

ALLOCATION TO SUBCOMMITTEES OF DIRECT SPENDING
AND CREDIT TOTALS FROM THE FIRST CONCURRENT
RESOLUTION, FISCAL YEAR 1983, AND REVISED RESOLU-
TION, FISCAL YEAR 1982

JULY 29 (legislative day JULY 12), 1982.—Ordered to be printed.

Mr. HATFIELD, from the Committee on Appropriations,
submitted the following

R E P O R T
together with
ADDITIONAL VIEWS

The Committee on Appropriations submits the report in compliance with section 302(b)(1) of the Congressional Budget Act of 1974 and section 9(b)(2) of S. Con. Res. 92.

SUBCOMMITTEE ALLOCATIONS OF DIRECT SPENDING TOTALS

Further reductions in discretionary spending.—The Committee has repeatedly expressed its concern over the trend of reducing discretionary, nondefense programs as the primary means of holding down Federal outlays. For nearly 3 years, such spending has actually been declining while continued growth both in entitlement programs and defense have not only consumed those savings, but have fueled the considerable increases in overall Federal spending.

To some extent, these increases are a result of deliberate policy decisions, with which this Committee does not quarrel on a budgetary procedure basis. This Committee, however, is particularly concerned with the aspect of this growth which has been the result of procedural biases generating ever higher levels of "uncontrollable" spending. The First Budget Resolution for Fiscal Year 1983 (S. Con. Res. 92) does little to alleviate this concern. Sizable outlay reductions are predicated not only on the successful and timely compliance with complex reconciliation instructions, but also on optimistic economic and program demand assumptions which may well prove to be significantly short of actual needs.

To the extent that either these savings cannot be achieved or that projections of key economic and program estimates are inaccurately assumed, the resulting cost growth of legislatively mandated Federal spending will have to be accommodated at the expense of discretionary programs. The adjustments of the second budget resolutions for the past several years have occurred too late to alter mandatory spending in time to effect significant savings. As a consequence, additional pressure must be borne by the already constrained levels remaining for discretionary programs.

The Committee takes some assurance from remarks made by the proponents of the budget resolution conference report which affirm that further reductions in nondefense discretionary programs will not be required should the spending assumptions of the budget resolution prove to be understated. While the use of technical or procedural schemes to avoid further erosion in discretionary programs is less than a satisfactory solution to the Committee, it appears that, short of a fundamental reform of the Congressional Budget Act, little more in the way of procedural protections for discretionary programs can be hoped for.

The Committee fully intends to carefully scrutinize the applications of the spending restrictions incorporated in the budget resolution to assure that discretionary programs do not continue to bear a disproportionate burden in the goal to reduce overall Federal spending.

Assumptions.—The Committee has a particular concern over the use by the Budget Committee of "staff line item assumptions" in the interpretation of the aggregate functional totals contained in the budget resolutions. While a valuable tool in the interpretation of the myriad decisions made in the process of adopting a budget resolution, these account level assumptions become an unofficial but widely accepted justification for otherwise inexplicable totals adopted in the budget resolutions.

The untoward acceptance and use of such staff assumptions has also been aggravated by the continuing constraints on nondefense discretionary programs. During periods of expansion in such activities, line item assumptions have little practical effect, however, when continuous reductions have been experienced, rather than serving as a guideline, such assumptions are viewed more in the vein of a "bottom line." Increases over the assumed level must automatically be associated with reductions in other already hard-pressed discretionary programs.

While the proponents of the use of such staff assumptions are quick to defend this use by asserting the presumed role of a budget resolution as a "macro-budgetary" device, all too frequently, they are found to be the basis of attacks against individual program spending decisions. True spending constraint in discretionary programs should not be masked as an aggregate budgetary exercise when it is clear that no one program can escape the reach of such reductions. The Committee on Appropriations must confront such constraint each time it exercises its Constitutional responsibility to fully examine and recommend appropriate spending levels for particular appropriation accounts. The reach and effect of such constraint should not be minimized during the considera-

tion of a budget resolution since it can hardly be ameliorated when individual spending decisions must be made. And certainly, previously made assertions that a budget resolution contains no line item decisions should not be reversed and used against those who have had to make the final definitive decisions which may be at variance with unstated assumptions.

The Committee on Appropriations is committed to enact individual appropriations bills for fiscal year 1983 which fully comply with the aggregate limits of the general budgetary plan adopted by the Congress in the budget resolution. Individual decisions in this process may or may not comport to each particular of those "assumed" in the budget resolution, but such was the broad scheme incorporated in the Congressional Budget Act of 1974 (Public Law 93-344). As reflected in the allocation of budget authority and outlays among subcommittees in the attached tables, this Committee fully intends to hold spending within its jurisdiction to within the aggregate ceilings adopted in the budget resolution.

Possible later revisions.—Further explanation of the action the Committee may take with respect to individual spending items cannot be made at this time. Only after the full process of careful consideration at the subcommittee and full Committee level, reflecting further assessments of particular programmatic requirements and potential savings, can such information be determined and explained. The Committee notes that such decisions and events may require changes in the subdivision of direct spending among the subcommittees, but also revisions in the aggregate total authority allocated to this Committee. The Committee, therefore, reserves the option to make further revisions of this allocation as circumstances dictate.

Differences between House and Senate Appropriations Committee totals.—The total budget authority allocated to the Senate Appropriations Committee by the Budget Resolution is \$483 billion. This amount is less than was allocated to the House Appropriations Committee by \$4 billion. This difference is primarily attributable to the Senate Budget Committee's decision not to include in its total allocation to the Committee on Appropriations almost \$4 billion for the Commodity Credit Corporation reimbursement for net realized losses.

The Committee, therefore, cannot provide for this activity within its fiscal year 1983 Agriculture Subcommittee's subdivision without seriously jeopardizing other programs.

The Committee notes that funding this activity in fiscal year 1983 will require an adjustment to the Committee's total allocation under S. Con. Res. 92, the First Budget Resolution, while failure to fund this activity may jeopardize the continued operation of the agricultural price support programs.

The following table shows the Committee allocations by subcommittee and House Committee allocations:

SUBCOMMITTEE DIRECT SPENDING ALLOCATIONS FOR FISCAL YEAR 1983
[In billions]

Subcommittee	House allocation		Senate allocation	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Rural Development, and Related Agencies				
Defense	\$28.6	\$22.2	\$24.8	\$22.0
District of Columbia	237.6	198.7	238.5	201.3
Energy and Water Development	0.6	0.6	0.6	0.6
Foreign Operations	14.2	13.6	14.0	13.5
HUD-Independent Agencies	10.1	8.7	11.5	9.6
Interior	56.6	56.6	56.5	56.6
Labor-HHS-Education	7.7	8.6	7.8	8.4
Legislative	90.8	101.3	90.4	101.4
Military Construction	1.4	1.4	1.4	1.4
State, Justice, Commerce	7.5	6.3	7.5	6.1
Transportation	9.1	9.9	9.1	9.9
Treasury, Postal Service	11.2	19.0	11.8	20.1
Unallocated	10.8	10.6	10.7	10.4
	0.9	0.9	- 1.6	- 1.9
Total	487.0	458.2	483.0	459.4

Note.—Totals may not add due to rounding.

CONTROLLABILITY

The following table shows the Committee allocations of budget authority and outlays to subcommittees between uncontrollable and other amounts.

DIVISION OF ALLOCATIONS FOR FISCAL YEAR 1983

[In billions of dollars]

Subcommittee	Budget authority	Outlays
Agriculture, Rural Development, and Related Agencies:		
Mandatory under existing law	14.6	15.3
Other	10.2	6.7
Total	24.8	22.0
Defense:		
Mandatory under existing law	16.6	79.9
Other	221.9	121.4
Total	238.5	201.3
District of Columbia:		
Mandatory under existing law	(*)	
Other	0.6	0.6
Total	0.6	0.6
Energy and Water Development:		
Mandatory under existing law		5.8
Other	14.0	7.7
Total	14.0	13.5
Foreign Operations:		
Mandatory under existing law	(*)	5.5
Other	11.5	4.1
Total	11.5	9.6
HUD-Independent Agencies:		
Mandatory under existing law	15.1	34.7
Other	41.4	21.9
Total	56.5	56.6

*Less than \$50 million.

DIVISION OF ALLOCATIONS FOR FISCAL YEAR 1983—Continued

[In billions of dollars]

Subcommittee	Budget authority	Outlays
Interior:		
Mandatory under existing law	0.1	3.2
Other	7.7	5.2
Total	7.8	8.4
Labor-HHS-Education:		
Mandatory under existing law	61.1	80.2
Other	29.3	21.2
Total	90.4	101.4
Legislative:		
Mandatory under existing law	0.8	0.9
Other	0.6	0.5
Total	1.4	1.4
Military Construction:		
Mandatory under existing law	(*)	4.0
Other	7.5	2.1
Total	7.5	6.1
State-Justice-Commerce-Judiciary:		
Mandatory under existing law	0.2	2.3
Other	8.9	7.6
Total	9.1	9.9
Transportation:		
Mandatory under existing law	0.4	12.8
Other	11.4	7.3
Total	11.8	20.1

*Less than \$50 million.

DIVISION OF ALLOCATIONS FOR FISCAL YEAR 1983—Continued

[In billions of dollars]

Subcommittee	Budget authority	Outlays
Treasury, Postal Service, and General Government:		
Mandatory under existing law	4.9	5.3
Other	5.8	5.1
Total	10.7	10.4
Savings unallocated at present.....	-2.2	-2.5
Undistributed (Civilian agency pay supplements)	0.6	0.6
Grand total:		
Mandatory under existing law	114.4	250.5
Other	368.6	208.9
Total.....	483.0	459.4

NOTE.—Totals may not add due to rounding.

REVISED SUBCOMMITTEE DIRECT SPENDING ALLOCATIONS FOR FISCAL YEAR 1982

[In billions]

Subcommittee	Senate allocation	
	Budget authority	Outlays
Agriculture, Rural Development, and Related Agencies.....	\$29.2	\$21.2
Defense.....	199.4	172.2
District of Columbia	0.6	0.5
Energy and Water Development.....	12.5	13.2
Foreign Operations.....	11.6	8.8
HUD-Independent Agencies	57.0	55.3
Interior	7.3	9.4
Labor-HHS-Education	87.7	98.6
Legislative.....	1.3	1.3
Military Construction	7.1	4.8
State, Justice, Commerce.....	8.5	9.8
Transportation.....	10.8	19.8
Treasury, Postal Service.....	9.5	9.5
Unallocated at present	16.8	9.2
Total	459.3	433.6

SUBCOMMITTEE ALLOCATIONS OF FEDERAL CREDIT TOTALS

The First Concurrent Resolution on the Budget for Fiscal Year 1982 (S. Con. Res. 92) initiated an entirely new set of procedures for the aggregate control of Federal credit activities. This new budgetary control system was specifically excluded from the reach of the Congressional Budget Act of 1974 (Public Law 93-344) and has not received the thorough review and examination which would occur had such a proposal been passed as an amendment to that act.

Procedure lapses.—The failure to follow normal legislative procedure has predictably resulted in a large number of procedural and technical problems. The most significant of the procedural problems is in the area of secondary loan guarantees. This aspect of Federal credit activity was singled out for separate accounting and procedural treatment even though it encompasses only two accounts in the entire Federal budget. Since one of these accounts provides 99.996 percent of the total, the alleged "aggregate limitation" contained in the budget resolution is a de facto line item limitation, a total usurpation of Committee on Appropriations jurisdiction.

This procedural problem was precipitated by the inadequate analysis of the ramifications of so swift an establishment of definitions and categories of Federal credit activities. The experience with direct Federal expenditures indicates a far more considered approach to this complex aspect of Federal financial activity. Even after the prolonged deliberations of the U.S. Presidential Commission on Budget Concepts, and with over a decade of experience and continued improvement since, debates still continue over the adequacies of current budget terms and concepts.

Unfortunately, the complexities of Federal credit transactions were ignored and as a consequence, Congress must not only grapple with difficult definitional or conceptual problems, but must do so in the context of complying with binding ceilings on credit which in turn are dependent on such interpretations. Such a circumstance can only lead to confusion and further bring into question the procedural approaches employed by the Budget Committees.

Technical problems.—Federal credit program growth during the last decade can only be described as explosive. Net direct Federal loans and loan guarantees totaled \$6,800,000,000 in fiscal year 1970. By fiscal year 1981 the total had reached \$54,100,000,000 with a total outstanding debt of \$494,000,000,000. There is no doubt that much of this growth can be attributed to growing constraints on direct Federal expenditures. This rapid growth, especially in the context of record levels of real interest rates, have in turn led to a growing demand for an aggregate congressional credit control system.

Credit activities, however, represent some of the most varied and complex financial arrangements in the Federal Government. Any attempt to institute comprehensive credit controls must be responsive to this diversity so as to avoid untoward or arbitrary effects. The primitive and simplistic approach embodied in S. Con. Res. 92 is wholly inadequate in this regard and, therefore, ill serves the goal of effective aggregate control of this important area of Federal financial activity.

One clear example of this problem is the duration of a Federal loan or loan guarantee. While a direct Federal expenditure has an economic impact in only one fiscal year, the economic impact of a loan depends on the period for which those sums are outstanding. The limitations embodied in S. Con. Res. 92 do not differentiate between a loan of 30 days and that of 30 years. For the purposes of this system of credit restraint these two dramatically different transactions are identical. The net effect of credit restrictions of this nature is to encourage Government financial managers to obligate Federal funds or loan guarantee commitments for periods longer than would otherwise be prudent, thereby offsetting any expected reduction in the degree of Federal intervention in the Nation's credit markets.

Similarly, the credit controls of S. Con. Res. 92 do not differentiate between the degree of subsidy of varied loan programs. Some Federal credit programs actually make money for the Government while others involve heavy interest subsidies or extremely high risks. Confronted with tight aggregate constraints, it can be expected that priority will be given to those credit programs which assist borrowers the most—that is those types of loans most costly to the taxpayers in the long term.

Conclusion.—The numerous failings of the aggregate credit controls embodied in S. Con. Res. 92 discussed above leave the Committee with very severe reservations as to the advisability of full implementation of such a system for fiscal year 1983. The Committee remains strongly committed to the goal of effective aggregate congressional constraint of Federal credit activities, however, and reaffirms its concurrence with those views expressed during the Senate debate on adoption of this resolution which made clear that these provisions were in the nature of a "dry-run exercise," which upon further analysis and evaluation may lead to adoption of a workable system of credit control as an amendment to the Congressional Budget Act.

The Committee notes that despite the tentative and experimental nature of this new system of credit controls, the aggregate levels of credit crosswalked to this Committee reflect real and considerable constraint. As such, further adjustments not only in the allocation among subcommittees but also in the aggregate ceilings will probably be necessary as true programmatic needs are determined and as scorekeeping issues are resolved during the fiscal year 1983 budget cycle.

SUBCOMMITTEE ALLOCATIONS OF FEDERAL CREDIT FOR FISCAL YEAR 1983

[In billions]

Subcommittee	New direct loan obligations	New primary loan guarantee commitments	New secondary loan guarantee commitments
Agriculture, Rural Development, and Related Agencies	\$21.8	\$1.6	
Defense.....	0.1	0.1	
District of Columbia.....	.1		
Energy and Water Development.....	.1		
Foreign Operations	10.8	9.3	
HUD-Independent Agencies.....	6.0	56.7	\$68.3
Interior7	-.6	
Labor-HHS-Education8	7.4	
State, Justice, Commerce	1.8	3.2	
Transportation5	.1	(-)
Treasury, Postal Service	(1)	
Total	42.5	77.7	68.3

¹ Less than \$50,000,000.

Note.—Totals may not add due to rounding.

ADDITIONAL VIEWS OF SENATOR WILLIAM PROXMIRE

THE NEED FOR A FEDERAL CREDIT BUDGET

During the last 5 years, Federal credit programs have grown twice as fast as direct spending programs. The net amount of new credit made available under all Federal credit programs increased from \$37 billion in fiscal year 1977 to \$115 billion in fiscal year 1982. This represents an annual growth rate of 26 percent compared to a growth rate of 13 percent for direct spending programs. About 95 percent of the growth in Federal credit programs occurred outside the unified budget.

The rapid growth of Federal credit programs has diverted an increasingly larger share of our national savings away from productive investments in the private economy. In 1977, Federal credit programs absorbed 12 percent of the total amount of credit available in the economy. By 1981, Federal credit programs claimed 21 percent. When the Federal deficit is added in, the total amount of credit absorbed by the Federal Government was 35 percent in 1981 and 50 percent in 1982. It is a little wonder that interest rates have remained so high.

Because of the explosive growth in Federal credit programs, it is imperative that the Congress establish aggregate limitations on the growth of new Federal credit activity. I believe the limitations contained in the First Concurrent Budget Resolution for Fiscal Year 1983 represent a sound and workable approach for controlling Federal credit programs. While there are undoubtedly technical problems involved in any system establishing aggregate ceilings, I do not share the view that the system developed by the Budget Committee is "simplistic" or "primitive."

The Federal credit budget contained in the 1983 budget resolution is not a radical departure from the last two budget resolutions which contained nonbinding targets for aggregate credit activity. All of the concepts and terminology for controlling credit activity has been in place for the last several years. These concepts and procedures have been thoroughly debated and analyzed in hearings and elsewhere. It is not as though the Budget Committee has sprung a new and unfamiliar system on an unsuspecting Congress. The only major difference in the 1983 resolution is that the credit ceilings are binding whereas they were only targets in 1981 and 1982.

We should not permit an excessive preoccupation with technical problems to divert us from our common goal of establishing tighter congressional controls over the rapid growth of Federal credit activity. I am confident that the Appropriations Committee can work effectively with the Budget Committee to resolve any technical difficulties and to make the new credit budget system a success.