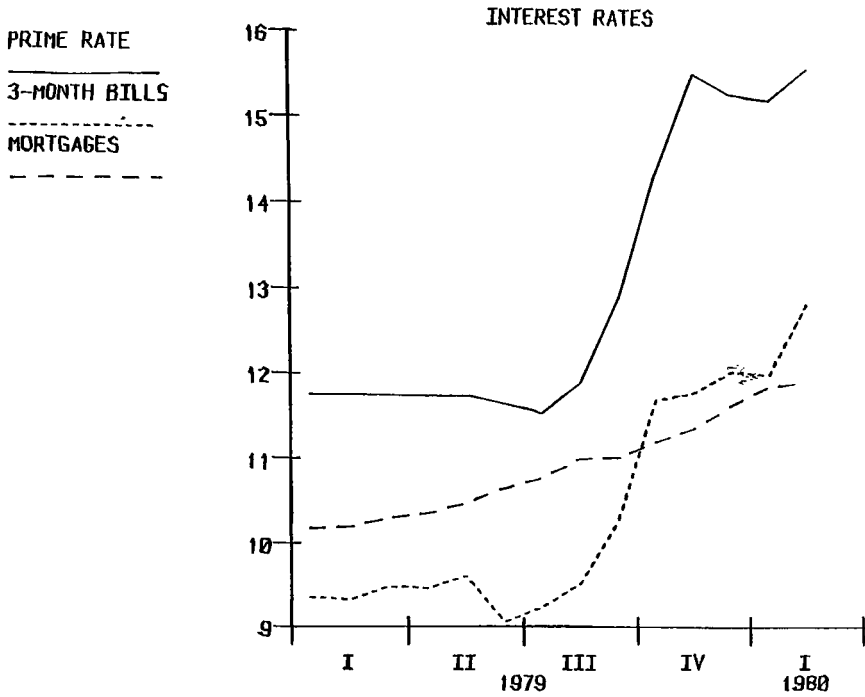
The Fed has issued new definitions for money supply categories and new targets. The *old M-1*, currency in circulation and most non-interest-bearing checking accounts at commercial banks is very similar to the new *M-1A*. *M-1B* adds to *M-1A* deposits at financial institutions that can be used for check-paying. This was given a target annual growth rate of 6.5 percent.

A monetary policy dispute last year centered on whether the rate of growth of the money supply should be abruptly reduced, choking off credit suddenly even if it fell unevenly on certain sectors such as housing, or proceeding more gradually. In October, the Fed chose the latter course, asserting that creating a sudden credit crunch would lead to a possibly severe recession and set the stage for a worse bout of inflation in the future. Interest rates were allowed to rise with the expectation that consumers and business would come to a point where they refused to pay the price and a serious recession would be avoided. Dissatisfaction with the results of the October actions led to last week's moves.

Long-term bonds, formerly a haven of stability for investors, have been very adversely affected. They have experienced rapid fluctuations in price with Treasury bonds losing 4.0 percent of their face value in one day. Before the latest announcements, there seemed to be plenty of what the late Arthur Okun referred to as "expensive easy money" available. Some observers feel that even the latest measures will make money more expensive, not less available. Others feel despite the budgetary restraints, that the burden of fighting inflation has been left to the Federal Reserve. Private analysts speculate that the new credit restrictions may cause a deeper recession. It is not clear whether the Fed's pace has been too gradual, whether there is still a problem with what constitutes "money" or whether the policies need more time to work.

Despite all the uncertainty in the U.S. financial markets and the recent alarming news about inflation, the dollar has not suffered on the international exchanges. There is some concern that high U.S. interest rates, which have been followed by raises in German and Swiss interest rates, may touch off an international interest rate war, damaging the world economy.

Recent trends in interest rates are shown in the graph below.



The Status of the Credit Markets

There was a sharp growth in total private debt in the last decade, from about \$1.6 trillion in 1970 to about \$4.2 trillion in 1979. Fed Chairman Volcker cited this increase as a key factor in the inflationary spiral.

However, the amount of funds raised in the credit markets (total funds borrowed) last year were no larger than in 1978. Household debt growth has slowed. However, growth in Federal loan guarantees, at an uncontrolled rate, may add to inflationary pressures. Along with his budgetary restraint actions, the President has directed that Federal loans and loan guarantees be cut by \$4 billion in fiscal year 1981 and has renewed his commitment to control loans and loan guarantees through a credit budget.

Since World War II, the outstanding volume of all borrowing has changed little in terms of the economy's overall size. In 1946, public and private debt totaled 155.9 percent of GNP; in 1979 it was estimated at 145.5 percent. The Federal Government share was 103.5 percent in 1946, but down to 27.1 percent last year. Consumer debt has shown enormous growth, from 16 percent to 53.9 percent. Outstanding debt among private business doubled from 29.4 percent to 52.2 percent. State and local debt during this period grew from 7 percent to 12.3 percent.

RECOMMENDED ECONOMIC ASSUMPTIONS FOR THE FIRST BUDGET RESOLUTION

Based on the economic developments explained in this section, the Committee has adopted economic assumptions consistent with the latest official estimates prepared in conjunction with the Congressional Budget Office. These estimates reflect the expectation that the economy will undergo a mild recession in 1980. There will be two quarters of negative real growth, with the unemployment rate rising to 7.3 percent by the end of the year. The inflation rate will not show any relief through 1980; inflation as measured by the CPI will hover at 13.0 percent for the year, and the GNP implicit price deflator will rise by about 9.3 percent.

In 1981 the economy is expected to show a very modest recovery with slow growth rates for the year. Economic growth will remain under 3.0 percent during each quarter, and the real growth rate for the year is expected to average only 1.1 percent. Unemployment is projected to remain at close to 7.5 percent for the duration of the year. The inflation rate is expected to moderate in 1981, with the CPI coming down to 9.6 percent for the year.

The Committee forecast is provided in Table 1. A comparison of that forecast with those of the administration and major econometric models widely used in the United States is provided in Table II. Additional details regarding Committee assumptions for the major components of economic output in 1981 is contained in Table III. Major components of income as forecast by the Committee for calendar years 1980 and 1981 may be found in Table IV.

TABLE 1.—COMMITTEE ECONOMIC ASSUMPTIONS

	Calendar year (percent change)			
	1980		1981	
	4th quarter	Year average	4th quarter	Year average
GNP:				
Real (1972 dollars).....	-1.0	0	2.3	1.1
Nominal (current dollars).....	8.8	9.3	12.1	11.0
Inflation:				
GNP deflator.....	9.9	9.3	9.5	9.7
CPI (all urban consumers).....	11.6	13.0	9.9	9.6
	4th quarter level	Annual average	4th quarter level	Annual average
Unemployment: Unemployment rate.....	7.3	6.8	7.6	7.5
Interest rate: 3 mo-Treasury bill rate.....	11.10	12.35	9.70	9.65

TABLE II—COMPARISONS OF ECONOMIC ASSUMPTIONS

	Actual 1979		Projected 1980		Projected 1981	
	4th quarter to 4th quarter	Yearly average	4th quarter to 4th quarter	Yearly average	4th quarter to 4th quarter	Yearly average
Gross national product (percent change).....	10.0	11.4	-----	-----	-----	-----
House Budget Committee and CBO (Mar. 3, 1979).....			8.8	9.3	12.1	11.0
President's update (Mar. 3, 1980).....			9.6	10.3	11.4	9.9
DRI (Feb. 22, 1980).....			9.0	9.8	13.7	11.4
Chase (Feb. 21, 1980).....			6.8	7.9	13.1	11.1
Wharton (Feb. 29, 1890).....			8.8	9.7	11.3	10.28
Merrill-Lynch (Mar. 5, 1980).....			7.3	8.8	13.6	10.4
GNP in 1972 dollars (percent change).....	1.0	2.3	-----	-----	-----	-----
House Budget Committee and CBO.....			-1.0	.0	2.3	1.1
President's update.....			-.4	.8	2.2	.4
DRI.....			-1.0	.2	3.8	1.5
Chase.....			-1.9	-.9	3.4	1.7
Wharton.....			-.2	.7	2.6	1.4
Merrill-Lynch.....			-2.3	-.7	4.9	1.7
Inflation rate (as measured by CPI percent change).....	12.7	11.2	-----	-----	-----	-----
House Budget Committee and CBO.....			11.6	13.0	9.9	9.6
President's update.....			11.7	13.0	9.0	9.2
DRI.....			10.2	12.9	9.4	9.9
Chase.....			12.3	13.4	9.8	10.2
Wharton.....			12.6	13.4	9.4	9.8
Merrill-Lynch.....			11.9	13.1	7.8	8.4
	Actual 1979		Projected 1980		Projected 1981	
	4th quarter level	Yearly average	4th quarter level	Yearly average	4th quarter level	Yearly average
Unemployment rate (percent).....	5.9	5.8	-----	-----	-----	-----
House Budget Committee and CBO.....			7.3	6.8	7.6	7.5
President's update.....			7.2	6.7	7.3	7.3
DRI.....			7.1	6.6	7.3	7.4
Chase.....			7.9	7.1	7.7	7.9
Wharton.....			7.4	6.8	7.5	7.5
Merrill-Lynch.....			8.2	7.3	7.7	8.2
3-mo Treasury bill rate (percent).....	11.84	10.07	-----	-----	-----	-----
House Budget Committee and CBO.....			11.10	12.35	9.70	9.65
President's update.....			10.5	12.0	9.2	9.4
DRI.....			10.60	12.00	9.35	9.32

TABLE III.—MAJOR COMPONENTS OF OUTPUT

[In billions of dollars]

Components of output	Calendar year quarter		Rate of change (percent)
	1980 4th quarter	1981 4th Quarter	
Current dollar GNP.....	\$2,674.9	\$2,997.9	12.1
Gross national product ¹	1,425.9	1,459.3	2.3
Consumption ¹	936.5	953.7	1.8
Business investment ¹	144.9	148.0	2.1
Residential construction ¹	46.3	54.5	17.7
Change in inventories.....	-1.6	5.2	(²)
Net exports ¹	23.9	25.5	(²)
Federal purchases ¹	100.2	96.5	-3.7
State and local purchases ¹	175.7	175.9	.1

¹ Figures measured in 1972 dollars to adjust for inflation.² Not applicable.

TABLE IV.—MAJOR COMPONENTS OF INCOME

[In billions of dollars]

Income components	Calendar year—	
	1980	1981
Current dollar GNP.....	2,590	2,875
Personal income.....	2,144	2,380
Wages and salaries.....	1,355	1,494
Corporate profits.....	234	260

APPENDIX C

MULTIYEAR OVERVIEW OF FUNCTIONS

Function 050: National Defense

The budget for National Defense will increase by 27 percent in budget authority, from \$161 billion to \$204 billion, and 25 percent in outlays, from \$148 billion to \$186 billion, between fiscal years 1981 and 1983.

Inflation accounts for \$33 billion of the \$43 billion increase in budget authority and \$29 billion of the \$38 billion increase in outlays. The remaining growth will provide for improved readiness and for continuing modernization of military forces.

Military retired pay continues to grow, even with the assumption of enactment of legislation to change the cost-of-living adjustment from twice a year to once a year. As a result of continuing increases in the average benefit, retired pay will increase from \$13.2 billion in 1981 to \$16.6 billion in 1983.

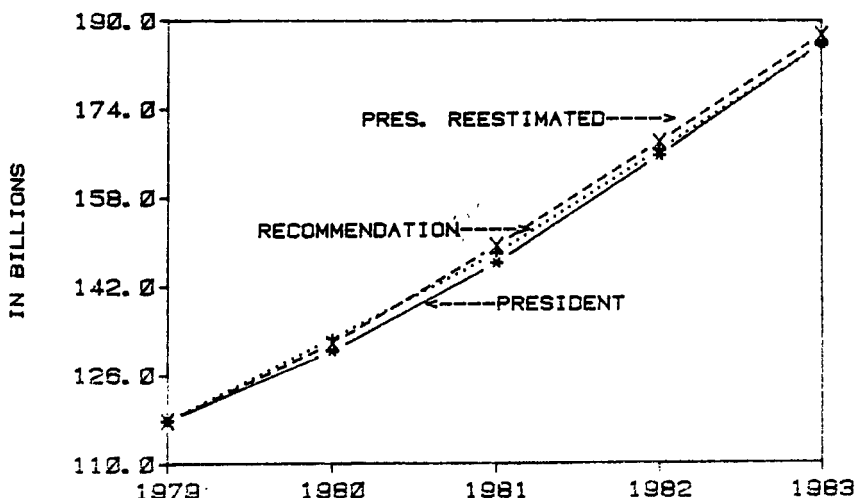
The following table summarizes the rate of real growth for National Defense.

REAL GROWTH IN THE RECOMMENDATIONS

[In percent]

	1981	1982	1983
Budget authority.....	3.4	3.5	2.7
Outlays.....	2.1	2.9	2.5

FUNCTION 050 OUTLAYS

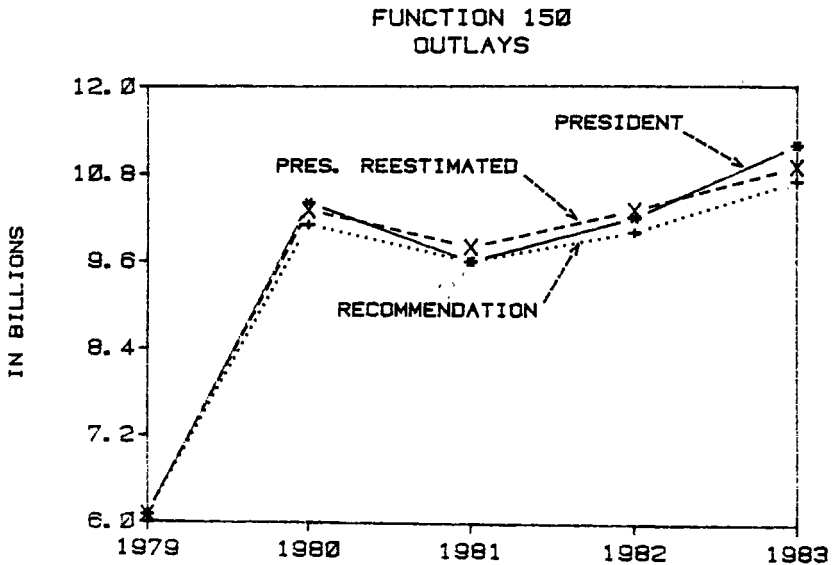


Function 150: International Affairs

Outlays in this function increase by 11.2% from \$9.8 billion to \$10.9 billion between fiscal year 1981 and fiscal year 1983. In real terms, this increase of \$1.1 billion in spending constitutes maintaining constant overall program levels, with minor increases in economic assistance which are offset by real decline in military grants programs.

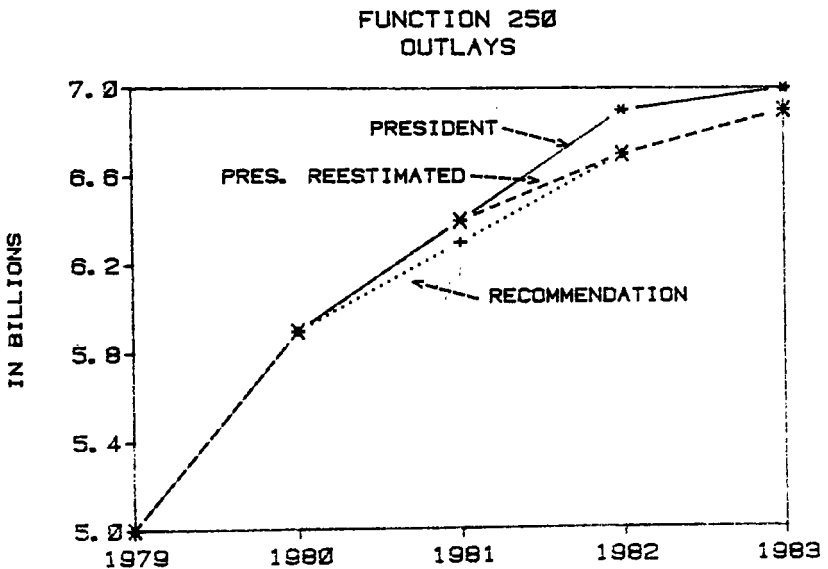
Outyear budget recommendations for Conduct of Foreign Affairs and Exchange activities indicate no increase in spending other than that necessary to offset cost of inflation on operations in the United States and abroad.

Export-Import Bank outlay levels for fiscal years 1982 and 1983 represent real growth in accord with the President's program to increase government export promotion activities.



Function 250: General Science, Space, and Technology

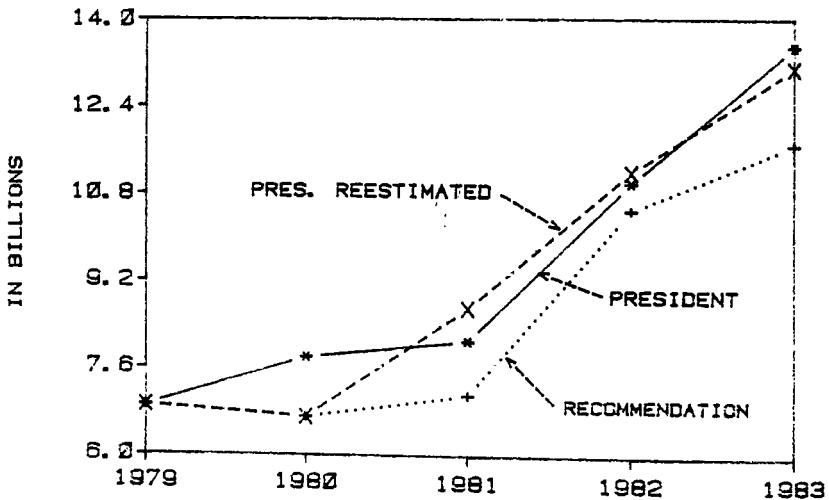
Outlays for general science, space, and technology programs are expected to increase by approximately 10 percent between fiscal years 1981 and 1983, from \$6.3 billion to \$6.9 billion. This reflects an increase in outlays for general science and basic research, with the National Science Foundation programs increasing modestly in nominal terms and the Department of Energy programs increasing slightly in fiscal year 1982, but declining in fiscal year 1983. Outlays for space research and technology programs increase moderately in fiscal year 1982, but remain constant in fiscal year 1983. This is the net effect of a decline in outlays in the Space Shuttle development program and a rise in outlays associated with those smaller space missions deferred in fiscal year 1981.



Function 270: Energy

Outlays for energy programs in function 270 will increase by 61 percent from \$7.1 billion to \$11.7 billion, between fiscal years 1981 and 1983. The major factor in this increase is the \$3.7 billion increase in outlays expected for the Strategic Petroleum Reserve program (SPRO). This growth is due to the fact that SPRO is not expected to store much oil in fiscal year 1981, but is expected to resume its normal course by fiscal year 1983. The remaining growth is largely accounted for by growth in the President's new energy initiatives; \$100 million for those relating to supply and \$400 million for those relating to conservation. A major contingency for additional funding involves the President's proposed "utility oil use reduction act" that may cost \$1.2 billion in fiscal year 1983 outlays. Another factor which will affect outlays in years beyond fiscal 1983, and perhaps beyond fiscal 1986, will be the spendout of authority provided to the Synthetic Fuels Corporation; this spendout is of a contingent nature, and may not occur if world oil prices increase in the future as rapidly as they have to the present.

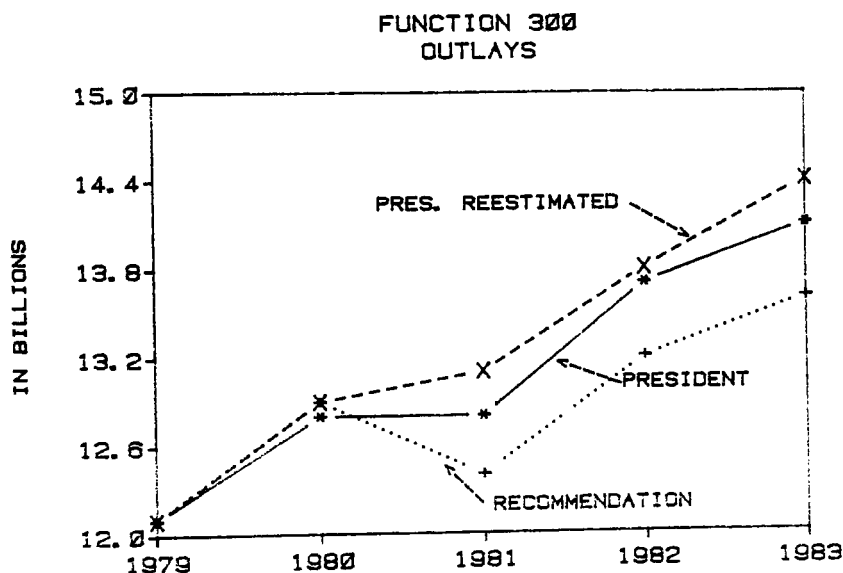
FUNCTION 270
OUTLAYS



Function 300: Natural Resources and Environment

Outlays for natural resources and environmental activities in Function 300 will increase by approximately 10 percent, from 12.4 billion to 13.6 billion, between fiscal years 1981 and 1983. This overall increase is the net result of major increases in certain programs, relatively small increases and actual decreases in others. Pollution control and abatement activities contain significant spending increases due in large part to outlays from prior-year spending under the EPA construction grant program and from the President's proposed legislative initiative in fiscal year 1981 to establish an oil and/or hazardous substance liability fund for cleanup activities.

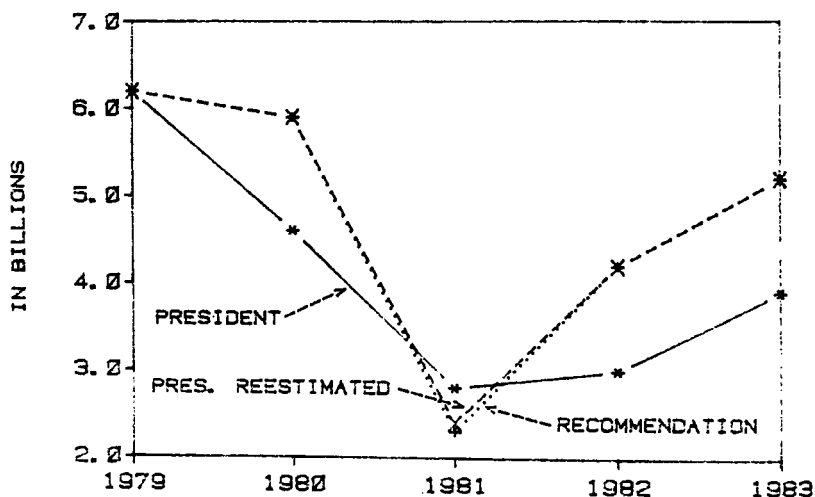
Water resources programs also contain major increases in the out-years—the largest increase being nearly \$600 million between fiscal years 1981 and 1982. Activities related to recreational resources and other natural resources programs reflect relatively small increases resulting mainly from increased costs due to inflation. However, conservation and land management activities contain actual decreases in spending between fiscal years 1982 and 1983.



Function 350: Agriculture

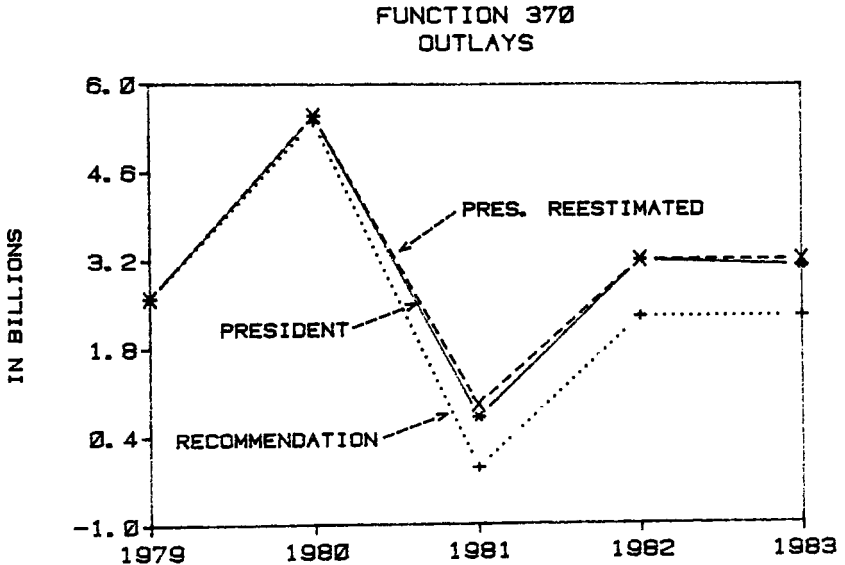
Outlays for agriculture programs in Function 350 will increase 44 percent from \$2.5 billion to \$5.2 billion, between fiscal years 1981 and 1983. The Committee's recommendation reflects \$1.2 billion higher outlays than the President's request in fiscal year 1982, \$4.2 billion versus \$3.0 billion. The Committee's recommendation also reflects \$1.3 billion higher outlays than the President's request in fiscal year 1983, \$5.2 billion versus \$3.9 billion. The Committee's recommendation and the President's request reflects Federal spending for agricultural research and services in Function 350 to increase by 14 percent, from \$1.4 billion to \$1.6 billion, between fiscal years 1981 and 1982. The Federal outlays for these commodity programs can vary significantly up or down due to changing agricultural policies and market conditions. The major differences between the Committee's recommendation and the President's request for the outyears are due to different outlay estimates concerning the wheat, feed grains, and dairy programs. The recommendation differs with the President's request as a result of the recommendation reflecting more recent market information, in addition to the grain export suspension impact, than that reflected in the President's request.

FUNCTION 350
OUTLAYS



Function 370: Commerce and Housing Credit

Outlays for commerce and mortgage credit activities in function 370 will increase from minus \$100 million (net receipts of \$100 million) in fiscal year 1981 to \$2.3 billion in fiscal years 1982 and 1983. In fiscal year 1981, outlays are unusually low, reflecting an administration decision to hold Farmers' Home Administration and Government National Mortgage Association mortgage assets, which would normally be sold in 1980, until 1981. The sale of these assets in 1981 will generate unusually large amounts of offsetting receipts. In 1982, and 1983, asset sales are expected to return to a more normal level about equal to the level of new mortgage originations by the Farmers' Home Administration and the Government National Mortgage Association. The recommended elimination of subsidies to the Postal Service for Saturday mail deliveries, partial reductions for other subsidized classes of mail, and reduction in the level of Small Business Administration loan activity requested by the administration will hold the totals for function 370 to below 1979 levels in fiscal years 1982 and 1983.

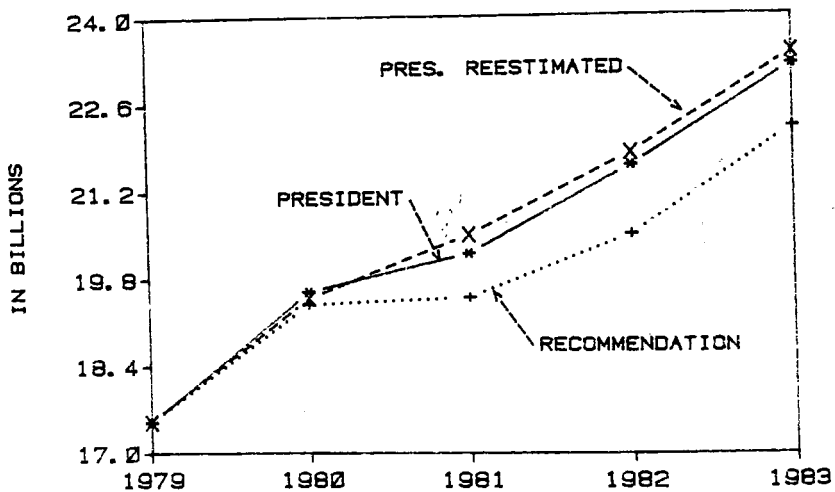


Function 400: Transportation

Outlays for transportation activities in function 400 will increase by 14 percent, from \$19.5 billion to \$22.2 billion, between fiscal years 1981 and 1983. There are three major areas of increase: First, outlays associated with the energy initiative increase by \$700 million as a result of spendout patterns; second, Highway Trust Fund outlays grow by \$450 million, reflecting higher rates of obligations in recent years; and third, Federal Aviation expenditures grow by approximately \$500 million, of which \$300 million is in the operations account. Other increases will include over \$300 million for rail assistance, \$200 million for AMTRAK, and approximately \$250 million for various Coast Guard programs. Significant reductions would include the termination of ConRail fiscal aid in 1981 and an increase in offsetting receipts associated with Coast Guard user fees proposed to be initiated in fiscal year 1981.

Most of the growth in the energy initiative, mass transportation and highway outlays is associated with the normal spendout patterns of those programs. The other outlay increases are largely programmatic increases and in part are due to inflation.

FUNCTION 400
OUTLAYS

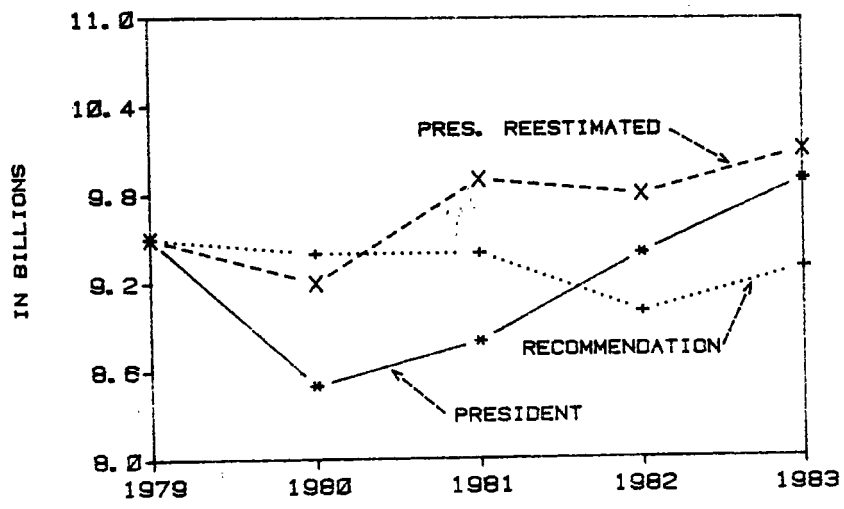


Function 450: Community and Regional Development

Outlays for Community and Regional Development activities in function 450 will decrease by 1 percent, from \$9.4 billion to \$9.3 billion, between fiscal years 1981 and 1983. The largest outlay change is a decrease of -\$650 million in the Community Development Block Grant program as the reservoir of obligated balances begins to be spent at a rapid rate in fiscal year 1981, decreasing in fiscal year 1982. A number of other decreases in the \$100 to \$200 million range in-

clude the Urban Renewal program, local public works and disaster relief. The major increase is \$340 million for the Urban Development Action Grant program as obligated balances from fiscal years 1979 and 1980 begin to spend out more rapidly. Other increases in the \$100 to \$200 million range include the Rural Development Insurance Fund, the Economic Development Assistance programs, various Indian programs, Flood Insurance program, and the Disaster Loan program. Overall, the increases and decreases virtually offset each other, as some programs are phased out while others experience moderate expansions. Emergency/disaster-related programs are the major contingency in the spending pattern for this function. The recommendation anticipates spending for disaster programs consistent with recent program improvements.

FUNCTION 450
OUTLAYS

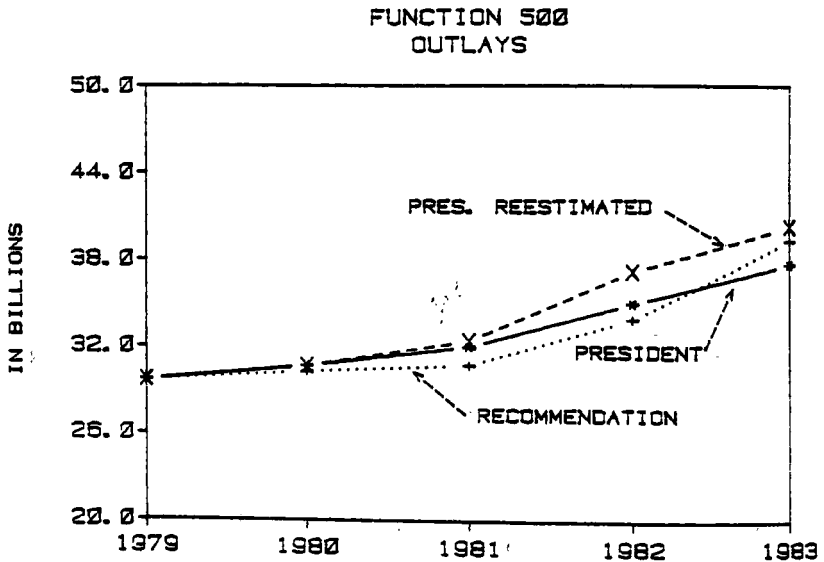


Function 500: Education, Training, Employment
and Social Services

Outlays for education, training, employment and social services programs in function 500 will increase by 28 percent, from \$30.7 billion to \$39.3 billion between fiscal years 1981 and 1983. In fiscal year 1982, outlays are projected to increase \$3.2 billion, or 10.4 percent, above fiscal year 1981. The major share of this increase is provided to fund H.R. 6711, the Youth Act of 1980, the President's major effort to increase the future employability of disadvantaged youth. Aside from the 1982 increase associated with this initiative, outlays for ongoing education and employment programs will rise by nearly 5 percent overall. However, this increase is not proportionately distributed among all programs. Such forward funded education programs as Title I grants for the disadvantaged or handicapped education which are expected to receive significant budget authority increases in fiscal

year 1981, will receive outlay increases in 1982. In addition, outlays for higher education student loan and grant programs are expected to rise by \$200 million in 1982, reflecting the anticipated build-up in student participation and level of awards.

Funding for the majority of employment and training programs will remain nearly level. Marginal increases are projected for training the structurally unemployed under title IID of the Comprehensive Employment and Training Act (CETA). For fiscal year 1983, outlays in this function will increase 16 percent, above 1982. About half of this increase, or \$2.5 billion, is included to cover the net costs of the jobs component of the proposed welfare reform initiative, HR 4425, which the Committee recommendation defers until that year rather than assuming implementation in 1982 as the President proposes. Funding for other education and employment programs will increase by 10 percent in 1983. Much of this increase will accommodate the reformed student loan program which is expected to be in its first year of full operation in 1983. Continued increases are assumed for other programs of national priority such as title I of ESEA, Headstart, handicapped education, CETA programs for the structurally unemployed and title XX social services.

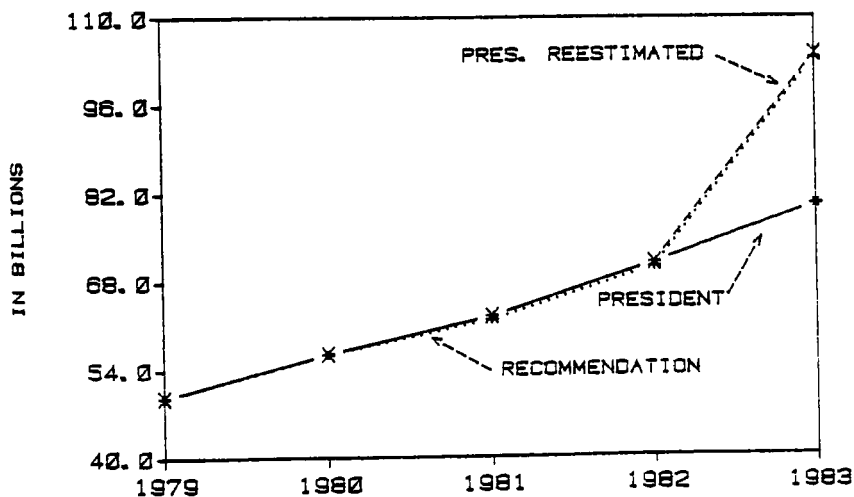


NOTE.—The "President Reestimated" reflects transfer of \$2.3 billion in fiscal year 1982 and \$2.5 billion in fiscal year 1983 from function 920 in the President's budget for welfare reform jobs.

Function 550: Health

Federal spending for health activities included in function 550 will increase by 67 percent, from \$61.8 billion to \$103.3 billion, between fiscal years 1981 and 1983. The growth of the entitlement programs, primarily Medicaid and Medicare, will account for the major portion of the increase. The cost of these programs will increase by 30 percent from \$53 billion in fiscal year 1981 to a total of \$69 billion by 1983 and will constitute 66 percent of total spending in the function. In addition, a contingency allowance of \$24.1 billion is included in fiscal year 1983 should the Congress decide to enact national health insurance (NHI) legislation. NHI would represent approximately 23 percent of the function total. The first phase of national health insurance as proposed by the President would expand health service coverage beyond that now available to the elderly and poor through Medicare and Medicaid. In addition, coverage for catastrophic cost of illness would be mandated. Spending for other health programs, primarily health services, research and manpower training, would remain relatively stable over the period fiscal years 1981 to 1983. The fiscal year 1983 total for these programs would be \$10.6 billion, 16 percent above the fiscal year 1981 recommendation and 10 percent of the fiscal year 1983 total spending for the function.

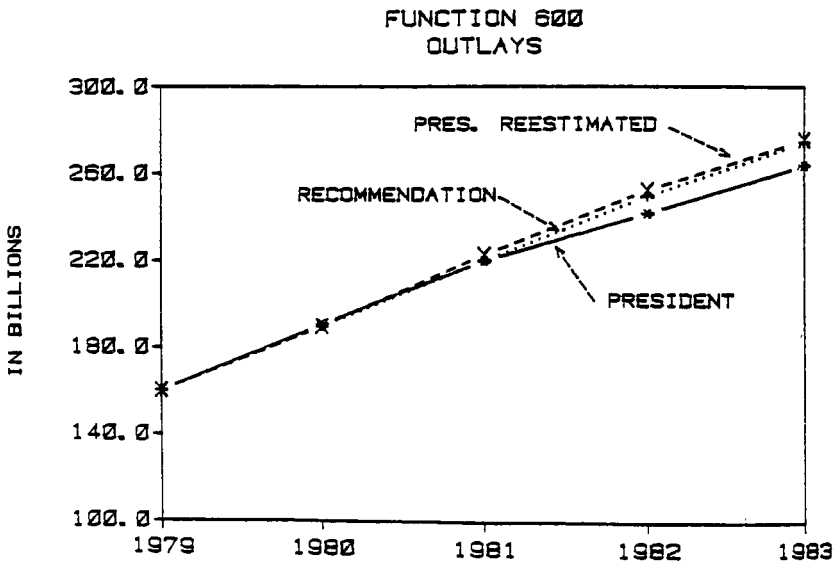
FUNCTION 550
OUTLAYS



NOTE.—The "President Reestimated" reflects transfer of \$24.1 billion from function 920 in the President's budget for national health insurance in fiscal year 1983.

Function 600: Income Security

Outlays for income security programs in function 600 will increase by 25 percent, from \$220.1 billion to \$274.6 billion, between fiscal years 1981 and 1983. A major factor in the increase is the impact of inflation on programs for which benefits are indexed to the Consumer Price Index. The largest program in this category is social security, for which spending will increase by \$39 billion between fiscal year 1981 and 1983. Funding for Federal employee retirement programs in which benefits are also tied to the Consumer Price Index are projected to increase from \$16.7 billion to \$21.4 billion. Funding for unemployment compensation will not increase significantly over this period. By 1983 outlays are estimated to be \$19.1 billion, or \$0.3 billion over the 1981 level. Outlays for the remaining programs in this function are estimated to increase from \$46.2 billion to \$56.9 billion between 1981 and 1983. This increase includes \$2.7 billion to accommodate the cost of welfare reform under its first full year of operation. The largest single program increase is \$2.8 billion for subsidized housing primarily reflecting the impact of contracts entered into in prior years.



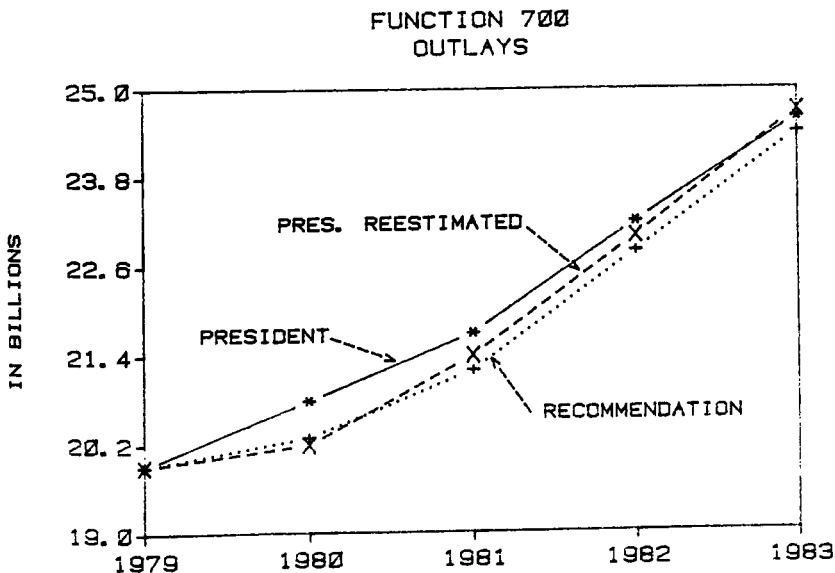
NOTE.—The “President Reestimated” reflects transfer of \$0.8 billion in fiscal year 1981, \$2.6 billion in fiscal year 1982, and \$2.8 billion in fiscal year 1983 from Function 920 in the President’s budget for welfare reform.

Function 700: Veterans Benefits and Services

Outlays for Veterans Benefits and Services in function 700 will grow by 15 percent over the next two years, from \$21.2 billion to over \$24.4 billion, between fiscal years 1981 and 1983.

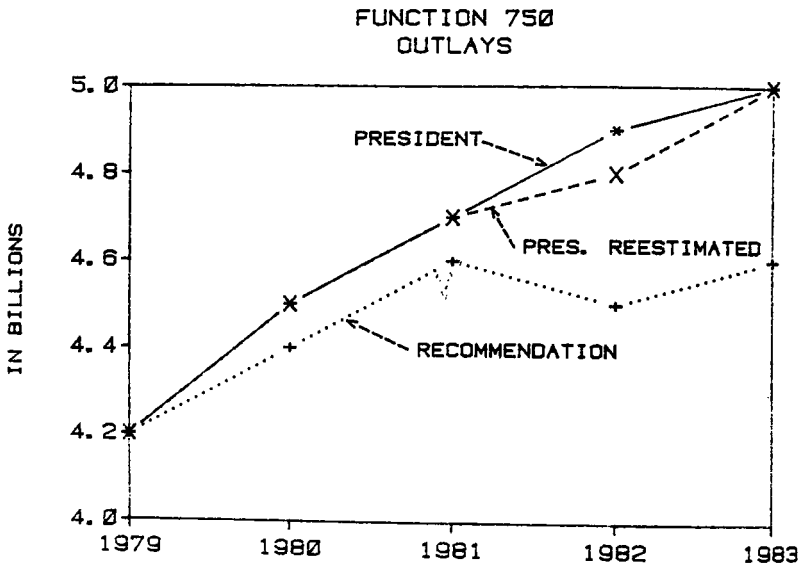
Over two-thirds of the function is considered mandatory in nature and includes the major entitlement programs of compensation, pensions, and readjustment benefits. The basic program level in compensation is projected to remain stable, but cost-of-living adjustments will increase the totals by \$5.1 billion by fiscal year 1982 if Congress follows its usual policy of enacting discretionary inflation increases in compensation payments to veterans with service-connected disabilities. The pension program for veterans with non-service-connected disabilities is estimated by CBO to climb from \$3.5 billion to \$4.7 billion by fiscal year 1983. This 34 percent increase will largely be due to the automatic inflation adjustments in the pension program. Readjustment benefit costs and caseloads will decline over the next few years, because the 10-year eligibility period for these benefits will be expiring for many beneficiaries and veterans will be completing their education or exhausting their entitlement (45 months of benefits). All of these factors will cause the program costs to fall more than 50 percent, from approximately \$2.0 billion in fiscal year 1981 to \$885 million in fiscal year 1983.

The major discretionary program in this function is hospital and medical care for veterans, which is estimated to cost \$6.5 billion in fiscal year 1981. Medical care, research, construction and other discretionary spending programs are estimated to increase by approximately 15 percent by 1983. The largest increase in this area is medical facility construction which the President's budget targets for major expansion, reaching \$1 billion by fiscal year 1984. The First Resolution for Fiscal Year 1981 recommends that this record spending program be deferred for one year and the 1981 construction funding held at the 1980 appropriation level. This recommendation has the effect of reducing outyear costs in the function.



Function 750: Administration of Justice

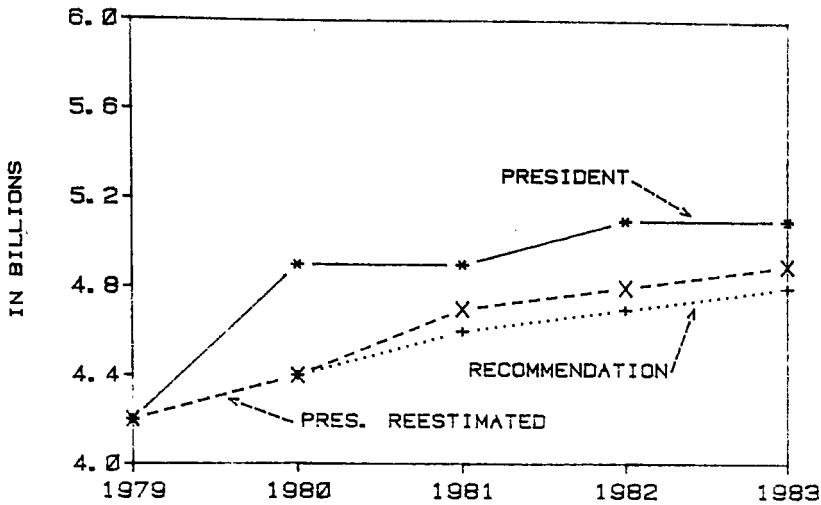
Outlays for Justice activities in Function 750 will show no growth in outlays between fiscal years 1981 and 1983. Total outlays for the function are \$4.6 billion in fiscal year 1981 and in fiscal year 1983. Most of this function is made up of salary and expense accounts for agencies such as the Federal Bureau of Investigation, the Immigration and Naturalization Service, the Customs Service, Federal judicial salaries and the Legal Services Corporation. The total outlay increases by program are approximately \$300 million for salary and expenses, which is offset by a reduction in Law Enforcement Assistance funding of approximately \$300 million as a result of the elimination of the Law Enforcement Administration Assistance programs in fiscal year 1981 and the subsequent decline in expenditure of prior year outlays through fiscal year 1983.



Function 800: General Government

Outlays for General Government activities are expected to grow by 4 percent from \$4.6 billion to \$4.8 billion, between fiscal years 1981 and 1983. This reflects the committee's recommendation to support the efforts in both the Executive and Legislative Branches to hold down the growth of administrative and overhead costs. The costs of cost-of-living pay increases for non-defense agencies are shown, by budget convention, in Function 920, Allowances.

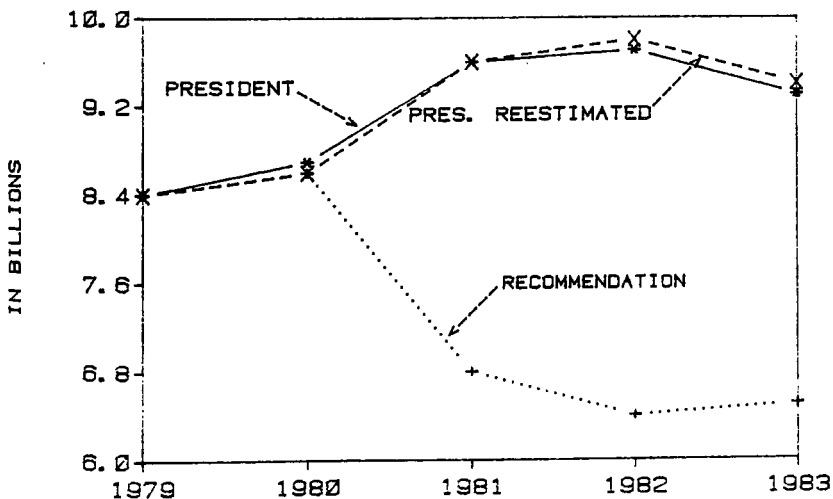
FUNCTION 800 OUTLAYS



Function 850: General Purpose Fiscal Assistance

Outlays for General Purpose Fiscal Assistance will decline by minus 6%, from \$6.8 billion to \$6.4 billion between fiscal years 1981 and 1983. This reflects the full outlay impact of the Committee recommendations; to eliminate the one-third state share of General Revenue Sharing in 1981; to eliminate new funding for the proposed Antirecession Fiscal Assistance program; and to reduce Federal payments to the District of Columbia. The remainder of the programs and activities in Function 850, many of which are uncontrollable payments to counties, states, and territories, are expected to grow slowly from 1981 to 1983.

FUNCTION 850 OUTLAYS

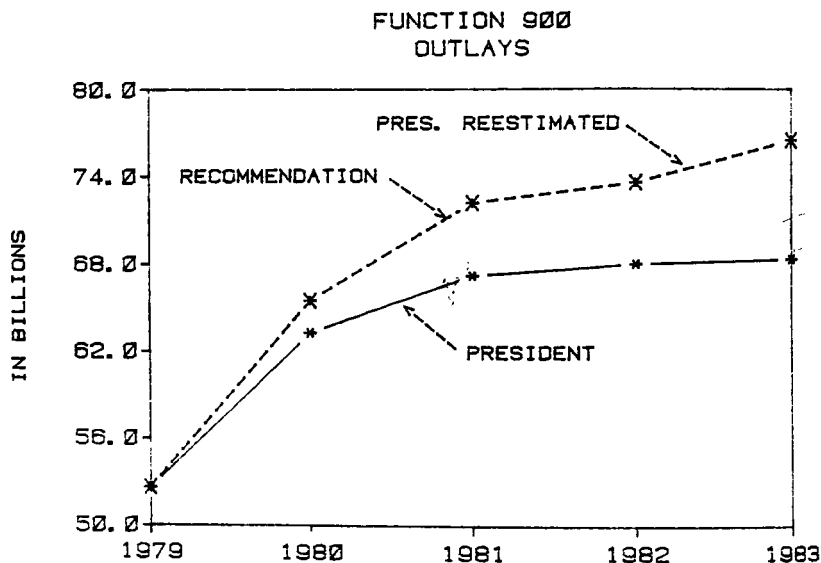


Function 900: Interest

Outlays in this function increase by 6 percent, from \$72.2 billion to \$76.5 billion between fiscal years 1981 and 1983. The function includes interest payments on the public debt and other interest payments by or to the Treasury. Most of the other payments are to the Treasury from other government agencies, and thus decrease the function total.

The recommendation shows interest growing slowly after 1981—about 2 percent in 1982 and less than 4 percent in 1983. This is in marked contrast to the previous few years; interest increased 25 percent from 1979 to 1980, and is estimated to increase 10 percent from 1980 to 1981.

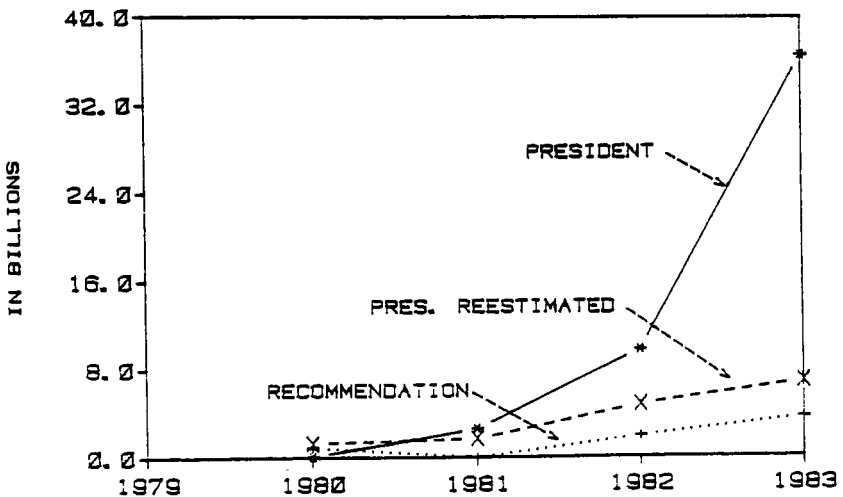
Interest payments continue to grow in the outyears despite the recommendation of a budget surplus. There are two reasons for this. First, maturing long-term securities must be turned over at interest rates higher than when they were first sold. Second, the Treasury must finance the off-budget deficit and must pay interest on its borrowings from the trust funds.



Function 920: Allowances

Outlays in this function increase from zero funding in fiscal year 1981 to \$3.6 billion in fiscal year 1983. The basic issue in this function is the level of pay raises to be provided annually to civilian agency employees. The cumulative pay raises starting in fiscal year 1981 are shown in this function; thus, the 1983 number represents the sum of 1981, 1982, and 1983 pay raises. The effect of this presentation is to leave Salaries and Expenses accounts in *other* functions at their 1980 salary levels in all three years. The recommendation provides pay raises of 6.2 percent (\$1.3 billion) in 1981, an additional 7.9 percent (\$1.7 billion) in 1982, and an additional 7.9 percent (\$1.9 billion) in 1983, as assumed in the President's budget. These figures all assume passage of H.R. 4477, the pay reform bill, without which the pay raises could cost \$1 billion more each year.

FUNCTION 920
OUTLAYS



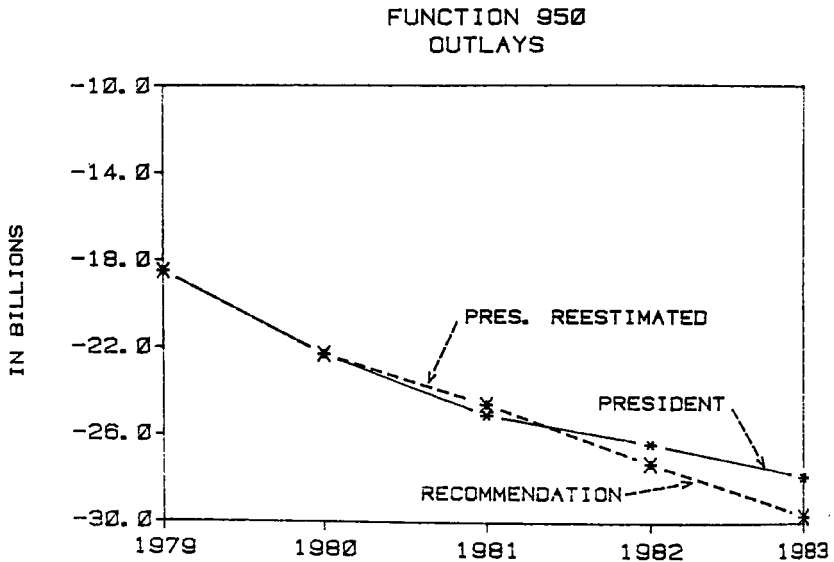
NOTE.—The "President Reestimated" reflects transfer of funds for welfare reform and national health insurance into functions 500, 550, and 600 in the President's budget.

Function 950: Undistributed Offsetting Receipts

Undistributed receipts in this function increase by 21 percent, from \$24.6 billion to \$29.7 billion, between fiscal years 1981 and 1983. This function is composed of intragovernmental and proprietary receipts that are not assigned to any other single function. Intragovernmental receipts are payments from one part of government to another; proprietary receipts come from the public.

The recommendation shows receipts increasing by \$2 billion in fiscal year 1981 over fiscal year 1980, \$2 billion in fiscal year 1982 over fiscal year 1981, and approximately \$3 billion in fiscal year 1983 over fiscal year 1982.

The only significant issue in regard to outyear planning recommendations revolves around the issues regarding the sale of leases of potential petroleum and gas producing tracts on the Outer Continental Shelf. It might be expected that a period of relative energy shortage would increase the attractiveness of OCS lands and produce a higher level of receipts from lease sales, thus yielding greater undistributed offsetting receipts.



APPENDIX D

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 laws 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."

As the President's budget indicates, "they 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 have varied objectives. Nearly all tax expenditures are meant either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances."

The hope of this Committee is that in publicizing the variety of activities and circumstances addressed in the tax code, that Members will appreciate not only the continued growth in such expenditures, but the choice which is being made—conscious or otherwise—among alternate means of achieving the same desired economic goals and social objectives. However indirect, tax incentives are a form of government intervention in the economy and/or the distribution of income. They represent departures from the pursuit of a neutral tax policy.

One does not have to believe that every dollar earned belongs to the government, to acknowledge the immediate impact of foregone revenues on the size of the deficit in any given year. With efforts to balance the budget intensifying and competition for room in the budget as keen, it becomes all the more inevitable that those responsible for coordinating efforts in any area will scrutinize tax policies as carefully as spending practices in choosing between competing national priorities.

Estimates of individual tax expenditures consistent with the statutory definition are prepared by the Treasury Department and by the Congressional Budget Office and the Joint Committee on Taxation (Table 1). Although there is general agreement among these sources, the concept of tax expenditures continues to be an evolving one, and the inclusion or exclusion of any single provision is a matter of continuing controversy.

In addition, the amount of tax expenditures for any given provision is characterized as a rough estimate. For example, all tax expenditure estimates are rounded for convenience to the nearest \$5 million, although few students of this area would agree that this level of accuracy actually exists. Moreover, published lists of tax expenditure estimates caution the user that simple addition of the amounts indicated for each separate provision may lead to inaccurate totals inasmuch as a change in the tax laws affecting any single provision may result in changes in taxpayer behavior or have indirect effects on the computation of tax in other respects. Accordingly, the figures shown in Table 1, and in each function should be used with this caution in mind.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY FUNCTION¹

[Fiscal years, in millions of dollars]

Function	Corporations							Individuals				
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
National defense:												
Exclusion of benefits and allowances to Armed Forces personnel.....							1,470	1,585	1,715	1,850	2,000	2,160
Exclusion of military disability pensions.....							125	135	145	155	170	185
International affairs:							555	600	645	695	755	815
Exclusion of income earned abroad by U.S. citizens.....												
Deferral of income of domestic international sales corporations (DISC).....	1,400	1,470	1,580	1,710	1,850	2,000						
Deferral of income of controlled foreign corporations.....	445	480	520	560	605	650						
Special rate for Western Hemisphere trade corporations.....	5											
General science, space, and technology: Expensing of research and development expenditures.....	1,760	1,930	2,220	2,535	2,825	3,090	35	40	45	50	55	60
Energy:												
Expensing of exploration and development costs.....	1,580	1,815	1,870	2,055	2,290	2,625	610	750	875	1,025	1,205	1,415
Excess of percentage over cost depletion.....	1,160	1,350	1,540	1,660	1,775	1,890	970	1,370	1,600	1,630	1,685	1,860
Capital gains treatment of royalties on coal.....	10	10	10	15	15	15	75	90	100	110	115	125
Residential energy credits.....							460	460	475	505	555	615
Alternative conservation and new technology credits.....	390	495	595	560	160	65	(²)	(²)	(²)	(²)	(²)	(²)
Natural resources and environment:												
Exclusion of interest on State and local government pollution control bonds.....	220	245	270	295	325	355	240	265	290	320	355	390
Exclusion of payments in aid of construction of water and sewage facilities.....	60	110	115	115	120	125						
5-year amortization on pollution control facilities.....	—10	15	55	95	90	75						
Tax incentives for preservation of historic structures.....	10	20	20	20	10	10	25	45	55	55	45	25
Capital gains treatment of certain timber income.....	420	470	535	600	670	755	120	135	150	170	190	215
Capital gains treatment of iron ore.....	10	10	10	10	10	10	10	10	10	10	10	10

Agriculture:													
Expensing of certain capital outlays	75	80	85	85	90	95	430	475	545	565	585	605	
Capital gains treatment of certain ordinary income	20	20	20	20	20	20	385	405	425	445	465	490	
Deductibility of noncash patronage dividends and certain other items of cooperatives	540	590	625	670	710	760	-175	-190	-200	-210	-220	-230	
Exclusion of certain cost sharing payments							30	75		8080	75	75	
Commerce and Housing:													
Dividend exclusion							490	515	530	555	580	605	
Exclusion of interest on State and local industrial development bonds	360	470	595	730	880	1,045	385	505	640	785	950	1,125	
Exemption of credit union income	110	115	125	140	155	170							
Excess bad debt reserves of financial institutions	855	965	1,015	1,090	1,260	1,450							
Deductibility of mortgage interest on owner-occupied homes							12,505	14,760	17,415	20,550	24,250	28,615	
Deductibility of property tax on owner-occupied homes							7,740	8,975	10,410	12,080	14,010	16,250	
Deductibility of interest on consumer credit							3,595	4,240	5,005	5,905	6,970	8,225	
Expensing of construction period interest and taxes	555	585	615	645	710	815	140	160	160	155	135	155	
Excess first-year depreciation	50	50	55	55	60	65	135	145	150	160	170	180	
Depreciation on rental housing in excess of straightline	65	65	70	70	75	75	285	290	295	305	320	335	
Depreciation on buildings (other than rental housing) in excess of straight line	135	140	150	165	185	205	120	125	135	150	165	185	
Asset depreciation range	2,880	3,400	3,940	4,330	4,300	3,935	150	180	125	225	225	210	
Capital gains (other than farming, timber, iron ore, and coal)	715	810	925	1,045	1,190	1,325	13,855	14,885	16,005	17,205	18,505	19,895	
Deferral of capital gains on home sales							1,010	1,110	1,220	1,345	1,480	1,625	
Capital gains at death							4,750	5,085	5,440	5,820	6,230	6,665	
Corporate surtax exemption	115												
Reduced rates on first \$100,000 of corporate income	7,555	7,510	7,890	8,860	9,810	10,680							
Investment credit, other than for TRASOPs and for rehabilitated structures	15,705	16,860	17,730	18,645	20,435	22,690	2,910	3,115	3,295	3,460	3,790	4,220	
Investment credit for rehabilitated structures	120	140	155	170	185	205	60	65	65	65	70	75	
Exclusion of interest on State and local housing bonds	435	890	1,855	3,380	5,450	8,000	230	570	1,305	2,480	4,090	6,080	
Transportation:													
5-year amortization on railroad rolling stock	-40	-40	-40	-40	-20								
Deferral of tax on shipping companies	70	75	75	80	90	95							
Community and regional development: 5-year amortization for rehabilitation of low income housing													
	5	10	10	10	5	(²)	10	15	20	15	10	(²)	

See footnotes at end of table.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY FUNCTION ¹—Continued

[Fiscal years, in millions of dollars]

Function	Corporations						Individuals					
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
Education, training, employment, and social services:							375	400	420	440	460	485
Exclusion of scholarship and fellowship income							1,030	1,045	1,055	1,065	1,075	1,085
Parental personal exemption for students age 19 or over												
Exclusion of employee meals and lodging (other than military)							350	380	410	445	485	525
Employer educational assistance							30	35	40	45	25	
Exclusion of contributions to prepaid legal services plans							20	35	10			
Investment credit for employee stock ownership plans (TRASOPs)	700	740	815	895	1,005	1,135						
Deductibility of charitable contributions (education)	345	360	370	410	470	530	765	885	1,030	1,190	1,385	1,605
Deductibility of charitable contributions to other than education and health	430	450	460	510	580	655	5,725	6,645	7,705	8,940	10,370	12,030
Maximum tax on personal service income							1,265	1,580	1,975	2,470	3,085	3,860
Credit for child and dependent care expenses							820	900	985	1,080	1,185	1,300
Credit for employment of AFDC recipients and public assistance recipients under work-incentive programs	45	50	50	55	60	60	5	10	10	10	10	10
General jobs credit	190	85	25		(²)	(²)	10	40	55	(²)	(²)	(²)
Targeted jobs credit	115	275	240	45								
Health:							12,965	15,215	17,845	20,990	24,450	28,740
Exclusion of employer contributions for medical insurance premiums and medical care							3,585	4,050	4,575	5,170	5,845	6,605
Deductibility of medical expenses												
Expenses of removal of architectural and transportation barriers to the handicapped	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)	(²)
Deductibility of charitable contributions (health)	210	220	230	255	290	325	1,145	1,330	1,540	1,790	2,075	2,405

Income security:

Exclusion of social security benefits:						
Disability insurance benefits.....	685	820	965	1,110	1,280	1,475
OASI benefits for retired workers.....	6,880	8,695	10,560	12,350	14,605	16,885
Benefits for dependents and survivors.....	990	1,205	1,415	1,630	1,850	2,075
Exclusion of railroad retirement system benefits.....	330	380	420	485	560	650
Exclusion of workmen's compensation benefits.....	1,165	1,385	1,645	1,955	2,320	2,750
Exclusion of special benefits for disabled coal miners.....	50	50	50	50	50	50
Exclusion of unemployment insurance benefits.....	2,495	3,110	2,855	2,500	2,135	1,820
Exclusion of public assistance benefits.....	395	450	510	585	665	755
Exclusion of disability pay.....	185	190	195	200	200	205
Net exclusion of pension contributions and earnings:						
Employer plans.....	12,925	14,740	16,805	19,165	21,850	24,915
Plans for self-employed and others.....	2,125	2,520	2,975	3,480	4,035	4,640
Exclusion of other employee benefits:						
Premiums on group term life insurance.....	1,485	1,635	1,795	1,975	2,175	2,39
Premiums on accident and disability insurance.....	90	100	105	110	120	130
Income of trusts to finance supplementary unemployment benefits.....	10	10	15	15	20	20
Exclusion of interest on life insurance savings.....	3,365	3,895	4,505	5,215	6,035	6,980
Exclusion of capital gains on home sales for persons age 55 and over.....	535	590	645	710	785	860
Additional exemption for the elderly.....	1,970	2,070	2,175	2,280	2,395	2,515
Additional exemption for the blind.....	40	40	40	45	45	50
Deductibility of casualty losses.....	590	665	755	850	965	1,090
Tax credit for the elderly.....	135	135	135	135	135	135
Earned income credit:						
Nonrefundable portion.....	415	360	335	310	285	265
Refundable portion.....	1,695	1,570	1,455	1,345	1,245	1,155
Veterans benefits and services:						
Exclusion of veterans disability compensation.....	1,050	1,115	1,185	1,245	1,300	1,355
Exclusion of veterans pensions.....	50	55	60	60	65	65
Exclusion of GI bill benefits.....	160	130	110	90	75	60
General government: Credits for political contributions.....	100	140	100	125	100	140

See footnotes at end of table.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY FUNCTION ¹—Continued

[Fiscal years, in millions of dollars]

Function	Corporations							Individuals				
	1980	1981	1982	1983	1984	1985	1980	1981	1982	1983	1984	1985
General purpose fiscal assistance:												
Exclusion of interest on general purpose State and local debt	3,515	3,900	4,335	4,815	5,360	5,965	2,365	2,625	2,915	3,240	3,600	4,010
Deductibility of nonbusiness States and local taxes (other than on owner-occupied homes and gasoline)							14,665	17,305	20,420	24,095	28,430	33,545
Tax credit for corporations doing business in U.S. possessions	780	860	945	1,040	1,145	1,255	290	250	250	250	250	250
Interest: Deferral of interest on savings bonds												

¹ All estimates are based on the tax law enacted as of Dec. 31, 1979.

² Less than \$2,500,000.

SUM OF THE EXPENDITURE ITEMS BY TYPE OF TAXPAYER,
FISCAL YEARS 1980-85

[In millions of dollars]

	Corporations and individuals	Corporations	Individuals
Fiscal year:			
1980	183,175	44,115	139,060
1981	207,870	48,095	159,775
1982	234,925	52,705	182,220
1983	266,365	58,410	207,955
1984	303,265	65,245	238,020
1985	346,365	73,220	273,145

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 on the use of the totals are explained in the text.

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

APPENDIX E

SUMMARY TABLES

FISCAL YEAR 1981 COMPARISON OF AGGREGATES

[In billions of dollars]

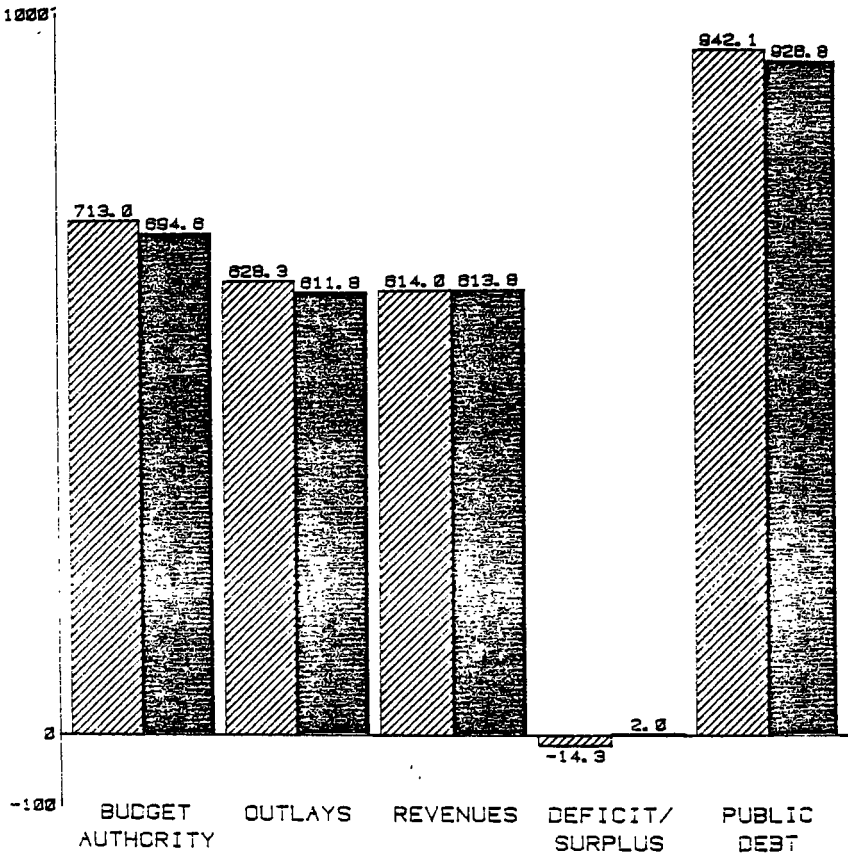
Aggregates	Fiscal year 1979 actual	Fiscal year 1980 Budget Com- mittee recom- menda- tions	President's request			Budget Com- mittee recom- menda- tion
			Jan. 28 budget	Reesti- mated by CBO	Com- mittee views and estimates	
Revenues.....	465.9	528.8	600.0	614.0	600.0	613.8
Budget authority.....	556.7	657.1	696.1	713.0	736.3	694.6
Outlays.....	493.7	567.0	615.8	628.3	642.3	611.8
Deficit/surplus.....	-27.7	-38.2	-15.8	-14.3	-42.3	+2.0
Debt subject to limit.....	827.6	896.7	934.2	942.1	NA	926.8
Credit budget.....	NA	NA	NA	NA	NA	140.2

FISCAL YEAR 1980 COMPARISON OF AGGREGATES



[In billions of dollars]

Aggregates	Fiscal year 1979 actual	2d Budget Resolution	President's request		Budget Committee recommen- dation
			Jan. 28 budget	Reestimated by CBO	
Revenues.....	465.9	517.8	523.8	525.8	528.8
Budget authority.....	556.7	638.0	654.0	659.1	657.2
Outlays.....	493.7	547.0	563.6	567.2	567.0
Deficit.....	-27.7	-29.8	-39.8	-41.4	-38.2
Debt subject to limit.....	827.6	886.4	887.2	896.9	896.7

FISCAL YEAR 1981 - COMPARISON OF AGGREGATES
 BUDGET COMMITTEE RECOMMENDATION VS. PRESIDENT'S BUDGET*
 (IN BILLIONS OF DOLLARS)

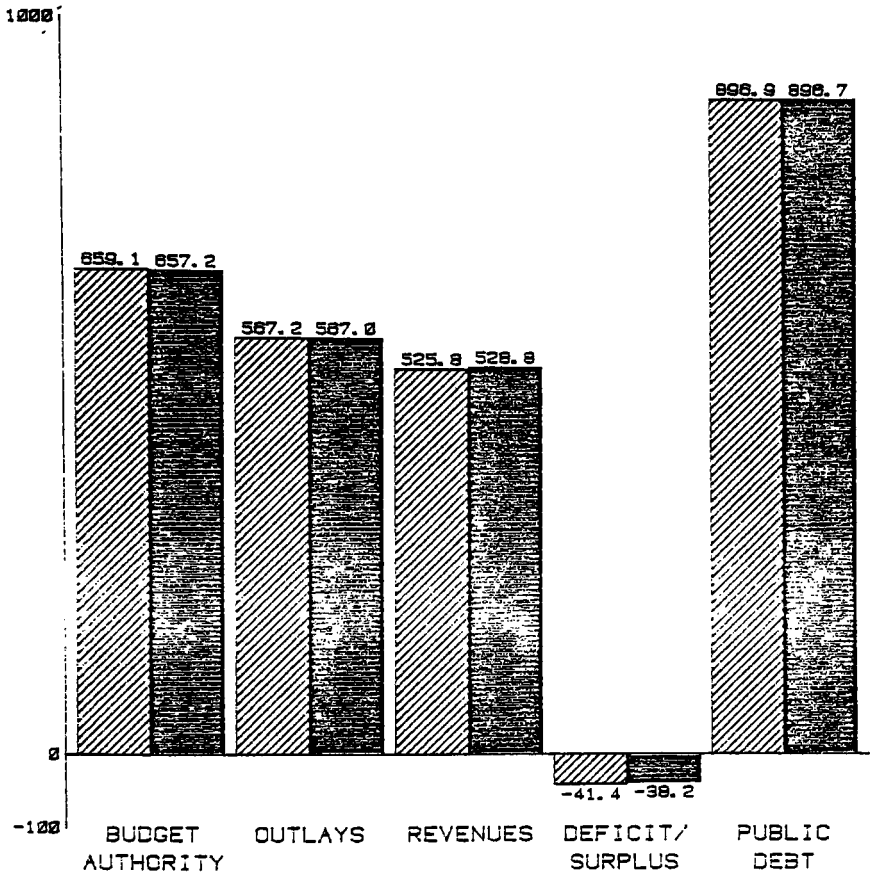


* REESTIMATED BY CBO

 PRESIDENT'S BUDGET
 HBC RECOMMENDATION

FISCAL YEAR 1980 - COMPARISON OF AGGREGATES
BUDGET COMMITTEE RECOMMENDATION VS. PRESIDENT'S BUDGET*

(IN BILLIONS OF DOLLARS)



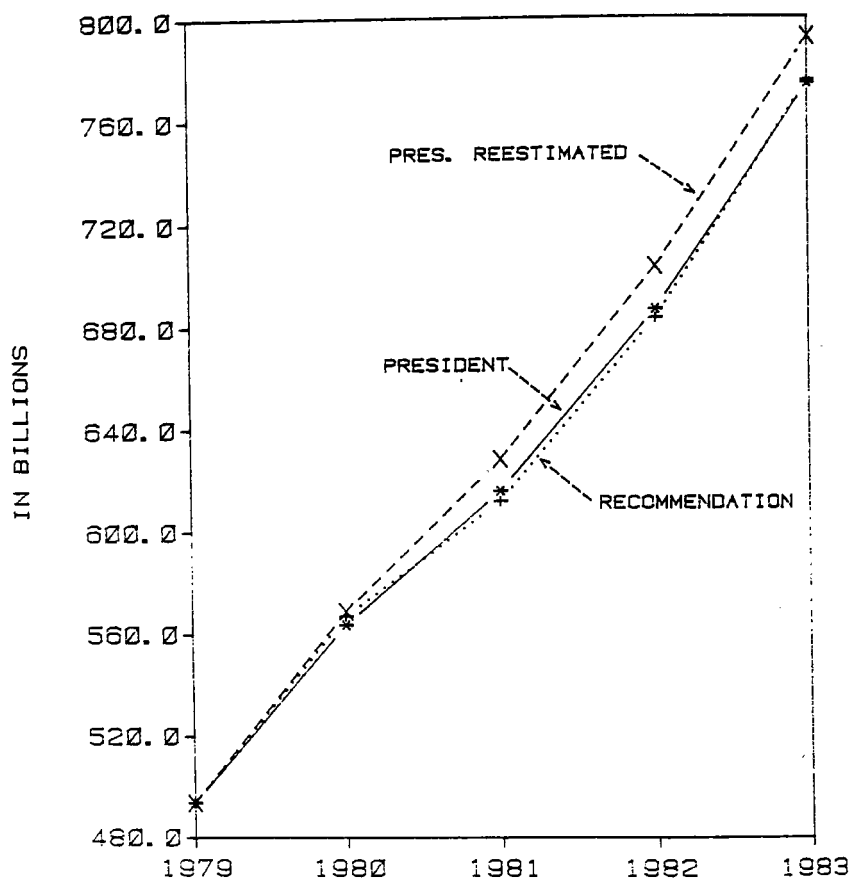
* REESTIMATED BY CBO



PRESIDENT'S BUDGET



HBC RECOMMENDATION

OUTLAYS
FOR ALL FUNCTIONS

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS

[In millions of dollars]

Function	Fiscal year					OMB estimate, 1980 (Jan.)	Revised 2d Reso- lution recomm., fiscal year 1980	OMB estimate, 1981 (Jan.)	Fiscal year 1981 recomm.	Fiscal year 1982 recomm.	Fiscal year 1983 recomm.
	1975	1976	1977	1978	1979						
050 National defense.....	85,552	89,430	97,501	105,186	117,681	130,368	131,700	146,241	147,900	166,500	185,600
150 International Affairs.....	6,922	5,552	4,813	5,922	6,091	10,401	10,100	9,612	9,600	9,800	10,600
250 General science, space and technology..	3,989	4,370	4,677	4,742	5,041	5,889	5,900	6,442	6,300	6,700	6,900
270 Energy.....	2,169	3,127	4,172	5,861	6,856	7,751	6,700	8,107	7,100	10,500	11,700
300 Natural resources and environment....	7,336	8,124	10,000	10,925	12,091	12,776	12,900	12,819	12,400	13,200	13,600
350 Agriculture.....	1,659	2,504	5,532	7,731	6,238	4,636	5,900	2,802	2,300	4,200	5,200
370 Commerce and Housing Credit.....	5,607	3,792	—44	3,324	2,565	5,476	5,400	712	—0.1	2,300	2,300
400 Transportation.....	10,388	13,435	14,636	15,445	17,459	19,631	19,400	20,159	19,500	20,500	22,200
450 Community and regional development..	3,737	4,767	6,348	11,039	9,482	8,467	9,400	8,820	9,400	9,000	9,300
500 Education, training employment, and social services.....	15,870	18,737	20,985	26,463	29,685	30,654	30,300	31,989	30,700	33,900	39,300
550 Health.....	27,648	33,448	38,785	43,676	49,614	56,563	56,500	62,449	61,800	70,100	103,300
600 Income security.....	108,610	127,412	137,915	146,212	160,198	190,948	190,000	219,982	220,100	249,600	274,600
700 Veterans benefits and services.....	16,597	18,432	18,038	18,974	19,928	20,766	20,300	21,731	21,200	22,800	24,400
750 Administration of justice.....	2,942	3,320	3,600	3,802	4,153	4,530	4,400	4,699	4,600	4,500	4,600
800 General government.....	3,135	2,948	3,312	3,737	4,153	4,885	4,400	4,931	4,600	4,700	4,800
850 General purpose fiscal assistance.....	7,187	7,235	9,499	9,601	8,372	8,670	8,600	9,617	6,800	6,400	6,500
900 Interest.....	30,911	34,511	38,009	43,966	52,556	63,330	65,500	67,197	72,200	73,600	76,500
920 Allowances.....						100	900	2,570		1,900	3,600
950 Undistributed offsetting receipts.....	—14,075	—14,704	—15,053	—15,772	—18,488	—22,258	—22,300	—25,119	—24,600	—27,300	—29,700
Total.....	326,185	366,439	402,725	450,836	493,673	563,583	567,000	615,761	611,800	682,900	775,300

Note: Totals may not add to detail due to rounding.

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS AS A PERCENT OF TOTAL BUDGET OUTLAYS

[In millions of dollars]

Function	Fiscal year					OMB estimate, 1980 (Jan.)	Revised 2d Reso- lution recomm., fiscal year 1980	OMB estimate, 1981 (Jan.)	Fiscal year 1981 recomm.	Fiscal year 1982 recomm.	Fiscal year 1983 recomm.
	1975	1976	1977	1978	1979						
050 National defense.....	26.2	24.4	24.2	23.3	23.8	23.1	23.4	23.7	24.2	24.4	23.9
150 International Affairs.....	2.1	1.5	1.2	1.3	1.2	1.8	1.8	1.6	1.6	1.4	1.4
250 General science, space, and technology..	1.2	1.2	1.2	1.1	1.0	1.0	1.0	1.0	1.1	1.0	.9
270 Energy.....	.7	.9	1.0	1.3	1.4	1.4	1.2	1.3	1.2	1.5	1.5
300 Natural resources and environment.....	2.2	2.2	2.5	2.4	2.4	2.3	2.3	2.1	2.0	1.9	1.8
350 Agriculture.....	.5	.7	1.4	1.7	1.3	.8	1.0	.5	.4	.6	.7
370 Commerce and Housing Credit.....	1.7	1.0	-----	.7	.5	.9	1.0	.1	-----	.3	.3
400 Transportation.....	3.2	3.7	3.6	3.4	3.5	3.5	3.4	3.3	3.2	3.0	2.9
450 Community and regional development.....	1.1	1.3	1.6	2.4	1.9	1.5	1.7	1.4	1.5	1.3	1.2
500 Education, training, employment, and social services.....	4.9	5.1	5.2	5.9	6.0	5.4	5.3	5.0	5.0	5.0	5.1
550 Health.....	8.5	9.1	9.6	9.7	10.0	10.0	10.0	10.1	10.1	10.3	13.3
600 Income security.....	33.3	34.8	34.2	32.4	32.4	33.9	33.5	35.7	35.9	35.5	35.4
700 Veterans benefits and services.....	5.1	5.0	4.5	4.2	4.0	3.7	3.6	3.5	3.5	3.3	3.2
750 Administration of justice.....	.9	.9	.9	.8	.8	.8	.8	.7	.7	.7	.6
800 General government.....	1.0	.9	.9	.8	.8	.9	.8	.8	.7	.7	.6
850 General purpose fiscal assistance.....	2.2	2.0	2.4	2.1	1.7	1.5	1.5	1.6	1.1	.9	.8
900 Interest.....	9.5	9.4	9.4	9.8	10.6	11.2	11.6	10.9	11.8	10.8	9.9
920 Allowances.....	-----	-----	-----	-----	-----	-----	.2	.4	-----	.3	.5
950 Undistributed offsetting receipts.....	-4.3	-4.0	-3.7	-3.5	-3.7	-3.9	-3.9	-4.1	-4.0	-4.0	-3.8
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note: Totals may not add to detail due to rounding.

FISCAL YEAR 1981

COMPARISON OF BUDGET COMMITTEE RECOMMENDATION WITH
PRESIDENT'S BUDGET

[In billions of dollars]

		Fiscal year 1981					Differ- ence recom- mendation over (+) under (-) President reest- imate	
		Fiscal year 1979 actual	Fiscal year 1980 budget com- mittee recom- mendations	President's request		Com- mittee views estimate		
				Jan. 28 budget	Reesti- mated by CBO			
050	National defense							
	Budget authority	127.8	142.5	161.8	162.8	175.1	160.8	-2.0
	Outlays	117.7	132.7	146.2	149.3	152.4	147.9	-1.4
150	International affairs:							
	Budget authority	8.7	15.8	16.9	24.6	17.5	24.0	-.6
	Outlays	6.1	10.1	9.6	9.8	10.1	9.6	-.2
250	General science, space, and technology:							
	Budget authority	5.4	6.1	6.9	6.9	6.9	6.7	-.2
	Outlays	5.0	5.9	6.4	6.4	6.5	6.3	-.1
270	Energy:							
	Budget authority	7.4	40.3	7.4	8.0	8.9	7.5	-.5
	Outlays	6.9	6.7	8.1	8.7	9.2	7.1	-.6
300	Natural resources and environment							
	Budget authority	13.2	12.3	13.3	13.3	15.2	12.0	-1.3
	Outlays	12.1	12.9	12.8	13.1	13.8	12.4	-.7
350	Agriculture:							
	Budget authority	9.3	5.9	5.5	5.5	5.6	5.4	-.1
	Outlays	6.2	5.9	2.8	2.4	2.8	2.3	-.1
370	Commerce and hous- ing credit:							
	Budget authority	5.9	10.1	5.9	6.1	6.6	5.1	-1.0
	Outlays	2.6	5.4	.7	.9	1.4	-.1	-1.0
400	Transportation:							
	Budget authority	19.2	21.0	23.6	23.6	25.7	22.8	-.8
	Outlays	17.5	19.4	20.2	20.5	22.0	19.5	-1.0
450	Community and regional develop- ment:							
	Budget authority	10.0	8.7	9.8	9.9	13.8	9.0	-.9
	Outlays	9.5	9.4	8.8	9.9	9.7	9.4	-.5
500	Education, training, employment, and social services:							
	Budget authority	32.6	29.9	34.8	35.0	43.3	33.3	-1.7
	Outlays	29.7	30.3	32.0	32.4	38.8	30.7	-1.7
550	Health:							
	Budget authority	53.9	59.8	71.5	72.2	74.3	71.5	-.7
	Outlays	49.6	56.5	62.4	62.4	64.3	61.8	-.6
600	Income security:							
	Budget authority	191.9	223.0	251.5	254.1	252.4	252.1	-2.0
	Outlays	160.2	190.0	220.0	222.8	221.5	220.1	-2.7
700	Veterans benefits and services:							
	Budget authority	20.5	21.0	22.7	22.1	23.5	21.7	-.4
	Outlays	19.9	20.3	21.7	21.4	22.5	21.2	-.2
750	Administration of justice:							
	Budget authority	4.2	4.3	4.7	4.7	5.0	4.2	-.5
	Outlays	4.2	4.4	4.7	4.7	4.7	4.6	-.1

See note at end of table.

FISCAL YEAR 1981

COMPARISON OF BUDGET COMMITTEE RECOMMENDATION WITH
PRESIDENT'S BUDGET—Continued

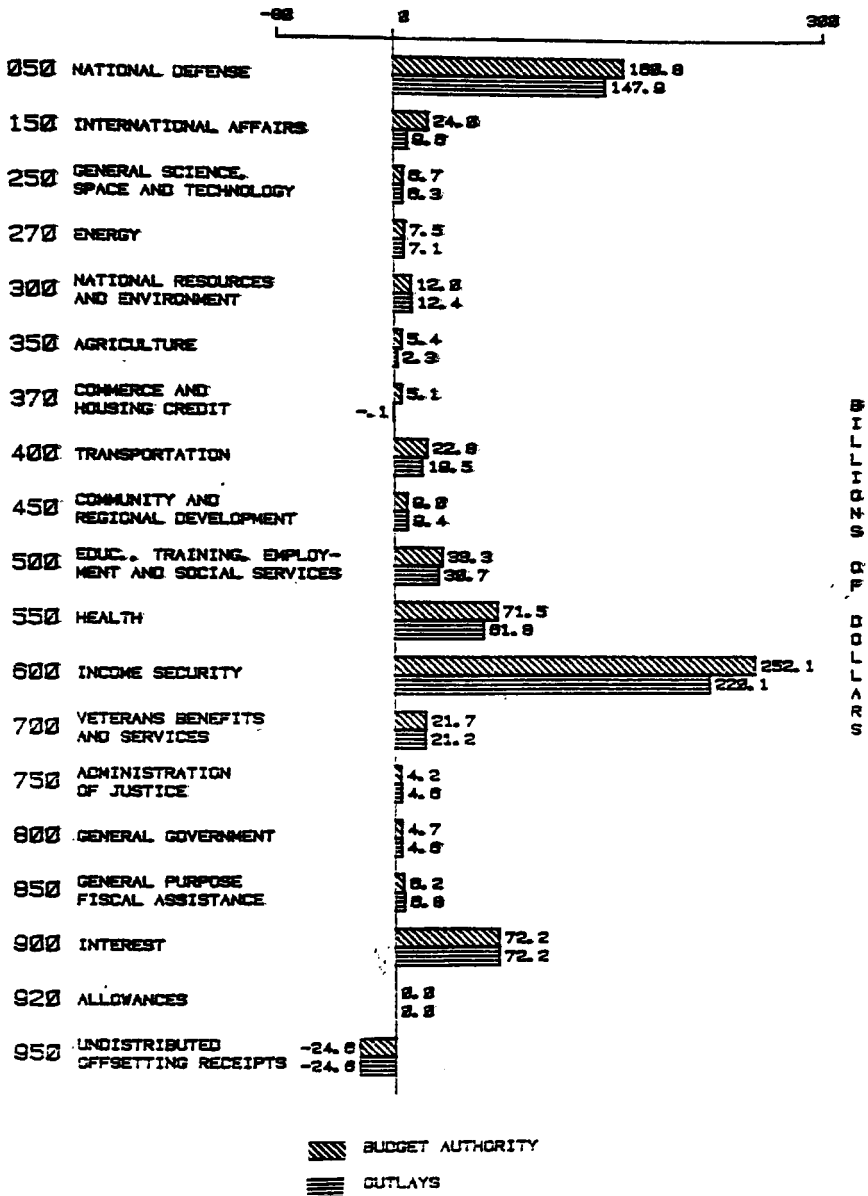
[In billions of dollars]

		Fiscal year 1981					Differ- ence recom- menda- tion over (+) under (-) President reesti- mate	
		Fiscal year 1979 actual	Fiscal year 1980 budget com- mittee recom- menda- tions	President's request		Com- mittee views estimate		Budget com- mittee recom- menda- tions
				Jan. 28 budget	Reesti- mated by CBO			
800	General Government:							
	Budget authority..	4.4	4.5	4.9	4.8	4.9	4.7	- .1
	Outlays.....	4.2	4.4	4.9	4.7	4.9	4.8	- .1
850	General purpose fiscal assistance:							
	Budget authority..	8.3	8.6	9.6	9.6	9.7	6.2	-3.4
	Outlays.....	8.4	8.6	9.6	9.6	10.3	6.8	-2.8
900	Interest:							
	Budget authority..	52.6	65.5	67.2	72.2	67.2	72.2	-----
	Outlays.....	52.6	65.5	67.2	72.2	67.2	82.2	-----
920	Allowances:							
	Budget authority.....		1.0	3.1	2.2	5.8	-----	-2.2
	Outlays.....		.9	2.6	1.7	5.3	-----	-1.7
950	Undistributed offsetting receipts:							
	Budget authority..	-18.5	-22.3	-25.2	-24.6	-25.1	-24.6	-----
	Outlays.....	-18.5	-22.3	-25.2	-24.6	-25.1	-24.6	-----
Total:								
	Budget au- thority..	556.7	657.1	696.1	713.0	736.3	694.6	-18.4
	Outlays..	493.7	567.0	615.8	628.3	642.3	611.8	-16.5

Note: Totals may not add to detail due to rounding.

BUDGET COMMITTEE RECOMMENDATION BY FUNCTION

FISCAL YEAR 1981



FISCAL YEAR 1980

COMPARISON OF BUDGET COMMITTEE RECOMMENDATION WITH
PRESIDENT'S BUDGET

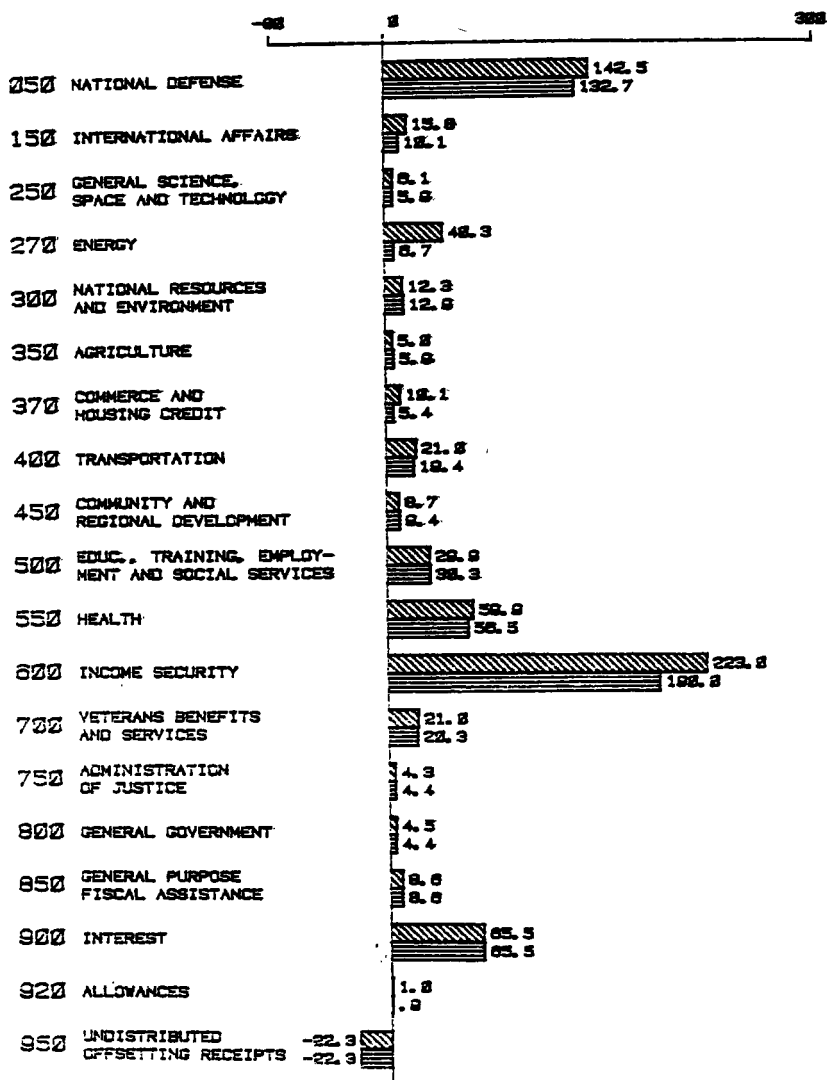
[In billions of dollars]

		Fiscal year 1980				Budget Com- mittee recom- menda- tions	Difference recom- menda- tions over (+) under (-)
		Fiscal year 1979 actual	2d budget recom- menda- tions	President's request			
				Jan. 28 budget	Reesti- mated by CBO		
050	National defense:						
	Budget authority.....	127.8	141.2	141.6	141.6	142.5	+0.9
	Outlays.....	117.7	129.9	130.4	131.8	132.7	+ .9
150	International affairs:						
	Budget authority.....	8.7	13.1	13.1	16.0	15.8	-.2
	Outlays.....	6.1	8.4	10.4	10.3	10.1	-.2
250	General science, space, and technology:						
	Budget authority.....	5.4	5.85	6.2	6.1	6.1	-----
	Outlays.....	5.0	5.7	5.9	5.9	5.9	-----
270	Energy:						
	Budget authority.....	7.4	39.5	41.5	40.8	40.3	-.5
	Outlays.....	6.9	7.25	7.8	6.7	6.7	-----
300	Natural resources and environment:						
	Budget authority.....	13.2	12.6	12.7	12.4	12.3	-.1
	Outlays.....	12.1	11.9	12.8	12.9	12.9	-----
350	Agriculture:						
	Budget authority.....	9.3	5.0	5.0	5.0	5.0	-----
	Outlays.....	6.2	2.55	4.6	5.9	5.9	-----
370	Commerce and housing credit:						
	Budget authority.....	5.9	6.8	10.2	10.1	10.1	-----
	Outlays.....	2.6	2.85	5.5	5.5	5.4	-.1
400	Transportation:						
	Budget authority.....	19.2	19.5	21.0	21.0	21.0	-----
	Outlays.....	17.5	18.6	19.6	19.5	19.4	-.1
450	Community and regional development:						
	Budget authority.....	10.0	8.9	9.0	9.1	8.7	-.4
	Outlays.....	9.5	8.35	8.5	9.2	9.4	+ .2
500	Education, training, em- ployment, and social services:						
	Budget authority.....	32.6	30.9	31.2	30.6	29.9	-.7
	Outlays.....	29.7	31.0	30.7	30.7	30.3	-.4

Note: Detail may not add due to rounding.

BUDGET COMMITTEE RECOMMENDATION BY FUNCTION

FISCAL YEAR 1988

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▨ BUDGET AUTHORITY
 ▨ OUTLAYS

APPENDIX F

FEDERAL AID TO STATE AND LOCAL GOVERNMENT

The Budget Committee recommendations provide \$113.2 billion in budget authority and \$92.9 billion in outlays in fiscal year 1981 for aid to State and local governments. This is an increase in outlays of \$4.0 billion, or 4.5 percent, over the current estimate for 1980. Between 1971 and 1979, the annual growth in Federal grant outlays averaged 14 percent. Table 1 summarizes and compares the levels of Federal support for State and local governments in recent years.

TABLE 1: OUTLAYS FROM FEDERAL GRANT-IN-AID PROGRAMS
(In billion of dollars)

Fiscal year	Total grant programs	Grants to aid individuals	Other grants
1981 Committee recommendation.....	92.9	36.9	55.9
1981 President's budget reestimated ¹	100.0	39.7	60.2
1981 President's January budget ¹	97.2	38.6	58.5
1980 President's estimate.....	88.9	34.2	54.7
1979.....	82.9	28.8	54.1
1978.....	77.9	26.0	51.9
1977.....	68.4	23.9	44.6
1976.....	59.1	21.0	38.1
1975.....	49.8	17.4	32.4
1974.....	43.4	15.3	28.0
1973.....	41.8	14.3	27.5
1972.....	34.4	14.4	20.0
1971.....	28.1	11.0	17.1

¹ The President's budget totals are adjusted to include the administration's welfare reform proposal.

Note: Totals may not add due to rounding.

The decline in the rate of growth in Federal grant outlays in 1979, 1980, and 1981 is the result of the phasedown of outlays of economic stimulus activities funded in the 1975-76 recession and of the current emphasis on Federal budget restraint. Almost 40 percent, \$36.9 billion, of the 1981 grant outlays recommended by the Committee are for programs designed to provide income support and services which directly aid individuals. Examples of such programs are Medicaid and Aid to Families with Dependent Children. The other \$55.9 billion would support State and local public services, capital development projects, and demonstration activities. General Revenue Sharing and Community Development Block Grants are examples of programs supporting these kinds of activities.

Federal grants to State and local governments are estimated to be 15.1 percent of total Federal outlays in fiscal year 1981, just below the 16 percent average between 1970 and 1980. The Committee's estimate of grant outlays by function is compared with the President's January request and the President's budget reestimated in Table 2.

TABLE 2: GRANTS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION—COMPARISON OF PRESIDENT'S REQUEST AND COMMITTEE'S RECOMMENDATION

[In billions of dollars]

	President's January budget	President's budget re- estimated	Budget Committee recommen- ation
050 National defense:			
Budget authority	0.1	0.1	0.1
Outlays .....	.1	.1	.1
150 International affairs:			
Budget authority			
Outlays			
250 General science, space, and technology:			
Budget authority			
Outlays			
270 Energy:			
Budget authority .....	.7	.7	.7
Outlays .....	.7	.6	.6
300 Natural resources and environment:			
Budget authority	5.0	5.3	4.7
Outlays	5.0	5.3	5.2
350 Agriculture:			
Budget authority .....	.5	.5	.5
Outlays .....	.5	.5	.5
370 Commerce and housing credit:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)
400 Transportation:			
Budget authority	15.3	14.9	14.7
Outlays	12.3	13.8	13.3
450 Community and regional development:			
Budget authority	6.7	7.1	6.9
Outlays	6.3	7.0	6.8
500 Education, training, employment, and social services:			
Budget authority	25.4	25.4	24.0
Outlays	23.2	23.3	21.9
550 Health:			
Budget authority	18.7	18.7	18.2
Outlays	17.8	17.8	17.3

See footnotes at end of table.

TABLE 2: GRANTS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION—COMPARISON OF PRESIDENT'S REQUEST AND COMMITTEE'S RECOMMENDATION—Continued

[In billions of dollars]

	President's January budget	President's budget re- estimated	Budget Committee recommen- dation
600 Income security:			
Budget authority.....	38.2	38.4	37.0
Outlays.....	21.2	21.4	20.0
700 Veterans benefits and services:			
Budget authority.....	.1	.1	.1
Outlays.....	.1	.1	.1
750 Administration of justice:			
Budget authority.....	.5	.5	(¹)
Outlays.....	.5	.5	.2
800 General government:			
Budget authority.....	.2	.2	.2
Outlays.....	.2	.2	.2
850 General purpose fiscal assistance:			
Budget authority.....	9.4	9.4	6.1
Outlays.....	9.4	9.4	6.7
900 Interest:			
Budget authority.....			
Outlays.....			
920 Allowances:			
Budget authority.....			
Outlays.....			
950 Undistributed offsetting receipts:			
Budget authority.....			
Outlays.....			
Total:			
Budget authority.....	120.6	121.3	113.2
Outlays.....	97.2	100.0	92.9

¹ Less than \$50 million.

Note: Totals may not add due to rounding. President's budget is adjusted to reflect the administration's welfare reform proposal.

Significant changes from the President's January budget include:

REESTIMATES

- A review of historical outlay patterns by CBO resulted in an estimated outlay increase of \$0.4 billion in function 400, Transportation for Highway Trust Fund programs, a decrease of \$0.3 billion for transportation energy initiatives, and an increase of \$0.3 billion in urban mass transportation program outlays.

- An increase in function 450, Community and Regional Development for the spendout rate of Community Development Block Grant outlays resulted in a reestimate of outlays for that program of \$0.8 billion.

PROGRAM CHANGES

- In function 850, General Purpose Fiscal Assistance, the Committee's recommendation to eliminate the State government share of General Revenue Sharing decreases budget authority by \$2.3 billion and outlays by \$1.7 billion.

- In function 500, Education training, employment, and social services, the recommendation assumes a \$1.1 billion budget authority and \$1.0 billion outlay reduction in CETA job programs.

- In function 400, Transportation, \$0.5 billion reduction in highway program outlays is also recommended by the Committee.

- In function 850, General Purpose Fiscal Assistance the Committee's recommendation not to eliminate funding for antirecession fiscal assistance reduces both budget authority and outlays by \$1.0 billion.

- In function 550, Health, the recommendation also assumes a \$0.5 billion decrease from the President's budget for Medicaid budget authority and outlays.

- In function 600, Income Security the Committee assumes a 1-year delay in the implementation of the cost provisions of the President's welfare reform plan plus an additional \$250 million of legislative savings above those assumed by the administration. The total reduction from the President's budget would be \$1.1 billion in budget authority and outlays.

- In function 750, Administration of Justice, the recommendation assumes elimination of the Law Enforcement Assistance Administration programs, which reduces budget authority by \$0.5 billion and outlays by \$0.1 billion.

- In function 450, Community and Regional Development, the Committee's recommendation to slow the growth of Economic Development Assistance programs reduces budget authority by \$0.3 billion and outlays by \$0.2 billion.

SUPPLEMENTAL VIEWS OF HONORABLE TIMOTHY E. WIRTH AND HONORABLE RICHARD A. GEPHARDT

We support this resolution because it provides for a balanced budget not just in an accounting sense but also from the standpoint of policy.

The present state of our economy is unprecedented in the history of the nation. Seldom has the rate of inflation approached 20 percent, but the latest Producer Price Index increase surpassed that mark and the Consumer Price Index is rising at close to the same pace. Money markets overseas are highly unstable, battering the dollar on an almost regular basis. The balance of payments, while somewhat improved, remains deeply in the red. The unemployment rate has been relatively steady, but productivity is declining and growth in the GNP is dangerously close to the zero level.

Such problems demand forceful action on many fronts. An important move that must be made—and one over which the Congress has the most control and responsibility—is balancing the budget. While such action cannot be considered a panacea for the record-high inflation rates we are now suffering, it is an essential step without which any anti-inflation program would be undermined.

Although most economists agree a balanced budget would lower the CPI by only two- or three-tenths of a percent within the context of existing econometric models, failure to eliminate deficit spending will only further fuel inflation. Cutting back on government spending, on the other hand, limits the amount of stimulating money being injected into the overheated economy. By avoiding the accumulation of further debts by the government, pressure on investment capital can be relieved thereby freeing more for productive uses in the private sector.

Far more significant, however, is the psychological impact of balancing the budget. This effect cannot be measured by econometric models, but it is undoubtedly substantial and positive. By balancing the budget, the Congress can demonstrate it is serious about lowering the cost of living. We can establish the government as the leader in making the kind of sacrifice that is needed from all sectors of the economy if inflation is to be brought under control, thus breaking the momentum of inflationary expectations.

Achieving this goal after twelve straight years of deficit spending poses a serious challenge to the Congress. There are countless ways to balance the budget, and we have been careful to accomplish it in a way that will achieve maximum results for improving the inflation picture and in a way that will be fair and equitable to all groups and individuals.

We believe this budget resolution meets those standards. First of all, it achieves balance primarily by cutting expenditures rather than raising revenues. The advantages of a balanced budget are lost if outlays are not reduced in the process and spending continues unabated

on programs that are inefficient, beyond our means or no longer necessary to the well-being of the nation. Not only would the stimulative effects of Federal spending continue but the psychological impact would be devastating. This approach would imply we are only playing games without being truly serious about controlling the Federal budget and the size of the government as a whole. If the Congress and the rest of the Federal government are not willing to sacrifice, how can we call on all other groups within the economy to join the battle against inflation? If we cannot face the really tough decisions demanded of us, how can we inspire the kind of confidence needed to assure the American people it is worth the fight?

We endorse the action of the Budget Committee in adopting this approach and cutting \$16.5 billion from the President's reestimated budget requests.

Furthermore, we support the cuts that have been made as truly equitable and even-handed, adhering to our conviction that an unfair share of the burden should not be placed on those individuals least able to afford it. The argument has been made by some that these budget cuts have been made solely or primarily at the expense of the poor and the elderly. On the contrary, as the following summary clearly shows, the substantial majority of reductions has been made in areas involving grants to state and local governments, requiring increased efficiency on the part of the Federal government, improving targeting, and slowing down construction projects:

	Amount	Percent
I. State/local assistance:		
*Both general and categorical assistance to State and local governments, such as elimination of State portion of general revenue sharing, the proposed countercyclical assistance program, the law enforcement assistance program, and reduced funding for local public works and economic development.....	\$3.7	22.2
II. Human resources programs:		
*Delaying the effective dates for new human resources programs such as the youth education employment initiative, the child health assurance program, and the fiscal relief for welfare reform.....	1.4	9.0
*Reform of certain human resources programs such as tightening eligibility and benefits for food stamps, public assistance, and low-income energy assistance, and bringing the food stamp and child nutrition programs into line with the once-a-year cost-of-living adjustments now applied to social security.....	1.0	6.0
*Other reductions in human resource programs such as CETA, education assistance, discretionary health, social services and veterans programs; and termination of unemployment benefits for CETA workers and the termination of the Young Adult Conservation Corps.....	2.3	14.0
III. Other reductions:		
*Defense, energy, foreign assistance, natural resources, agriculture; several Federal belt-tightening measures, such as higher pay absorption, a general administration and operating cost reduction; bringing Federal retirees into line with the once a year cost-of-living adjustment now applied to social security recipients; program slowdowns such as water projects, Federal highways, EPA construction grants, and strategic petroleum reserve; elimination of Saturday mail and some portion of bulk mail subsidies, etc.....	8.1	49.0
Total, reductions from President's budget reestimated	16.5	100.0

This breakdown shows not only that less than 30% of the cuts are made in human services programs, but also that the reductions for the most part have been framed in such a way as to minimize the hardship suffered by individuals who depend on these programs for their livelihood. Most savings in human resources programs have been derived from administrative improvements or delay in implementing new initiatives. Those that do affect benefit levels are oriented exclusively toward better targeting to assure the best use of Federal dollars and reservation of our limited resources for those most reliant on the government for assistance.

A final indication of the fairness of this resolution is the fact that no function in the budget is left untouched. In particular, despite overwhelming pressure for large defense budget increases in this time of turmoil in many parts of the world, the resolution would hold the Defense Department to the same efficiencies and delays of unnecessary initiatives that are being demanded of all civilian agencies under the resolution. Without touching the readiness activities, the resolution reflects a \$1.4 billion cut in the Administration's reestimated defense budget request and a \$6.8 billion reduction from DOD reestimates of Fiscal 1981 budget needs.

In conclusion, this budget resolution plots a responsible fiscal course for the nation, and it is imperative that the full House pass it as a statement of our commitment to controlling inflation.

Passage of the resolution, however, will be only the first step. Over the next few months, we will have to translate the policy statement it represents into binding legislation. The time, effort and negotiation that has gone into developing the resolution suggest great potential for implementing it. The resolution is the result of months of careful deliberations within the Budget Committee and throughout Congress, which were recently culminated by eight consecutive days of meetings between Congressional and Administration leaders. A consensus was reached on \$13 billion in spending cuts that are equitable and evenly distributed. The Budget Committee added further reductions that are equally fair and even-handed.

We hope the rest of the House will get behind this effort that was begun by the leadership and the Committee. Numerous special interest groups will feel the pinch of these decisions, and understandably they will fight the cuts. But none of the cuts proposed in the resolutions are to truly protect our economic security and promote the general welfare. Ending that spiral must be our overriding concern if our fiscal decisions are to truly protect our economic security and promote the general welfare.

In that light, we support the budget resolution and encourage all our colleagues to join in passing and implementing it.

ADDITIONAL VIEW OF HON. JIM MATTOX

For the first time in the three years that I have served on the Budget Committee, I am able to support enthusiastically its recommendations. The reason I have supported budget resolutions in the past has been solely because I believed that the budget process was the key to a return to sound fiscal policy. Without the budget process, I believe Congress over the past few years would have gone its merry way—never addressing the fundamental question of fiscal responsibility and restraint. I must admit that on many occasions in the past the prospects were dim and the future bleak. In my opinion, we now have had the courage to embark on what everyone admits is a most difficult road to follow.

If we had unlimited resources, there would be no need for a budget and no need to plan for the future. We do not have an unlimited resource capability. We spend over \$90 billion a year in this country for foreign oil. The high inflation rate has dug deeply into the pockets of every American. Our elderly and poor are the ones who are most hurt because they live on fixed or limited incomes. We must take the appropriate steps to curb inflation.

A balanced budget based upon restraint in Federal spending constitutes a clear signal to the American people and indeed the entire world that the Congress is willing and capable of exercising the self-discipline necessary to reverse the inflationary trends. I am pleased by the Committee's action and its basic thrust because I believe them to be the most appropriate ones. It is a matter of public record that many of the recommendations contained in this resolution were introduced at one time or another by me and several of my other colleagues on the Budget Committee.

For the past three years I have strongly advocated spending restraint. Last year I introduced amendments that would reduce the excessive increases in spending for public service jobs, targeted fiscal assistance, Law Enforcement Assistance Administration, UDAG, and community block grants. In one form or another, the Committee has adopted every one of those amendments. Last year, for example, I proposed an amendment that was euphemistically called the "no new starts" amendment. The purpose of that amendment was to prevent the initiation of any new program without first finding the money out of existing programs. The Committee has adopted this recommendation as well.

On the revenue side, for the two years I have advocated a social security tax reduction and an accelerated depreciation allowance. Both of these tax reductions are highly targeted toward increasing productivity and decreasing inflationary pressure through the reduction of the cost of doing business. The Committee has now accepted these recommendations.

This budget is based upon restraint in spending; that is its fundamental purpose. Every attempt has been made to protect the indigent, the elderly, and the handicapped. This is still a large budget, but it is a balanced and responsible budget. Therefore, I am pleased to support this resolution because what had once been a few voices in the wilderness have now become a two to one majority of the Committee.

JIM MATTOX.

ADDITIONAL VIEWS OF HON. LEON E. PANETTA

This resolution, as reported by the Committee, marks an historic moment in the history of the budget process in the Congress. It is the first time that we have had a balanced budget and a bi-partisan budget in the history of the new budget process under which we operate.

Like any other worthwhile achievement, this one has not come without a struggle—a lengthy and a difficult one. The Committee faced constant dilemmas in choosing the areas to preserve and the areas to cut back. Each of these programs has a constituency that perceives them as effective and this made our work all the more arduous.

This time, though, there were a number of important factors at work. First, many members of the Committee were exceptionally well prepared for the mark-up and thoroughly acquainted with all the key budgetary issues because they had spent weeks together in various working and study groups, looking at areas for reduction. They were ready to propose amendments and ask tough questions. Second, the weeks of consultation with the House and Senate leadership and the administration, in which many committee members participated, helped prepare for the mark-up. Most of the key cuts were already identified, and unrealistic or unachievable proposed cuts were eliminated, leaving a workable, solid list. Third, the Chairman worked closely with all members of the Committee before mark-up, developing consensus where possible, and recommended a balanced budget, thus directing the thrust of the Committee's consideration.

The outcome of all this was a balanced budget, with a productivity tax cut, that is as fair and even-handed as any tight budget can be. The Committee held down defense spending, despite extravagant requests for substantial add-ons. It imposed across-the-board management savings on all civilian agencies of 2 percent, as well as major efficiency savings in the Defense Department. Discretionary programs in each function were subject to close examination and in many cases were cut-back. Almost all new starts were eliminated or reduced. Spendout rates were often slowed down. Only after this process was completed did the Committee look at reform in major programs, as a cost-savings measure.

However, the Committee did not take on these reforms lightly. It has recommended about \$9.0 billion in saving measures that require legislative action in this resolution, proposals that cut across the budget and the committees of the House. Many of these proposals were originally made in the President's January budget, but a number of others came from the work of the leadership group and from individual members of the Budget Committee. Together, these proposals could spell the success or failure of the budget this year.

In order to insure the success of keeping the budget in balance, the Committee took another historic step in its mark-up. It recommended that these savings be reconciled. This is historic not only because it is the first time the House Budget Committee has recommended reconciliation, but because it is the first time reconciliation has ever been invoked in a first budget resolution.

The Committee took the approach of including reconciliation in the first resolution because it believes that this method is fairer to the committees and fairer to the budget process than using reconciliation in the second resolution is. With this approach, committees can be given more than the 10 days provided in the Budget Act for second resolution reconciliation to act on proposals. The reported resolution sets June 15 as the deadline for action, giving committees substantial leadtime to have hearings, consider alternatives, and report legislation. In addition, it insures that the changes in mandatory spending law are made sufficiently before the start of the fiscal year that agencies can issue regulations or make other programmatic changes to be sure the savings begin on October 1. Under the second resolution approach, legislation may be enacted days or a few weeks before the start of the fiscal years, thus undercutting potential savings. Finally, too, the first resolution approach allows the Budget Committee time to fully evaluate the legislative actions that have been taken and incorporate this information into their second resolution marks. Under the second resolution method, the Committees on the Budget have no idea at the time of mark-up whether or how reconciliation will finally be implemented and what precise savings figures will be, leading almost certainly to a third resolution to adjust estimates after action is completed. The approach the Committee took this year is a far more responsible one.

There is no question that not everyone will be happy about everything in this budget. Committees have historically opposed reconciliation; individual members may oppose some of the cuts in the budget. Others may feel that certain programs deserved to be cut further. Short of saying yes to every group, which would put us massively in deficit, the Budget Committee had to make some hard choices and give less or say no to some.

In the end, though, the purpose of this painful process is to help everyone, not just some. The purpose is to balance the budget and send the Nation a signal that the Congress, at least, is ready to tighten its belt and get on with the difficult process of regaining control over runaway inflation. While econometricians may argue about the impact of a balanced budget on inflation, the fact is that they do not take into consideration the impact a balanced budget will have in restoring confidence in the American people that Congress can act. People today simply do not believe that Congress or the Administration has the will or strength to do what is necessary to fight inflation. Everyone has his own villain for why we have inflation and his own special magic solution for how to control it. But unless we in the Congress in the very least provide a balanced budget, there is no way we can credibly begin to consider other strategies. For this reason, I implore my colleagues to put aside their philosophical and partisan differences, recognize the benefits to all Americans of a reduced inflation rate, and support the reported resolution.

ADDITIONAL VIEWS OF HON. ELDON RUDD

At this time of soaring 18 percent inflation, which pushes wage-earners into higher tax brackets while reducing their purchasing power, it is difficult to conceive of a worse time for Congress to consider a \$611.8 billion Federal budget, bringing with it \$48 billion in higher spending and \$80 billion to \$100 billion in higher taxes for our people.

It is a fictitiously balanced budget at ever-higher levels, rather than a budget which cuts spending and reduces the Federal Government bureaucracy below current levels as it should.

It is a budget of ever-higher taxes, increasing Federal tax revenues \$88.5 billion over the estimated 1980 level, and \$147.8 billion over the level of taxation in fiscal year 1979.

Let us not be deceived by rhetoric which tells us that this budget resolution has cut Federal programs on the backs of the poor.

The truth is that this budget has been balanced through higher taxes on the backs of working people, in order to perpetuate higher spending for Federal social welfare programs.

With few exceptions, domestic Federal programs, including all social welfare programs, have been increased above current levels under this resolution.

In fact, the Committee refused to accept numerous very responsible amendments to achieve billions of dollars of cost reductions through needed reforms in the \$10 billion food stamp program, which is growing at an alarming rate.

In most cases, cuts made in this fiscal year 1981 budget were only slight reductions in generous increases in the President's January budget request. There are still very generous overall increases even after the small revisions in a relatively few programs, as the figures themselves adequately show.

The result is that the 25-year record of increasing Federal Government spending and taxation is unbroken by this budget.

The gigantic maze of Federal agencies whose regulations have required nearly 700,000 pages to print, and which add more than \$121 billion a year to consumer prices, will operate with larger budgets and more than 5,000 additional personnel over current levels under this resolution.

This budget is more of the same unwarranted high spending, high taxation, and Big Brother government interference in our everyday lives and private businesses.

The Need for Food Stamp Reform and Reduction

I was personally disappointed by the lack of any positive response by the Committee to the amendments which were offered to reform over-lenient eligibility requirements for food stamps, to set a ceiling on gross income and personal assets for participation, and to help eliminate fraud, waste, and abuse in the food stamp program.

The only effort to achieve legislative savings in this \$10 billion program was a reduction of \$400 million to accommodate annual instead of twice-a-year indexing of the food stamp allotment and standard deduction.

It is unbelievable that this program now has 20.2 million participants—one in every 10 Americans.

Does anyone really believe that one out of every 10 Americans cannot provide their own minimum nutritional requirements without taxpayers paying their food bills?

We cannot accept this premise, which is the position taken by those who will not support responsible, needed reforms in order to bring about significant cost reductions and limits on participation in the food stamp and other Federal social welfare programs.

The House of Representatives and Senate must certainly have the opportunity, through this budget resolution and specific legislation, to vote on proposed cost reductions in food stamp and other welfare programs, with a view to sharply reducing the number of participants so that only the truly needy and deserving are able to receive benefits.

Ever-increasing costs in these and other Federal programs can and must be significantly reduced, in order to break the back of spiralling taxes which threaten to make productive citizens economic slaves of the growing recipient class.

Following is a listing of legislative savings in the food stamp program, which I proposed during mark-up of the fiscal year 1981 budget resolution, but which were rejected by the Committee.

These legislative savings could all be accommodated through amendments to S. 1309, which has been reported by the House Agriculture Committee for action by the full House to amend the Food Stamp Act of 1977.

Savings as a result of these reforms would total \$4.476 billion in the FY 1981 budget:

FOOD STAMP PROGRAM LEGISLATIVE SAVINGS

[In millions]

	Amount of savings	
	Budget authority	Outlay
1. Restore purchase requirement eliminated in 1977.....	\$800	\$800
2. Eligibility revisions.....	700	700
(a) Limit eligibility to those with gross income at the poverty line, plus a 15 percent allowance for work-related activities.....		
(b) Establish purchase requirements at percentage of gross income expended for food by average household of same size and income range, with regional variations as established by the most recent Bureau of Labor Statistics Consumer Expenditure Survey, or 30 percent, whichever is less.....		
(c) Use the Thrifty Diet Plan, with family size, age, and sex of family members taken into account.....		
3. Assets test: Use the assets initially established for Supplemental Security Income (SSI), with a \$1,200 limit on a motor vehicle; a \$15,000 limit on property used in a trade or business essential to self-support of a household; an overall limit on liquid and non-liquid resources (with the above exceptions) of \$1,500 for the household, or \$2,250 for households of two or more persons with a member or members age 65 or over...	522	522

FOOD STAMP PROGRAM LEGISLATIVE SAVINGS—Continued

[In millions]

	Amount of savings	
	Budget authority	Outlay
4. Fraud control: Mandate a photo-identification card, counter-signed warrants, a national application crosschecked, and an earnings clearance system.....	-\$138	-\$138
5. Count as income for eligibility determination:.....		
(a) Income tax rebates.....	-29	-29
(b) Federal energy assistance.....	-300	-300
(c) Any in-kind income which provides food assistance.....	-174	-174
6. Income exclusions: Eliminate student loans and grants (all of which "cannot reasonably and properly be computed") and housing subsidies as exclusions from income.....	-38	-38
7. Work registration:.....		
(a) Restore to age 6 (not age 12) the age of a child which exempts an individual from work registration.....	-20	-20
(b) Strengthen the work registration requirement by permitting States to establish community work experience programs as a condition of eligibility.....	-14	-14
8. Overlap: Eliminate overlap of food stamps with the school lunch program.....	-630	-630
9. Expense deductions:.....		
(a) Retain \$90 per month child care deduction. (No increase as proposed by House Agriculture Committee amendment to S. 1309).....	52	52
(b) Retain \$35 per month medical expense deductible. (No decrease to \$10 deductible as proposed by House Agriculture Committee amendment to S. 1309).....	70	70
10. Standard deduction: Reduce standard deduction from \$75 to \$50.....	600	600
11. Error rate: Correct with 12 percent error rate estimated by GAO in the food stamp program.....	360	360
12. Eliminate from eligibility:.....		
(a) Strikers.....	18	18
(b) College students.....	11	11
Total savings.....	4,576	4,476

Reform and Cost Reductions in Aid for Families With Dependent Children (AFDC)

Had the Committee shown any positive response to responsible proposals for cost reductions in Federal social welfare programs, I would also have offered the following amendments to achieve legislative savings through reform of eligibility requirements and other aspects of the Aid for Families with Dependent Children (AFDC) program.

Savings as a result of these reforms would total \$1.965 billion in fiscal year 1981 Federal budget, and would also result in an additional \$1.965 billion savings for State governments:

AID FOR FAMILIES WITH DEPENDENT CHILDREN (AFDC) LEGISLATIVE SAVINGS

[In millions]

	Amount of savings	
	Budget authority	Outlays
1. Recipient with income:		
(a) Limit gross eligibility to 150 percent of the needs standard.....	-\$35	-\$35
(b) Implement Senate Finance Committee's recommended revision in earnings disregard formula.....	-92	-92
(c) Deduct work-related expenses before earnings exemptions.....	-74	-74
(d) Require eligibility to be redetermined without benefit of earnings exemptions for (1) any individual who has earned income in 4 or more consecutive months, and (2) any applicant or reapplicant.....	-34	-34
(e) Include a standard work-related expense provision.....	-10	-10
(f) Implement Senate Finance Committee's recommendation on unreported earnings.....	-26	-26
(g) Institute 30-day retrospective accounting and monthly income reporting.....	-571	-571
2. Improper beneficiaries:		
(a) Exclude strikers from eligibility.....	-3	-3
(b) Require use of standardized photo-identification card.....	-34	-34
(c) Define "child" as individual below the age of 18.....	-94	-94
(d) Provide 50 percent Federal matching for local law enforcement fraud control costs.....	-2	-2
(e) Implement Senate Finance Committee's recommendations for improved program management (quality control) initiatives.....	-14	-14
(f) Require 3-year residency for aliens prior to eligibility, and require every alien admitted for permanent residence to have sponsor who will contract to support him for 3 years, or to have other means of support.....	-24	24
3. Resource utilization:		
(a) Allow adjustment of overpayments from the grant.....	-24	24
(b) Define available income to include any for which the individual has to file a claim, and shared housing and utilities.....	-155	155
4. Family responsibility:		
Require support by nonneedy person living with welfare family in amount it would cost him to support himself.....	-670	670
Require cross-check with Federal and State income tax agencies to determine if nonneedy person living with welfare family has claimed any members of such family as dependents.		
5. Work requirements:		
(a) Implement Senate Finance Committee recommendations concerning community work and training.....	-29	29
(b) Standardize sanctions against able-bodied employable recipients who voluntarily leave employment, or who refuse to look for or accept employment.....	-14	14
(c) Implement Senate Finance Committee recommendations for work incentive program modification.....	-60	60
Total savings.....	-1,965	1,965

National Defense

In light of the President's solemn commitment to maintain real growth in defense spending, while meeting current force objectives, there is no way that Congress can justify a cut in defense spending below the President's January budget request.

In fact, the President's own request was an estimated \$7 billion below required funding in order to meet current force objectives with no new or expanded programs.

The proposed amounts under this resolution of \$160.8 billion in budget authority and \$147.9 billion in outlays are \$2 billion below the President's budget re-estimate in budget authority, and a cut of \$1.4 billion in outlays below the re-estimate.

The re-estimates of the President's budget were done by Congressional budget staff, since no one yet knows what the President's own re-estimates are.

I believe that Congress should add \$12.6 billion in budget authority and \$8.8 billion in outlays to the National Defense function. Such an increase is entirely reasonable and absolutely necessary in order to maintain the President's solemn commitment to increase our world-wide military capabilities by providing 5.6 percent real growth in fiscal year 1981 defense expenditures.

The summary below spells out the need for this increase in terms of both underfunding of current operations and needed program improvements:

NATIONAL DEFENSE

Additional funding required to maintain 5.6 percent real growth in defense spending while meeting current force objectives in a realistic manner—

	Budget authority	Outlays
1. Correct underfunding for current operations:		
a. Fuel price increases.....	+\$4,500	+\$4,500
b. Maintenance of current naval operations.....	+250	+250
c. Meeting higher than expected inflation in procurement.....	+1,500	+1,500
d. Excessive pay absorption.....	+600	+600
e. Personnel compensation improvements.....	+200	+200
Subtotal: Funds required to maintain President's commitment to 5.6 percent real growth with no new programs.....	+7,050	+7,050
2. Program improvements:		
a. Strategic forces.....	+250	+100
b. Naval forces.....	+1,500	+500
c. Aircraft procurement.....	+2,500	+500
d. Theater facilities.....	+250	+125
e. War reserve material.....	+500	+250
f. Operations and maintenance.....	+600	+300
Subtotal: Funds required to meet current force ob- jectives.....	+5,600	+1,775
Total: Required additional funds to maintain 5.6 per- cent real growth while meeting force objectives in a realistic manner.....	+12,650	+8,825

Underfunding of Current Operations

Fuel Prices—In the area of underfunding, former Defense Comptroller Fred Wacker told the Committee this year before he left office that fuel price increases will drain an additional \$4.5 billion from the Operations and Maintenance account.

At present, the Department of Defense is charging Unified Commanders a price which will drain \$3.4 billion beyond what was planned for FY 1980 out of the O&M account.

Naval Operations.—The Navy has stated that it will need \$250 million in additional funds in order to send two carrier task forces to the Persian Gulf, to carry out the President's stated objectives in that region.

The funds for these two carrier task forces are not in the fiscal year 1981 budget.

Higher Inflation.—The Congressional Budget Office has estimated that inflation is 2 percent higher than its previous inflation estimate. That inflation increase is assumed for military procurement. This means that an additional \$1.5 billion is needed to keep procurement at its current pace, using a 10.9 percent rather than 8.8 percent inflation rate in line with the CBO re-estimate.

Pay Absorption.—The Committee's "Recommendations for the First Concurrent Resolution on the fiscal year 1981 Budget" (March 19, 1980) states that the military's historical pay absorption rate has been 20 percent. The President has included the equivalent of 40 percent absorption of the cost of the pay raise in his fiscal year budget—twice the historical amount.

This cuts back on real growth. The defense budget should include an additional \$600 million to reflect the historical 20 percent pay absorption rate.

Personnel Pay.—The Committee's proposed defense budget adds \$500 million to the President's request for the Nunn-Warner military pay improvement amendment for pilots, submariners, and other critical military personnel.

The Budget Committee's staff's earlier stated estimate was \$700 million to accommodate the Nunn-Warner amendment in fiscal year 1981. I believe this to be a more accurate estimate, requiring the addition of \$200 million in order to provide this incentive pay increase for special skill military personnel.

They are all necessary increases just to maintain the President's commitment to real growth with no new or expanded programs to meet current force objectives.

Needed Program Improvements

In order to meet current force objectives in a realistic manner, program improvements are needed in at least six major areas, requiring an additional \$5.6 billion in budget authority and \$1.7 billion in outlays in fiscal year 1981.

Strategic Forces.—An additional \$250 million in budget authority and \$100 million in outlays is needed for strategic forces. This will bring strategic forces to the level cited by the Joint Chiefs of Staff in their program submission to the Secretary of Defense, in order to implement the President's requested program.

Naval Forces.—If we are to maintain the President's stated commitment to prevent Soviet domination of the Indian Ocean and Persian Gulf region, the fiscal year 1981 budget needs an additional \$1.5 billion in budget authority and \$500 million in outlays for long-lead funding for a separate task force for this region.

There are no added funds in the President's fiscal year 1981 budget to conduct naval operations in the Indian Ocean and Persian Gulf, as recently announced.

Responsible sources indicate it would be ideal to have a separate Naval task force for this purpose, which would take five years to build. Pending this, current U.S. forces, which the Administration has acknowledged are already insufficient, will have to carry out the President's objectives.

Aircraft Procurement.—The President's 1981 budget plan submitted in January, 1979 called for procurement of 639 military aircraft. However, the President's fiscal year 1981 budget has reduced that number by 173 aircraft (a 27 percent cut), bringing his aircraft procurement program 144 aircraft (24 percent) lower than the current 1980 program as approved by Congress.

Aircraft procurement is one of the most critical deficiencies of our current defense program. This is no time to impose further substantial decline in this area.

The Congressional Budget Office analysis of the fiscal year 1981 budget reports that the President's request for aircraft procurement reflects a real dollar decline of \$878 million (10.3 percent), compared to the fiscal year 1980 approved program, and a real dollar decline of \$296 million (3.7 percent), compared to the 1981 plan presented last year with the 1980 budget. The difference in percentage decline of numbers of aircraft, compared to real dollars, is partly attributed to higher unit prices brought on by a lower level of production over the years.

It makes little sense for our Nation to be purchasing less and less combat aircraft—especially since replacement is not keeping pace with the number of aircraft going out of service—at a time when improving and strengthening our overall defense capabilities is being given such great priority.

An addition of \$2.5 billion in budget authority and \$500 million in outlays would restore aircraft procurement to the level of 639 aircraft requested by the President in his original 1981 plan, submitted to Congress 14 months ago.

Theater Facilities.—U.S. theater facilities are in great need of expansion and modernization, particularly at Diego Garcia, Oman, and elsewhere. An additional \$250 million in budget authority and \$125 million in outlays is needed for this purpose.

War Reserve Material.—The Navy has told us that it alone has a 35 percent deficiency in war reserve material—munitions. The fiscal year 1981 defense budget needs an additional \$500 million in budget authority and \$250 million in outlays to start correcting this deficiency. This amount is only a very small portion of the real need, but it is a vitally needed addition to build munitions reserves.

Operations and Maintenance.—Presently there is a serious backlog of needed aircraft and ship overhauls that must be caught up. An additional \$600 million in budget authority and \$300 million in outlays in the O&M account is needed for this purpose.

The backlog of overhauls has recently been increased, because they are being deferred even further so that the current Persian Gulf operations can be funded out of the O&M account.

Again, these are vitally needed funds to repair and modernize ships and aircraft, which are useless to our defense forces in their current state.

The needed additional fiscal year 1981 defense funds outlined here comprise a reasonable, urgent amount in order to start addressing some of our serious military deficiencies. The credibility of our commitment to strengthened U.S. military capabilities rests upon our willingness to back up that commitment with necessary funds.

ELDON RUDD.

ADDITIONAL VIEWS OF HON. LOUIS STOKES AND HON. WILLIAM H. GRAY, III

The Budget Committee, together with the Administration, are entrusted with the important task of setting National priorities, as they relate to the needs of all Americans. The First Concurrent Budget Resolution for Fiscal Year 1981 represents a totally unresponsive, callous, and insensitive approach towards providing for the needs of our Nation's cities and citizens.

In an effort to bring the Fiscal Year 1981 Federal Budget in balance and thereby reduce inflation, the House Budget Committee cut over \$17 billion from the President's January budget. Collectively, these reductions will have the effect of rendering those Federal domestic programs aimed at ameliorating the plight of our Nation's poor and disadvantaged, inadequate and ineffective.

During the hearings which were held in preparation for this Budget resolution, economist after economist testified that a balanced Federal budget would have little or no impact on reducing the rate of inflation, which is presently 20 percent. These same economists have predicted unemployment rates between 7.5 percent and 8.2 percent, with little or very modest growth in productivity for fiscal year 1981. These projections were based on the President's January request, which included a \$16.8 billion deficit, and do not take into consideration the adverse impact of a balanced budget on unemployment and the subsequent lag in productivity. Yet, a majority of the Budget Committee members have chosen to ignore the grim economic realities in lieu of the short-term political solution, a balanced budget.

We are now faced with a budget and a fiscal policy that is based on the notion that we can slow growth and the economy by curbing Federal spending and by edging on economic recession. Yet, a balanced budget will do little to restrain rising oil prices and housing costs, which combined act as the major cause of acceleration in the rate of inflation. Nor will a balanced budget improve our Nation's productivity, which has been relatively stagnant and is projected to decline in 1980. Thus, the long awaited recession that was predicted for 1979 will come to fruition in 1980. The fact is that the poor and the structurally unemployed of our Nation have never really recouped from the recession of 1974-1975. For them, a recession has been a reality for the past five years.

We too, recognize the need for fiscal restraint and responsibility on the part of the Congress. But, if the price of fiscal restraint in 1981 means that we have a budget that is balanced in the backs of the poor, the unemployed and the socially disadvantaged, it is a price that is too high to pay.

Personally, we are appalled and shocked at the trade-off that has been made this year between defense and social programs by the Budget Committee to balance the budget. The Committee's Budget

Resolution for Fiscal Year 1981 recommends budget authority of \$694.6 billion, outlays of \$611.8 billion, revenues of \$613.8 billion and a surplus of approximately \$2.0 billion. Only \$30.7 billion or 5 percent of total budget outlays has been allocated for the function which includes education, training, employment and social services, while the health function will receive \$61.8 billion or 10 percent of total budget outlays. Yet spending for defense represents \$147.9 billion or 24 percent of the total budget outlays allocated for fiscal year 1981. What justification is there for massive spending increases for antiquated nuclear weapon systems, costing billions of dollars, when it is far from clear that our national defense system is inadequate? Conversely, the need for the federal government to subsidize and provide jobs for the disadvantaged is very clear. For example, recent statistics indicate that unemployment among black males is over 9 percent and among black teenagers is nearly 35 percent. Yet, the Budget Committee reduced those resources targeted to these structurally unemployed members of the labor force and recommended deferral of the Administration's new youth employment initiative. How are we to fundamentally improve our long-term productivity and reduce inflation through such distorted priorities?

Most distressing to us as Democratic members of the Budget Committee is that many of our Democratic colleagues have seemingly abandoned the programs and causes that have been the heart and foundation of our party's philosophies. During the deliberations of the Budget Committee and of the Democratic leadership, massive reductions in these programs were agreed to with little or no regard to the party's commitments to our Nation's poor and disadvantaged who, if we may add, have traditionally supported the Democratic Party through the years. We see no rationale nor symbolism in providing a budget surplus of \$5.5 billion, while we as a Democratic Party have not lived up to our promises and commitments to reduce unemployment, to improve health care for our senior citizens, to provide standard housing for all Americans and to provide greater economic parity for our Nation's poor and disadvantaged.

We would hope that this Budget Resolution is not an indication of what American citizens are to expect from the Democratic Party in the next decade. If so, more than symbolism is involved here. What is involved here is the abandonment of this Nation's cities, and its minorities, poor and disadvantaged.

LOUIS STOKES.

WILLIAM H. GRAY III.

DISSENTING VIEWS OF HON. STEPHEN J. SOLARZ

The resolution reported by the House Budget Committee is the first budget resolution I have opposed since the adoption of the budget process. Even though I had hoped to continue my consistent support of the budget resolution, I found that I could not support a resolution which neglects the needs of the cities and the poor and places a disproportionate share of the burden of fighting inflation on those who can bear it the least.

It is with a spirit of compromise that I approached this year's budget resolution. Given an inflation rate of nearly twenty percent, I recognize that the elimination of the deficit is a political precondition for the implementation of a broad anti-inflationary policy. I, like many of my colleagues, am committed to a balanced budget for the next fiscal year. However, I cannot support a budget which is balanced on the backs of the cities and the poor and which refuses to exact the same amount of sacrifice from those more privileged, and demands hardly any sacrifice at all from oil companies receiving record profits.

There should be no doubt as to how the Budget Committee eliminated the projected deficit from the FY 1981 budget. The sizeable surplus in the budget resolution was achieved by massive cuts in needed social programs. Altogether the budget resolution reflects a \$22 billion cut in spending from last year's levels. The President's budget included \$5.5 billion in reductions and the Committee initiated \$16.5 billion of its own cuts.

The largest of the cuts comes in the area of fiscal assistance to the state and local governments. A cut of \$2.3 billion was achieved with the elimination of the state share of revenue sharing and a \$1 billion reduction occurred with the elimination of the countercyclical aid program. The elimination of these programs amounted to a forty percent cut in general cash aid to states and localities.

With many municipalities suffering serious financial problems, it was recognized that this huge cut in aid would result in severe hardships for a good number of cities. The Administration recognized this problem and an amendment was offered to set aside \$500 million in funds to be targeted for distressed areas. Even though, given the magnitude of the problem, I believed that sum of money was insufficient, I supported the amendment. Despite the fact the budget surplus was ten times the amount in the amendment, the motion to add the money was defeated with a phalanx of Republican votes.

It is ironic that as part of an anti-inflationary policy the Budget Committee has chosen to cut deeply into programs that provide fiscal assistance to state and local governments when the loss of this aid will undoubtedly lead to higher prices. The elimination of the state portion of revenue sharing and of the countercyclical programs will

not only mean sharp reductions in aid to state and local governments, it will also mean increases in state and local taxes. Since states and localities are disproportionately funded by sales taxes, the loss of the state portion of revenue sharing and the countercyclical aid program will lead to increases in such taxes. Sales taxes are included in the consumer price index, and the rise in these taxes will soon reflect itself in an increased inflation rate. There is, therefore, no doubt in my mind that the increase in the CPI caused by these increased sales taxes will exceed any positive effects on inflation that a \$3.3 billion cut in federal spending may have.

Aid to states and cities was not the only program area cut by the Committee. Additional substantial and severe cuts were made in other areas. Funding for a welfare reform program which establishes a minimum benefit of 65 percent of the poverty level for all families and provides some fiscal relief to states and localities was postponed again. As a result, for at least another year, a destitute family of four in Mississippi will have to continue to try to survive on \$1,500 a year, and my own city of New York will have to carry a disproportionate share of welfare costs.

In addition to these cuts, the Committee included the following reductions in its resolution:

A reduction of \$450 million in youth employment programs;

A reduction of 50,000 public service jobs, even though the budget resolution anticipates a recession and a rise of over a million in the number of unemployed;

A reduction from current levels of \$800 million for food stamps and child nutrition;

A reduction of \$200 million in low-income energy assistance program which helps poor people cope with the rising cost of energy;

A reduction of \$400 million by delaying the implementation of the Child Health Assurance program which extends medicaid to all children below the poverty level.

None of these painful cuts, which will drastically affect the cities and the poor, had to be made to balance the budget. The budget reported by the House Budget Committee contains a \$2 billion surplus. This surplus is achieved without recommending any reforms in the unwarranted tax breaks that are given to the oil industry. Neither the oil depletion allowance nor the expensing of oil and gas intangible drilling costs have been touched by this resolution, even though these tax loopholes give oil companies a windfall of \$5.2 billion this year at a time when their annual profits have nearly doubled. Given the already large surplus in the budget and the additional potential revenues that can be achieved by reforming the tax laws regarding oil companies, it is clear that we can restore all the cuts that I have listed and still have a balanced budget.

Why then did the Budget Committee reject an amendment I offered which would have restored these cuts and closed some of the

oil companies' loopholes? The reason, I believe, is simple. The Congress is reacting reflexively and unthinkingly to the problem of inflation because it really has no idea what has caused the problem or how to solve it. It is clear that we can restore all the cuts that I have listed and still have a balanced budget.

When I offered an amendment to restore most of these cuts and to include oil company tax reforms in the resolution, that amendment was rejected even though it left the budget with a sizeable surplus. Those who voted against my amendment gave two reasons for their opposition. First they said that the Ways and Means Committee was opposed to tinkering with the tax laws affecting oil companies, and it was unrealistic to include revenues from such reforms in the resolution. Second, they argued that the budget had to be balanced by expenditure cuts and not by revenue increases.

I reject both these arguments. The House Budget Committee in its resolution is proposing that a binding reconciliation procedure be adopted which will force individual committees to follow the instructions contained in the resolution. Under such a procedure, it is just as realistic to expect the Ways and Means Committee to report out a bill closing some oil company loopholes as it is to expect the Education and Labor Committee to report out a bill cutting the school lunch program or the Post Office and Civil Service Committee to report out a bill which reduces the cost-of-living adjustment for federal retirees.

As for the issue of whether the budget should be balanced by cutting spending or increasing revenues, that question was never really in doubt. The amendment that I offered would still have left the budget with more expenditure cuts than revenue increases. It would, however, have substantially changed the balancing formula reflected in the budget resolution which relied almost exclusively on expenditure cuts.

In terms of economics and the effect on inflation, there is no difference between a budget balanced almost exclusively by cuts and a budget balanced by a more even distribution of expenditure reductions and revenue increases. However, in terms of equity and the effect on the cities and the poor, how one balances the budget makes all the difference in the world. That is why I will be offering an amendment to the budget resolution which will restore some of the cuts made by the Committee but which will still leave the budget in surplus. That amendment will be similar to the "Human Needs, Tax Equity and Balanced Budget" which I offered in the Committee and which is attached to these views.

The adoption of such an amendment will leave the budget in surplus and do nothing to undermine the battle against inflation. The adoption of such an amendment will, however, go a long way toward requiring equal sacrifice in that battle.

HUMAN NEEDS TAX EQUITY AND BALANCED BUDGET AMENDMENT

I. SPENDING CHANGES

Add the following to the respective functions:

	Budget authority	Outlay
1. Function 270—Energy: Conservation grants to hospitals and schools: Restore to President's level.....	200	100
2. Function 370—Commerce and housing credit: Post office: Restoration of 50 percent of chairman's cut.....	400	400
3. Function 400—Transportation: mass transit operating assistance: Increase to authorization levels.....	95	95
4. Function 450—Community and regional development: Community development block grants: Restore to President's level.....	160	80
5. Function 500—Education, training, employment and social services: CETA title VI: Restore to President's level.....	500	500
6. President's Youth Initiative: Restore to President's level.....		150
7. Young Adult Conservation Corps: Restore to President's level...	300	200
8. Impact and handicapped aid: To be divided among the programs...	500	300
9. Function 550—Health: Child health assurance program: Restore the program.....	400	400
10. Function 600—Income security: Food stamps: Assume 1-a-year COLA, but nothing else.....	200	200
11. Welfare program: Restore the program.....	850	850
12. Low-income energy assistance: Restore to President's level.....	200	200
13. Child nutrition: Restore President's proposed cut, but move to annual COLA in reimbursement to States.....	300	300
14. Function 850—General purpose fiscal assistance: Targeted fiscal assistance.....	700	700
Total.....	4,800	4,475

II. REVENUE CHANGES

1. Change goal for tax reform proposals \$3.5 billion to \$8.0 billion by adding to the list of tax reform proposals the following:

Repeal of percentage depletion allowance for oil and gas.....	+1.8
Repeal of expensing of oil and gas intangible drilling costs.....	+2.6
Limit interest deduction on personal loans to home mortgages, auto loans, home improvement loans and education loans.....	+2.0

2. Eliminate the following from the tax reform list:

Repeal interest deduction attributable to credit cards.....	+0.5
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DISSENTING VIEWS OF HON. ELIZABETH HOLTZMAN

Although I support the Committee's determination to balance the fiscal year 1981 Federal budget, I cannot support the First Concurrent Resolution on the Budget as reported because I believe that it is a profoundly inequitable document and does not adequately address many of the most significant problems our society confronts, including the need to reduce our dependence on foreign oil.

The cuts called for in this Resolution are concentrated in social programs. Of the \$16.5 billion in cuts most are in areas such as health, employment, income security and environmental protection. As a consequence, the real sacrifices inherent in balancing the budget are not equitably distributed among all income groups. Similarly, the cuts are also not equitable from a geographic point of view. The spending reductions endorsed by this Resolution will hurt financially troubled cities, the Northeast and other areas of the country that have the greatest need for programs that assist those who are dependent upon Federal support. New York State will lose at least one-half billion dollars in Federal aid under this Resolution; New York City could lose approximately \$200 million.

Secondly, the principal justification for balancing the budget is that it will help our efforts as a society to control and then reduce inflation. As the President and others have noted, however, balancing the budget without a significant reduction in our dependence on foreign oil imports will have a marginal impact on inflation. Since it is supposedly an "ant-inflation" budget, it seems inconsistent to me that this Resolution calls for a reduction of approximately \$700 million in energy conservation and low-income energy assistance activities. Similarly, the Resolution does not provide for full funding for mass transit.

Finally, I feel that the Resolution shows that the hard questions about waste in the military budget remain unasked. A thorough evaluation is as valid and as useful a procedure for military programs as it is for domestic programs. I am disturbed, for example, that \$600 million in Pentagon movie-making activities, in civilian (not military) travel, and in other questionable items, remain untouched. A closer analysis of the military budget is not only possible but could reveal other areas where real cost savings can be achieved without jeopardizing the safety of this country and its citizens. Without such scrutiny, we will lose twice because not only will the needs of the elderly, children, the unemployed and our cities be left unattended, but our military expenditures will not be used to best effect, and will not provide this country with the capacity for defense that we have every right to expect.

ELIZABETH HOLTZMAN.

DISSENTING AND SUPPLEMENTAL VIEWS OF HON. PAUL SIMON

The work of this committee to develop a budget that responsibly and effectively controls federal spending has been more strenuous this year than at any time in the history of the Congress. The House Budget Committee, as the first deliberative body to assess and evaluate 1981 priorities for spending, program commitments and fiscal policy, has been given the responsibility for determining the course this Congress will take as it strives towards a balanced budget. The Budget Committee has had to move within a sharply constricted time frame that has required extraordinary efforts from every Member of this Committee. That effort, individually and collectively, has been exemplary in pulling together a budget that represents a rational, first step towards the kind of balanced, fiscally responsible document we all seek. In particular, the leadership exhibited by Chairman Giaimo in steering this Committee towards this end has, in many instances, represented his finest hours of leadership.

Other Members have contributed tremendously to this process. Congressmen Leon Panetta and Timothy Wirth have exerted considerable leadership in assessing the areas in this budget in which cuts could responsibly be made and legislative savings achieved. The work of Dr. Alice Rivlin and the Congressional Budget Office has also been invaluable to every Member of the Committee. And, I compliment the Members of the minority party who, for the first time, have supported the budget resolution and are exhibiting a spirit of cooperation which I hope can be maintained.

With the fine work, long hours, and careful crafting of this, the first Budget Resolution to be reported in balance in 12 years, it is with great regret that I find that it is, at this point, a document I cannot fully support. Despite the best effort of all Members of this Committee, and of Chairman Giaimo in particular, there are areas of slip-page which I feel must be addressed and corrected before this budget is truly in balance. What this budget now achieves in short-run balance, it does at the expense of some long-term priorities. The best estimates of this Committee and the Administration are that unemployment may exceed 7.5 percent in FY '81 and inflation almost certainly will continue to increase beyond the 13.8 percent recorded last year. A balanced budget may directly help mitigate some of those effects. In purely economic terms, it may bring inflation down a few tenths of a percent. In terms of political psychology the effect may be somewhat greater. But, the bottom line of numbers aside, assurances should be provided that this government will support those least able in our society to bear the effects of rampant inflation and an almost certain recession. While this document is in balance in terms of numbers, it is in imbalance in priorities. It requires a disproportionate share of

the burden of reducing inflation to be borne by the poor, the disabled, the unemployed and the young. It assumes that less of the burden of providing nourishment, jobs and training must fall on the shoulders of this government, which has long been dedicated to the protection of the rights of all members of our society. At a time when national defense must by all accounts assume a high priority, this budget assumes no scrutiny of defense programs can be made, no matter how ill-advised, as I believe the MX basing mode research to be. These are less than wholly responsible judgments which I believe cannot result in a wholly responsible or responsive budget document.

I have strongly supported moves from virtually every quarter of this Congress to bring the federal budget into balance. I shall continue to support such an effort. I firmly believe that can still be accomplished and will exert every effort I can to see that the FY 1981 budget truly achieves the kind of responsible balance we all desire.

PAUL SIMON.

**SUPPLEMENTAL VIEWS OF REPRESENTATIVE DELBERT
L. LATTA, JAMES T. BROYHILL, BARBER B. CONABLE,
JR., MARJORIE S. HOLT, RALPH REGULA, BUD SHU-
STER, BILL FRENZEL, ELDON RUDD**

Late into the evening on Thursday, March 20, 1980, the Minority Members of the House Budget Committee voted for the first time to report out a Concurrent Resolution on the Budget. It is not the least bit coincidental that also for the very first time, the Budget Committee reported a balanced budget to the House floor. Let there be no mistake: we have major disagreements over the manner in which this budget has been brought into balance and many of the actual details of the spending program. As they have done consistently in the past, the Majority relies far too heavily on increased taxes and far too little on spending restraint in narrowing the deficit. This resolution refuses to acknowledge that the Defense Department will have to pay \$4.5 billion more for fuel than estimated by the President only last January, meaning that other, high priority defense programs will have to be put aside to keep our planes in the air and our ships at sea. This Resolution merely postpones for a year many social spending programs which should be terminated permanently. We plan to address these issues in a Minority Substitute when the reported resolution reaches the House floor.

On the other side of the ledger, the Minority was successful in providing for a tax cut and defeated numerous amendments aimed at increasing spending. This Resolution addresses, for the first time, the alarming increase in Federal credit activities, both on and off budget, and starts in motion efforts which can bring this problem under control. While we do not agree with the numbers themselves, this Resolution provides spending estimates for 1982 and 1983 so that implications on the budget in future years of seemingly modest new programs can be better appreciated. Lastly, and most important, this Resolution contains reconciliation instructions to the Committees of the Congress mandating expenditure reductions in those so-called uncontrollable aspects of the budget. In short, the Committee has adopted out-right many positions of the Republican Party, and moved far closer to our position on many more.

It is no secret that the recent massive conversions to the cause of fiscal discipline—especially in the White House—were occasioned by the rapid acceleration in the rate of inflation and interest rates. It is interesting to note that the inflation rates of January and February (1980) came as a surprise only to the Carter Administration. After all, it was only two months ago that Carter sent up his 1981 budget containing a deficit he said was \$16 billion but most independent observers set at \$25 billion. Inflation at the time this original budget was designed was in excess of 13 percent, a rate the President didn't

find troubling enough to dictate a balanced budget. Now that the rate has leapt up to 18 percent, he has changed his mind once again (or at least he says he has; two weeks later and we still have only his pledge to support a balanced budget, no details). The increase in the cost of living under Carter has gone from 4.8 percent at the time President Ford left office to a current rate nearly four times as high, and his recently announced program (imprecise as it is) is Carter's fourth major anti-inflation initiative.

The current inflation rate speaks to the success of his earlier efforts. The problem of course, is that all his talk of inflation was not backed up by action; or, more accurately, his talk was backed up by actions which were pro-inflationary rather than anti. Until now, he has not taken the government's overriding responsibility for inflation seriously. He has proposed a long litany of new spending programs (his 1981 budget submitted in January contains new program initiatives totaling \$19 billion in 1981 and \$74 billion in 1983). He has attempted to put the entire burden of inflation on the back of OPEC, even though of last year's 13.3 percent rate of inflation, only 2 percent could be traced to higher energy costs. He likewise neglects to explain how industrial nations such as Japan and Germany can import virtually all their oil needs (99.8 percent and 96.8 percent respectively) and still have lower rates of inflation than the United States (for 1979, Japan—4.2 percent and Germany—5.7 percent rates of inflation). He has continually tried to pin the blame on virtually every group other than his Administration. It is the Congress, he says, who have over-spent. It is the consumer who has gone too deeply into debt, the business who has raised prices and the working man who has tried to keep his wages equal to inflation who are to blame for inflation, not the Executive Branch. So long as he maintains this attitude, the American people and the international financial community are unlikely to take even plan No. 4 very seriously.

BACKGROUND

Using some creative bookkeeping techniques and by imposing a stiff 5 percent surcharge on income taxes, Lyndon Johnson produced a balanced Federal budget in 1969. This feat had last been accomplished during the last year of the Eisenhower Administration nine years before. In the intervening period—the decade of the 1970's—the Federal budget was in deficit each and every year. The Federal Government spent \$353 billion more than it took in during this time, and the cost of living rose by 124 percent. The Federal Government, which spent \$184 billion in 1969, will be expending the taxpayers' dollars at a rate of \$567 billion this current fiscal year, and by this year's end, the national debt will have risen to \$833 billion, an increase of \$451 billion during the decade. In spite of this unprecedented rise in sheer size and scope of the Federal Government, our Nation's security has deteriorated relative to our enemies to the lowest point in our entire history as a country. Most critical, our path has not been one of gradual improvement but rather one of accelerated decline. As we enter the decade of the 1980's, inflation and interest rates have chased each other up to nearly 20 percent, and our defense posture has slipped into imbalance with the Soviets.

We do not contend that all the cataclysmic events of the 1970's can be traced to our lack of a single balanced budget. However, this unbroken string of budget deficits is symptomatic of our lack of discipline, our lack of resolve and our lack of courage as a country. These deficits came from the desire of the Majority Party, which has controlled Congress for 25 straight years, to gratify every wish, desire and demand of a myriad of special interest groups. As a result, we have not saved for the future, nor have we devoted sufficient resources to defending our citizens and our allies against aggression. After watching the Congress of the United States spend beyond its means year after year, the American people have begun to emulate the government by spending more than they too take in, drawing down savings accounts, selling off investments and going ever deeper into debt in a losing battle to keep one step ahead of the ravages of inflation. Our problems have pyramided to the point where even the President and the big spenders in Congress who have presided over and acquiesced in their development, admit that something drastic and fundamental must be done.

The responsibility for our problems—economic, social and international—must rest principally with the Majority Party in Congress and, during the past four years, the Carter Administration, for it is they who passed the laws, appropriated the money and shaped the economic and defense policies which have caused these problems and allowed them to fester and grow. But while the responsibility may be a partisan one, the solution is far too important to be entrusted solely to those who have made the need for such solutions necessary in the first place.

It ought to be a secret to no one that the Minority has consistently called for spending restraint and a balanced budget. On every occasion that a budget resolution has been on the House floor, the Minority has offered amendments to reduce significantly the Federal budget deficit as well as to balance the budget. In every case, these amendments were defeated by the Majority. Now, with the inflation running at 18 percent and the prime lending rate a point higher, the Democratic Party in the Congress and in the White House has acknowledged what we have been saying all along: namely, that the budget must be in balance as an absolute prerequisite to bringing inflation under control. Unfortunately, it is equally clear that the Majority is far from unanimous in its commitment to a balanced budget (moreover, having so little experience to go on, they are not particularly adept at balancing the budget either).

As a result, it is absolutely essential that the Minority take the lead in seeing to it that the budget is indeed balanced and stays that way. Because our commitment to fiscal discipline is so well established, we feel we must take the lead in seeing to it that the Congress lives up to the commitment it has made to the American people. A first step in this direction was taken on March 20, 1980, when we reported a balanced 1981 budget out of the Budget Committee. It is instructive to note that without our votes for this First Budget Resolution, the Committee would have been unable to report out a balanced budget. While this failure could have been used to our partisan advantage, we chose not to do so. We do not, as we will explain, approve of the manner in which this budget resolution produces a balance, but we very much approve of the commitment to balance the budget. We are confident the

Resolution we have reported out of Committee can be improved on the House floor even more than we succeeded in improving it in Committee. The point is, for the first time in the history of the Congressional Budget Act, we are bringing a balanced budget to the floor and we are doing so because the Minority Members of the Committee beat back attempts by some Members of the Majority to restore cuts made in social welfare spending.

Before expanding further on these areas of this Resolution we believe must be changed, it would be inappropriate if we did not acknowledge the support and cooperation we received from the Chairman of the Committee. Because of his support, we were able to provide in the Resolution a \$20 billion tax cut to stimulate capital investment and, therefore, productivity (because this tax cut would begin on January 1, 1981—three months into the fiscal year—and accounting for the induced economic growth, the net revenue reduction in the fiscal year is calculated to be between \$10 and \$11 billion). While this tax cut will barely offset President Carter's new \$4.62 tax per barrel on imported oil, it is a start in the right direction and is provided for in the Resolution only because the Minority insisted that it be included. Also, by delivering the key vote, the Chairman joined a unanimous Minority in beating back—by a tie vote—a move by 14 Majority Members to add in \$500 million in new funding for the city lobby. He also joined with us in a number of other attempts—some successful, some not—to shave spending elsewhere in the budget. Although the Chairman did not support our Minority substitute in Committee and will no doubt oppose it when we offer it on the House floor, his willingness to listen to and compromise with the Minority is a very positive development.

On a related matter, we were distressed to read press reports of what the Budget Committee did when it reported out this First Budget Resolution for 1981. In particular, one major daily began its account by saying the Committee handed President Carter a major victory by reporting out a balanced budget. Nothing could be further from the truth. This budget is balanced because of the hard work of those Budget Committee Members committed to balancing the budget. It is the Members who have to take the political heat which goes along with proposing specific budget cuts and voting against spending increases in popular programs. The President of the United States, with 650 trained analysts in his Office of Management and Budget, has yet to specify how he will propose to balance the budget. At the very time we in the Budget Committee were trying to restrain spending, the Vice President of the United States is promising officials in New York, on the eve of that State's presidential primary, that the President will propose a spending increase of \$500 million in the guise of counter-cyclical grants to cities. It is this increase—accurately referred to by the able Chairman of our Committee as "Jimmy Carter's New York Primary amendment"—which we defeated in Committee and should have produced the newspaper lead ". . . Budget Committee hands President major defeat." Moreover, we are told that the President will not be sending Congress his version of a balanced budget until both House and Senate Budget Committees have reported out budget resolutions and are considering them on the floor. Consequently, rather than contributing to the budget process, he will have managed merely

to confuse and confound an already complex and controversial process in the Congress. Is it any wonder people lose faith in their public institutions when the President declares war on inflation, yet delays releasing the details of his war plan lest it interfere with his personal and highly political objectives in Illinois and New York?

MINORITY SUBSTITUTE

Twice during markup (first at the beginning when the Committee was considering aggregate spending and revenue levels, then at the end of markup) we offered a complete substitute; both times that substitute was defeated on straight party-line votes. Prior to delivering the critical votes needed to report out the First Concurrent Resolution on the 1981 Budget, we made it clear to the Committee that we intended to propose a similar substitute on the House floor.

Compared to the Committee-reported Resolution, our substitute will do the three following things:

(1) It will eliminate from revenues approximately \$8 billion in new taxes now contained in the Committee's revenue assumption. This \$8 billion will not be in the form of an off-setting tax cut, but rather will involve simply not raising these new taxes in the first place (the largest single item is withholding of taxes on interest and dividend payments). Our substitute does, of course contain the same \$20 billion tax cut that we successfully inserted in the Committee's version.

(2) We substantially increase the resources devoted to defense. Specifically, we restore to defense outlays the \$4.5 billion needed to pay for higher fuel prices, and increase budget authority by \$13.4 billion over the Committee to accommodate not only the higher fuel costs, but to fund a major new ship-building initiative.

(3) To offset the lower revenues which will result from not enacting more new taxes, and to cover the increased costs of our more realistic defense program, we put greater restraint on the non-defense side of the budget. In applying this restraint, however, we do not propose any reductions in Social Security benefits for retirees.

In the following sections, we discuss in detail the justification for our position on taxes and revenues as well as our case for a higher defense budget. Several very fundamental differences between our substitute and the Committee are worth discussing here. First, our substitute does not contain a Third Budget Resolution for 1980. While it is quite clear that a Third Resolution is required (the budget as it stands now is already over the ceilings established in the Second Budget Resolution last November) we believe it should be addressed separately and apart from the First Resolution for 1981. Passage of our substitute would wipe out the now-reported Third Resolution for 1980 and require the Budget Committee to report out that resolution separately. The point to make is that the reason we must now revise the current year's budget is that the House refused to support the Senate and House Republican position that reconciliation be used as part of the Second Resolution for 1980 and because the Majority ignored our constant protestations that they were drastically underestimating both the rate of inflation and the likely prevailing interest rates.

Second, the record must be made clear that we unanimously back higher defense spending for one reason and one reason only: it is absolutely essential for the survival of our country. Were this need not so great and not so apparent, the Minority would much prefer to devote the resources now going into defense for larger tax relief and desirable domestic spending programs. However, this is simply not possible. Nothing is a greater and more compelling responsibility of the Federal Government than to provide for the defense of our country and our interests abroad, and as elected officials it is our responsibility to do what needs to be done.

Finally, the Minority substitute begins the process of addressing a major imbalance which has developed during Jimmy Carter's tenure in the White House, namely allowing taxes to rise to their highest level in peacetime, and just a shade less than the all-time record tax burden attained, by necessity, during the height of the Second World War. We believe it is absolutely essential that the balance be restored between the taxpayer and those who benefit from Federal programs. The price we pay for this imbalance is high: we risk serious class divisions when those who work and pay our country's taxes see their real incomes falling because of inflation and higher taxes, yet see non-working recipients of Federal tax dollars protected against inflation. Moreover, inflation and rising taxes combine to eliminate many families' ability to save. As savings decline, so does the pool of lendable funds needed to pay for the capital investments which are needed to create new better-paying jobs. We are paying this price now as we see productivity actually declining and the resulting inflation reaching towards a once-unheard-of level of 20 percent.

This problem is not lost on our Majority colleagues, for they too now want to increase savings and, ultimately, investment and productivity. The problem is, simply put, the savings cannot take place if there is no money to save. The inexorable rise in the tax burden under the Carter Administration has come almost completely at the expense of savings, and nothing short of a commitment to gradual tax reduction can reverse this unacceptable trade-off.

One last note: both the Committee resolution and our substitute include in the revenue total, the implementation of the \$4.62/barrel tax on imported oil. This inclusion is absolutely not an endorsement of that new tax, but rather reflects the reality that the tax has been imposed under existing law (the Budget Act requires that all "current law" revenues be included in the revenue estimate). This new tax will bring into the Treasury approximately \$10.3 billion in Fiscal Year 1981. However, the tax cut the Minority inserted in the Committee-reported Resolution will offset this new tax (remember that our tax cut is \$20 billion on a calendar year basis, with the net cost of this tax cut in Fiscal Year 1981 being \$10-to-\$11 billion). Moreover, the President's authority to impose this oil import tax expires at the end of 1981. Thereafter, the tax cut we enact for January 1, 1981 will continue to provide net tax reductions well after the import tax has been lifted; therefore we are providing real tax relief in 1982 and beyond. Certainly the great body of evidence supports our contention that a larger tax cut than the \$20 billion we included in the Resolution is justified. On the floor, we plan to seek an enlargement of this tax cut and believe we have ample evidence to support our position.

The American people have the right to know that when gasoline prices jump another 10 cents per gallon within the next month or so, they have Jimmy Carter to thank and no one else. As long as he remains in office there is scant possibility that we can remove this new import tax legislatively over a Presidential veto. As an unhappy consequence, the next best thing we can do is to enact a tax cut to at least offset the tax, and hopefully to go even further and provide real, substantive tax relief.

BALANCING THE BUDGET ON THE BACKS OF THE TAXPAYER

It follows from simple arithmetic that budgets can be balanced either by cutting outlays or by increasing receipts. In the case of the Federal government, of course, increasing receipts means increasing taxes. Although the House Budget Committee did make a sincere and laudable effort to cut expenditures, it still relies much more than Republicans would like on higher tax revenues to balance the budget. The result is that both aggregate and personal tax burdens will be at record peacetime levels in 1981. When President Carter took office the Federal tax burden as measured by the ratio of taxes to GNP was 18.5 percent. In 1981 this ratio is expected to rise to 21.8 percent, an increase in the tax burden of almost 18 percent.

Likewise, the overall personal tax burden as measured by the ratio of personal income and social security taxes to taxable personal income was 15.2 percent in 1977. In 1981, the personal tax burden is expected to rise to about 19.3 percent. This represents a 27-percent rise in the personal tax burden over the period.

In just the next year, the aggregate and personal tax burdens are expected to rise from 20.8 to 21.8 percent and from 18.5 to 19.3 percent, respectively. Thus, between 1980 and 1981 alone, both the aggregate and personal tax burdens are scheduled to rise between 4 and 5 percent.

In 1981 total Federal receipts are estimated to rise by \$92 billion. Of this amount, \$39 billion, or more than one-third, will be raised as the result of net new revenue-raising measures initiated during the Carter Administration. Table I shows the sources of these increases.

TABLE I.—THE IMPACT ON FISCAL YEAR 1981 REVENUES OF TAX INITIATIVES DURING THE CARTER ADMINISTRATION

[In billions of dollars]	
Revenue-raising measures:	
Social Security taxes.....	28.7
Windfall profits tax.....	13.6
Inflation-induced "bracket creep".....	15.0
Miscellaneous.....	11.7
Total.....	69.0
Revenue-reducing measures:	
1978 Tax Reduction Act.....	-25.1
Miscellaneous.....	-4.8
Total.....	29.9
Net tax increases.....	39.1

On a more personal level, we have computed what the impact of the interaction of inflation and legislated tax increases has been on the tax burdens of some representative families whose income is assumed to increase each year at the rate of inflation. The results are set out in Table II. What this table illustrates is that even if incomes keep pace with inflation, most households have suffered a loss in real after-tax earned income in each year of the Carter Administration. The cumulative loss in real, after-tax earnings ranges between 4 and 6 percent for the representative households. In addition the cumulative rise in the personal tax burdens of these households are from 20 to 34 percent.

In summary, while Republicans applaud the efforts to balance the budget, to achieve it by ever-higher tax burdens on the working population will, in the long run, will be destructive of a healthy economy and continued balanced budgets themselves.

TAX BURDENS ON REPRESENTATIVE HOUSEHOLDS, 1977-81

[1977=100]¹

	1977	1978	1979	1980	1981
Single earner:					
Gross income.....	\$14,000	\$15,260	\$17,290	\$19,300	\$21,210
Legislated tax.....	2,737	3,104	3,705	4,310	4,998
(Bracket creep).....	(NA)	(90)	(173)	(174)	(152)
Cumulative inflation tax.....	NA	1,004	2,585	4,114	5,509
Net real income.....	11,263	11,152	11,000	10,876	10,703
Family of 2, 1 earner:					
Gross income.....	16,000	17,440	19,760	22,050	24,230
Legislated tax.....	2,756	3,120	3,766	4,347	5,048
(Bracket creep).....	(NA)	(77)	(223)	(151)	(142)
Cumulative inflation tax.....	NA	1,182	3,043	4,858	6,518
Net real income.....	13,244	13,138	12,951	12,845	12,664
Family of 4, 1 earner:					
Gross income.....	18,000	19,620	22,230	24,810	27,260
Legislated tax.....	2,794	3,181	3,912	4,566	5,368
(Bracket creep).....	(NA)	(91)	(282)	(192)	(202)
Cumulative inflation tax.....	NA	1,357	3,485	5,556	7,439
Net real income.....	15,026	15,082	14,833	14,688	14,453
Family of 2, 2 earners:					
Gross income.....	21,000	22,890	25,930	28,940	31,800
Legislated tax.....	3,976	4,500	5,407	6,266	7,337
(Bracket creep).....	(NA)	(116)	(291)	(238)	(293)
Cumulative inflation tax.....	NA	1,518	3,905	6,222	8,312
Net real income.....	17,024	16,872	16,618	16,452	16,151
Family of 3, 2 earners:					
Gross income.....	30,000	32,700	37,050	41,350	45,440
Legislative tax.....	6,515	7,429	8,524	10,061	11,851
(Bracket creep).....	(NA)	(270)	(0)	(538)	(559)
Cumulative inflation tax.....	NA	2,087	5,427	8,587	11,413
Net real income.....	23,485	23,184	23,099	22,702	22,176

¹ Inflation rates assumed in the table are the actual CPI of 9 and 13.3 percent for 1978 and 1979, and the current CBO forecasts of 11.6 and 9.9 percent for the CPI in 1980 and 1981 respectively.

NATIONAL DEFENSE

The Minority Members have agreed to report the First Concurrent Resolution for fiscal year 1981 despite the fact that it establishes an unsatisfactory target for the level of defense expenditures. The Minority Members adopted this course of action simply because it was apparent that further debate and voting on the question of the defense budget would have resulted in no satisfactory change within the Budget Committee. The record of the Committee's deliberations confirm this point. There were seven amendments offered by Majority Members with the intention of reducing the defense budget by amounts ranging from \$75 million to \$465 million or more. There were three amendments offered by the Minority with the aim of increasing defense spending. All of these amendments were defeated. Thus, the Minority Members desire to state their view that the level of funding established for national defense is inadequate and they intend to seek a correction during Floor consideration of the Resolution.

We are acutely aware of the fact that higher defense spending must be financed by taxes, assuming that we cannot allow ourselves to continue the unhealthy habit of deficit spending. Such a situation is well justified, however. The primary responsibility of the federal government is to provide for the common defense. The defense posture which we require is the direct result of the challenges posed by other nations. If we desire to maintain our capacity to achieve those objectives which have characterized our defense posture over the last thirty years, and if the ability of other nations to prevent us from achieving those objectives have grown significantly, then we must accordingly increase the share of our resources which we devote to our national security. We cannot claim that we desire to maintain our independence, our economic standard of living, and our position as the ultimate guarantee of the freedom of the world's democratic nations if we make our commitment contingent upon this country's level of unemployment or the level of its consumer price index or the amount of funding allocated for social welfare programs. The use of any methodology which primarily ties the level of spending for national defense to domestic considerations is naive and dangerous. Only when other nations are completely convinced of our determination to meet our responsibilities in the field of national defense can our allies maintain their past levels of confidence in our leadership and will our adversaries realize that they have no useful alternative but to embark upon serious and equitable arms control negotiations which enhance global stability.

Accordingly, when the President indicated less than two months ago that he committed himself both to the citizens of this country and to the world to increase our real spending for national defense spending by 5.4 percent after inflation had been taken into account, the Minority Members were extremely pleased that the Administration seemed to understand that a policy of growing national weakness should be avoided. The Minority Members also recognize, however, that the dollar levels originally associated with that commitment must now be considered inadequate because the pricing estimates under-

pinning them were faulty. Specifically, the inflation estimates for the procurement of hardware were too low. The estimates for fuel prices were too low by almost 40 percent. Also, the President's budget proposal assumed extremely low levels of operations in the Indian Ocean area. The Minority Members believe that continuation of the deployment of two carrier task forces is appropriate and should be fully funded. Moreover, the President would have cut back on the proposed level of real growth by absorbing about 40 percent of the annual comparability payraise for defense employees out of funds provided for other parts of the defense program. Finally, the President's level did not provide sufficient funds to resolve the main problem currently facing the readiness of our military forces, namely our inability to retain skilled military personnel. The Congress presently has before it legislative proposals aimed at resolving this problem and the Minority Members support such efforts. They require additional funds beyond what the President recommended and the House Budget Committee assumed (because the latter would decrease other parts of the defense program in order to provide some of the needed funds).

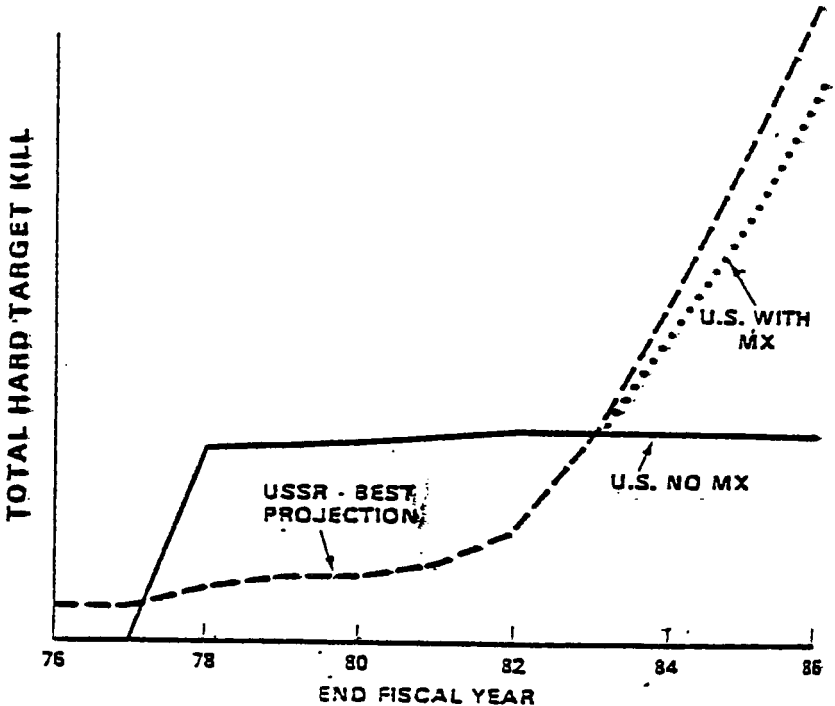
Unfortunately, however, our national defense posture is confronted by greater problems than those represented by poor technical estimates of price levels and by differing assumptions regarding the absorption of pay costs. The major problem is that the President's proposed level of real growth, while it represents a recognition of the dangers of a policy of national weakness, is inadequate to redress the failures of this Administration and the Congress over the last few years. To be specific, we will refer first to the case of our strategic forces. In 1976, President Ford proposed to the Congress that the United States move ahead on an accelerated basis with the development and deployment of the M-X and Trident II missiles, and the B-1 bomber, in order to avert an unfavorable balance in strategic nuclear forces by the early 1980's. Such a step was considered necessary because of the nature of the United States defense strategy. That is, in the 1950's, our defense strategy was to rely on the threat of "massive retaliation" as the way to deter other nations from initiating even low levels of conflict. By the 1960's, however, when other nations had begun to develop strategic nuclear capabilities of considerable importance, the United States moved to a strategy of "flexible response" whereby we could provide a creditable defense at any level at which a conflict might be initiated and still maintain the capability to move to a higher level of conflict at which we held an advantage.

But in the late 1970's this situation of a relative advantage for the United States has begun to change significantly as the result both of the Carter Administration's deferral or cancellation of the needed strategic force initiatives and the greater-than-expected progress of the Soviet Union. The charts below tell part of the story.

In its final recommendations to the Congress regarding its proposals for accelerating the M-X and Trident II missiles so that the United States could maintain its favorable position in strategic forces, the Ford Administration presented the following chart. It was intended to show that failure to adopt President Ford's recommendations would result in the United States' falling behind the Soviet Union in its

ability to destroy "time urgent hard targets," one of the measures used in determining the balance of strategic nuclear forces. The targets in question are those hardened ones which are important in the conduct of early military operations if hostilities should occur.

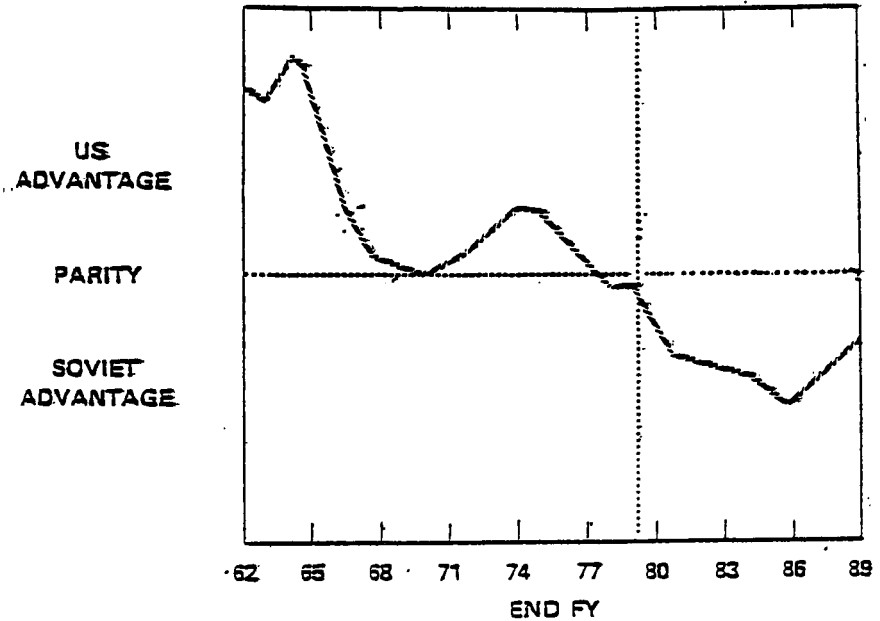
FORD ADMINISTRATION VIEW OF
TIME URGENT HARD TARGET
DESTRUCTION CAPABILITY



NOTE: ONLY MISSILE SYSTEMS WITH A HIGH PROBABILITY OF
 HARD TARGET KILL (0.7 OR BETTER) ARE INCLUDED.

In its latest recommendations on the defense program, on the other hand, the Carter Administration has shown the deterioration which has characterized this portion of our national security capabilities, as set out below.

**CARTER ADMINISTRATION VIEW OF
STRATEGIC FORCES* HARD TARGET
KILL POTENTIAL (RATIO COMPARISON)**



* TOTAL ACTIVE INVENTORY
WITHOUT BACKFIRE
SAL CONSTRAINED
CURRENT PROGRAMS ON SCHEDULE (MX, TRIDENT, ALCM)

— TIME-URGENT HARD TARGET
KILL POTENTIAL

The above charts are not intended to show that this growing imbalance in one measure of relative strategic capabilities will by itself invite conflict. It does, however, raise serious questions about the deterrent capabilities of our strategic forces which have been the ultimate underpinning of our defense posture over the last thirty years. We should also keep in mind that similar trends are occurring in other aspects of the military balance, such as in the case of other measures of strategic forces as well as in theater nuclear forces and naval forces. These changes in the military balance should come as no surprise, given the unilateral cutbacks in our defense program by the Carter Administration. Besides delaying M-X program and canceling the B-1 bomber, the Carter Administration proposes to halt the Trident II missile program after fiscal year 1981. Also, it has stopped production of Minuteman III missiles, decided not to produce the enhanced radiation warhead, and cut in half the naval shipbuilding program proposed by President Ford. These decisions to slow down or cancel the needed modernization of U.S. forces have given added importance to the fact that the United States has decreased its level of defense spending considerably over the last fifteen years (as we have decreased the share of GNP devoted to defense spending from over 8 percent per year to about 5 percent per year) while the Soviet Union has increased its spending on defense by about 4 percent per year in real terms. As a result, the Soviet Union now spends about 50 percent more per year on defense than the United States. Its spending on defense investments (including research, development, and procurement) exceeds ours by about 75 percent per year. It spends twice as much on strategic nuclear forces.

Finally, these adverse trends in military spending are exacerbated by problems we face in our own military program. Spare parts for our front line fighters, for example, are in such short supply that about 50 percent or more of all supply requisitions on grounded Air Force aircraft like the F-15, A-10, F-4, A-7, and F-111 are filled either through cannibalization of other aircraft or withdrawal of spare parts from war reserve stocks. In the Navy, we would require an additional \$1,000 Million in fiscal year 1981 to allow us to make up for 20 percent of the deficiency in our peacetime and war reserve stockpiles for weaponry and other items to be consumed in combat, according to testimony before the House Armed Services Committee. Yet we are providing only \$10.3 million towards that end in fiscal year 1981.

The Nation must recognize that our military posture, relative to the capabilities of potential adversaries, is not as strong as it has been or as strong as we would like to think it is. In fact, it is questionable whether it is at all adequate. The Minority Members of the Budget Committee find the deteriorating situation to be unacceptable and we will devote our efforts to correcting it. Only if we turn the current situation around can our allies rely on us as firmly as they should and will our potential adversaries recognize that they have nothing to gain by continued increases in their defense expenditures. Furthermore, our current policy of weakness undermines all chances of serious arms control negotiations as we signal to potential adversaries that unilaterally we will cancel or defer major force initiatives without demanding clearly defined quid-pro-quo.

In view of the above considerations, the Minority Members of the Budget Committee state their intention to propose an alternative defense budget which aims at an adequate national defense posture.

OFF-BUDGET SPENDING AND HONEST BUDGETING

For the past two budget resolutions, Republicans have succeeded in adding a statement to the resolution, which if included this time, would read as follows:

The Congress reaffirms its commitment to find a way to relate accurately the outlays of off-budget Federal entities to the budget. The Congress recognizes that by law the outlays of off-budget Federal entities are not reflected in the budget totals, and that in fiscal year 1981, off-budget outlays (and, hence, the off-budget deficit) are estimated to be \$16 billion.

When we made our routine motion to include this language in the present resolution we were met with incredulous consternation by the Majority.

We have a confession to make. We honestly hadn't foreseen the shock this amendment would make on a party which, for the first time in twelve years, is faced with the prospect of producing a budget with an apparent surplus. We apologize for our naivety; we sincerely hope our Democratic colleagues have recovered.

Nevertheless, the fact remains that the off-budget deficit is both large (\$16 billion) and real. The impacts of outlays made off-budget are no different than those made from within the unified budget. Despite study after study—including studies by the House Budget Committee's Task Force on Budget Process—concluding that off-budget spending ought to be abolished and that off-budget agencies should be brought into the unified budget, the deficit of off-budget agencies continue.

And, not only does the deceit continue, but so does the growth in off-budget spending. For four years, after the adoption of the unified budget in 1969, there were no off-budget entities, hence, there was no off-budget spending. But since 1973, the figure has grown from \$60 million to the estimated \$16 billion in 1981. In fact, when the President first submitted his 1981 budget in January, he proposed an off-budget deficit of \$18.1 billion, which was actually \$2 billion more than the official, so-called unified, budget deficit.

By not including the traditional off-budget spending language, the present budget resolution represents a major step backwards for honest budgeting.

THE THIRD BUDGET RESOLUTION FOR FISCAL YEAR 1980

Grafted onto the budget resolution which the Congress will consider is a rather important item—the third budget resolution for 1980. We are very disturbed over the proposed third resolution for several reasons:

The institutionalization of third budget resolutions

The piggybacking of third budget resolutions onto first budget resolutions
 The 1980 budget figures in the third resolution.

In this section, we discuss these concerns and others related to the proposed third resolution.

The Institutionalization of Third Budget Resolutions

This is the third year in the past five years that a third budget resolution is "needed." This is a dangerous trend because it drives a major wedge into one of the major purposes of the Budget Act of 1974, namely, that the second resolution is supposed to be binding. To develop a pattern of revising second budget resolutions makes a mockery of the congressional budget process.

One of the basic components of the Congressional budget process as provided in the Budget is the timetable that is intended to provide discipline to previously chaotic fiscal policymaking. First and second budget resolutions were formally established as part of this timetable. The first resolution, to be adopted in the spring, was to set "targets" for upcoming spending legislation. Then, in the fall—after the spending bills had been enacted—a second, supposedly binding, budget resolution is to be adopted. This is not the ideal arrangement; in our Minority Views on the second budget resolution for 1980, we said:

One of the basic flaws in the Congressional budget process is that the first budget resolution, coming before the Congress considers any spending measures for the budget year, is not binding, whereas the second budget resolution coming after consideration of spending measures, is binding. Predictably, this procedure has made the first resolution a political process and the second resolution an adding-up process (the spending measures are simply summed to arrive at the totals).

(Report 96-435, p. 295).

Nevertheless, this less-than-ideal procedure could provide a modicum of fiscal discipline on the Congress.

However, by ignoring the spirit and intent of the Budget Act with respect to the binding nature of second budget resolutions, the Democrats have made a mockery of any remaining discipline in the Budget Act.

To be sure, the Budget Act does provide that second resolutions may be revised, but the intent—and this is quite clear in the legislative history—was that revisions be undertaken as a result of unexpected, unanticipated, real needs. Such changes were expected to be necessary only occasionally, if not rarely, and certainly not routinely as they have become.

The "need" for the present third resolution does not stem from any such criteria. It stems from a wholly unrealistic second resolution, which was put in place, following an almost equally unrealistic first resolution. When the Budget Committee was considering both the first and the second resolutions for 1980, we Republicans strenuously

objected to the assumed economic assumptions. We also objected to what we perceived as unrealistic assumptions regarding legislative savings (cuts in spending resulting from changes in current law).

We would now like to have been wrong then; as it turns out, we were right. In fact, not only were we right, but we actually understated the problem.

The institutionalization of third budget resolutions, combined with the adoption of overly optimistic—some might say phoney—first resolutions, adds a major dose of politics to the budget process. While no congressional procedure can be void of political considerations, a strong congressional budget process cannot be so dominated. Unfortunately, this is precisely what has happened, and the trend is in the direction of increased politicization of the relatively new budget process.

Under the control of the Majority Party, what happens is that spending increases keep rolling in part because the Congress has become aware that the first, "target" budget resolution only sets targets, violations of which carry no sanctions whatsoever. Furthermore, the second resolution, which is supposed to be binding, is perceived by big spenders as no stronger than the first resolution. Conveniently, the second resolution would normally be adopted just prior to the politically important month of November, so that Members can often vote for an unrealistically low, "binding" budget just prior to elections, after which they return to face the music of a third budget resolution. Facing the music of a third resolution is not all that bitter, however, because the third resolution is "piggybacked" onto the first resolution for the upcoming budget year, as described in the following section.

Piggybacking Third Resolutions Onto First Resolutions

Consideration of third budget resolutions has never been as was intended in the Budget Act. Democrats have found it convenient to "piggyback" third resolutions onto first resolutions. This tactic successfully avoids a separate vote on third resolutions. Under this tactic, the third resolution is relegated to a separate title in the first resolution, and is portrayed as a "revision" of the second resolution.

We understand fully the reasons behind this parliamentary maneuver and we deplore its use. As noted above, the intent of the Budget Act was to have a truly binding second resolution, changeable only under exceptional circumstances. What has evolved instead, has been a routine practice of undermining an already weak budget process.

We believe that third resolutions ought to be considered separately. When we offer the Republican budget substitute on the floor next week, we will exclude any reference to a third budget resolution for 1981. Our position is that any third resolution must be considered separately, as was envisioned by the framers of the Budget Act.

The 1980 Budget Figures in the Third Resolution

Budgets change over time; that is to be expected. But for 1980, the Federal budget literally exploded, as the following table illustrates:

1980 FEDERAL BUDGET

[In billions of dollars]

	Outlays	Tax revenues	Deficit	Budget authority
1979 budget, actual levels.....	\$494	\$466	—\$28	\$557
President's original 1980 budget (submitted January 1979).....	532	503	—29	616
First Budget Resolution (May 1979).....	532	509	—23	604
Second Budget Resolution (November 1979).....	548	518	—30	638
President's January revision.....	564	524	—40	654
Proposed 3d resolution (March 1980).....	567	529	—38	657
Increases over 1979.....	\$73	\$63	\$10	\$100
Percent.....	15	14	36	18
Increases over original 1980 budget.....	\$35	\$26	\$9	\$41
Percent.....	7	5	31	7

Over the 1979 budget, spending increases \$73 billion, or 15 percent; budget authority—which drives all spending, including much future spending—goes up \$100 billion, or 18 percent. The deficit increases from \$28 billion to \$38 billion, which is a 36 percent increase for one year. And taxes—the Democrat's tool for balancing the budget—increases \$63 billion or 14 percent.

But what really proves our point about undue politics entering the congressional budget process is what has happened to the numbers within the 1980 budget. Since the 1980 budget was first proposed by the President, outlays increased \$35 billion, revenues \$26 billion, budget authority \$41 billion, and the deficit \$9 billion. To repeat, these changes are within the same fiscal year's budget, not year-over-year. By overlaying these changes with the budget timetable, any discipline that may have been in the budget process is cast aside for all to see.

Increases of the magnitude shown in the table are unprecedented. Remember, they represent changes in the budget figures of only one budget year, 1980. We hasten to add that 1980 has nine months still to run!

These dramatic increases should be kept in mind as the Congress and the country focus increasingly on the 1981 fiscal year. So far for 1981, as reflected in the reported first and third budget resolution, we are down very little on spending (\$3.4 billion from the President's January figure of \$15.8 billion), but up dramatically over 1980 in taxes (\$92 billion, nearly \$40 billion of which would result from net new taxes!). On balance, then, the 1981 heretofore rhetoric of balanced budgets and "possible" tax cuts is seriously weakened.

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