

FISCAL YEAR **1982**
Budget Revisions

MARCH 1981

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The Congressional Budget Act of 1974 requires that the President submit to the Congress revisions of the 1982 budget by April 10. This document meets that requirement.

GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Detail may not add to totals due to rounding.

TABLE OF CONTENTS

	<u>Page</u>
MESSAGE OF THE PRESIDENT ON THE BUDGET.....	M-1
 Part 1. ECONOMIC AND BUDGET POLICY.....	 1
The Economic Plan.....	1
Lessons of Past Economic Events.....	4
Budget Restraint.....	5
Budget Reduction Plans.....	7
 Part 2. THE CURRENT BUDGET OUTLOOK.....	 11
Introduction.....	11
Economic Assumptions.....	12
Budget Receipts.....	14
The Credit Budget and Off-Budget Outlays.....	17
Debt.....	28
Federal Civilian Employment.....	30
 Part 3. BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1980-1982.....	 33
 Part 4. BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1983-1986.....	 95
 Part 5. SUMMARY TABLES.....	 121
 Appendix A. FEDERAL AID TO STATE AND LOCAL GOVERNMENTS....	 135
Appendix B. SUMMARY OF PROGRAMMATIC INCREASES TO THE JANUARY BUDGET.....	140
Appendix C. SUMMARY TABLE OF PROGRAMMATIC DECREASES TO THE JANUARY BUDGET.....	144

LIST OF TABLES

	<u>Page</u>
Part 1. ECONOMIC AND BUDGET POLICY	
1. Budget Savings.....	2
2. Change from Current Policy Base Outlays to Target Outlay Ceiling.....	3
3. January Versus Revised Budget Totals.....	6
4. Fiscal Trends.....	7
Part 2. THE CURRENT BUDGET OUTLOOK	
5. Budget Totals.....	11
6. Economic Assumptions.....	13
7. Change in Budget Receipts.....	15
8. Summary of Credit Budget Totals.....	18
9. Changes in Direct Loan Obligations, 1981-1982.....	24
10. Changes in Loan Guarantee Commitments, 1981-1982.....	25
11. Changes in Off-Budget Outlays.....	27
12. Budget Financing and Debt.....	28
13. Total Federal Civilian Employment -- Executive Branch.	31
Part 3. BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1980-1982.....	33-94
Part 4. BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1983-1986.....	95-119
14. Changes from January Budget to Revised Budget, 1983-1986.....	97
15. Budget Outlay Target Shares, 1981 and 1986.....	98
Part 5. SUMMARY TABLES	
16. Budget Receipts by Major Source.....	122
17. Estimated Effect of Administrative Actions and Proposed Legislation on Receipts, 1981-1986.....	123
18. Composition of Budget Outlays, 1980-1986.....	124
19. Budget Authority by Function.....	126
20. Budget Outlays by Function.....	127
21. Budget Authority by Agency.....	128
22. Budget Outlays by Agency.....	129
23. New Direct Loan Obligations by Agency.....	130
24. New Loan Guarantee Commitments by Agency.....	131
25. Budget Financing and Outstanding Debt.....	132
26. Summary of the Full-Time Equivalent of Full-Time Permanent Civilian Employment in the Executive Branch	133
APPENDIX TABLES	
A-1. Grants to State and Local Governments.....	135
A-2. Grants to State and Local Governments by Function: Budget Authority.....	138
A-3. Grants to State and Local Governments by Function: Outlays.....	139
B. Summary of Programmatic Increases to the January Budget.....	140
C. Summary of Programmatic Decreases to the January Budget.....	144

TO THE CONGRESS OF THE UNITED STATES:

On February 18, I spoke to a Joint Session of Congress about the economic crisis facing America. I pledged then to take the action necessary to alleviate the grievous economic plight of our people. The plan I outlined will stop runaway inflation and revitalize our economy if given a chance. There is nothing but politics-as-usual standing in the way of lower inflation, increased productivity, and a return to prosperity.

Our program for economic recovery does not rely upon complex theories or elaborate Government programs. Instead, it recognizes basic economic facts of life and, as humanely as possible, it will move America back toward economic sanity. The principles are easily understood, but it will take determination to apply them. Nevertheless, if inflation and unemployment are to be curtailed, we must act.

First, we must cut the growth of Government spending.

Second, we must cut tax rates so that once again work will be rewarded and savings encouraged.

Third, we must carefully remove the tentacles of excessive Government regulation which are strangling our economy.

Fourth, while recognizing the independence of the Institution, we must work with the Federal Reserve Board to develop a monetary policy that will rationally control the money supply.

Fifth, we must move, surely and predictably, toward a balanced budget.

The budget reform plan announced on February 18 includes 83 major cuts resulting in \$34.8 billion outlay savings for 1982, with greater future savings. With this message, over 200 additional reductions are proposed. An additional \$13.8 billion in savings are now planned. Further, I am proposing changes in user charges and off-budget payments that will bring total fiscal savings to \$55.9 billion. This compares with \$49.1 billion in fiscal savings announced on February 18.

In terms of appropriations and other budget authority that will affect future spending, we are proposing elimination of \$67 billion in 1982 and over \$475 billion in the period 1981 to 1986.

These cuts sound like enormous sums -- and they are -- until one considers the overwhelming size of the total budget. Even with these cuts, the 1982 budget will total \$695.3 billion, an increase of 6.1 percent over 1981.

The budget reductions we are proposing will, undoubtedly, face stiff opposition from those who are tied to maintaining the status quo. But today's status quo is nothing more than economic stagnation coupled with high inflation. Dramatic change is needed or the situation will simply get worse, resulting in even more suffering and misery, and possibly the destruction of traditional American values.

While recognizing the need for bold action, we have ensured that the impact of spending reductions will be shared widely and fairly by different groups and the various regions of the country. Also, we have, as pledged, maintained this society's basic social safety net, protecting programs for the elderly and others who rely on Government for their very existence.

Budget cuts alone, however, will not turn this economy around. Our package includes a proposal to reduce substantially the personal income tax rates levied on our people and to accelerate the recovery of business with capital investment. These rate reductions are essential to restoring strength and growth to the economy by reducing the existing tax barriers that discourage work, saving, and investment. Individuals are the ultimate source of all savings and investment. Lasting economic progress, which is our goal, depends on our success in encouraging people to involve themselves in this kind of productive behavior.

Our tax proposal will, if enacted, have an immediate impact on the economic vitality of the Nation, where even a slight improvement can produce dramatic results. For example, a 2 percent increase in economic growth will add \$60 billion to our gross national product in one year alone. That \$60 billion adds to the State and local tax base, to the purchasing power of the American family, and to the resources available for investment.

When considering the economic recovery package, I urge the Members of Congress to remember that last November the American people's message was loud and clear. The mandate for change, expressed by the American people, was not my mandate; it was our mandate. Together we must remember that our primary responsibility is to the Nation as a whole and that there is nothing more important than putting America's economic house in order.

The next steps are up to Congress. It has not been easy for my Administration to prepare this revised budget. I am aware that it will not be easy for the Congress to act upon it. I pledge my full cooperation. It is essential that, together, we succeed in again making this Nation a land whose expanding economy offers an opportunity for all to better themselves, a land where productive behavior is rewarded, a land where one need not fear that economic forces beyond one's control will, through inflation, destroy a lifetime of savings.

RONALD REAGAN

THE WHITE HOUSE,

March 10, 1981

Part 1

ECONOMIC AND BUDGET POLICY

On February 5, President Reagan spoke to the American people about the economic problems that we face:

- runaway inflation;
- excessive regulation;
- tax burdens that have diminished incentives to work, produce, save, and invest;
- large and increasing budget deficits; and
- uncontrolled growth of the Federal budget.

The Economic Plan

The President then outlined his plan to deal with these problems. It consists of four broad parts: (1) an immediate, substantial, and sustained reduction in the growth of Federal expenditures; (2) a significant reduction in Federal tax rates over the next 3 years; (3) elimination of unnecessary Federal regulations; and (4) a slower, steady, and predictable growth of the money supply set by the independent Federal Reserve System. These four complementary policies form an integrated and comprehensive program.

This plan reflects faith in the private sector, rather than the Federal Government, as the fundamental source of economic motivation and growth. It is based on the belief that Government economic policy must again become reliable and consistent. The approach embodied in the Administration's plan is a major departure from past policies, which consisted of rapid growth of Federal spending, excessive increases in the money supply, frequent changes of direction, historically high and continually rising tax burdens, and unwarranted regulation. The plan proposes to restore State and local government responsibilities in areas of public services in which the Federal Government has, in recent years, become excessively or improperly involved.

The major features of the President's economic plan were described in his address to a joint session of the Congress and in the February 18 report, A Program for Economic Recovery. The present document updates that report and contains further information on the budget revisions the President is proposing, including additional changes now proposed by the Administration to achieve the 1981 and 1982 outlay targets announced on February 18. This is summarized in the following tables.

Table 1.--BUDGET SAVINGS
(in billions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Outlays</u>						
Savings listed on February 18 <u>a/</u>	4.8	34.8	50.1	61.4	70.2	77.3
Additional savings now listed <u>b/</u>	<u>1.6</u>	<u>13.8</u>	<u>17.1</u>	<u>19.9</u>	<u>22.6</u>	<u>25.4</u>
Subtotal, Outlay savings.....	6.4	48.6	67.2	81.2	92.8	102.7
Savings included above that were also included in the January budget.....	(0.3)	(8.2)	(9.1)	(9.7)	(11.1)	(11.5)
<u>Receipts</u>						
Proposed user charges and other proposals...	0.3	2.6	2.9	3.3	3.6	4.0
Proposals included above that were also included in the January budget.....	<u>(0.2)</u>	<u>(1.8)</u>	<u>(2.0)</u>	<u>(2.2)</u>	<u>(2.4)</u>	<u>(2.6)</u>
Total budget savings.....	6.6	51.2	70.2	84.5	96.4	106.8

a/ Measured from a current policy base.

b/ Measured from the January budget.

Table 2.--CHANGE FROM CURRENT POLICY BASE OUTLAYS TO TARGET OUTLAY CEILING
(in billions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
February 18 current policy base.....	657.8	729.7	792.1	849.0	911.4	972.8
Added defense funds.....	2.0	6.2	20.7	27.0	50.2	63.1
Reestimates and other adjustments.....	<u>0.2</u>	<u>6.8</u>	<u>14.4</u>	<u>17.7</u>	<u>17.1</u>	<u>19.8</u>
Current policy base with adequate defense.....	660.0	742.7	827.2	893.7	978.7	1055.7
Outlay savings (from Table 1).....	-6.4	-48.6	-67.2	-81.2	-92.8	-102.7
Nondefense increases <u>a/</u>	1.6	1.2	1.8	1.9	1.8	1.7
Additional savings to be proposed.....	<u>---</u>	<u>---</u>	<u>-29.8</u>	<u>-44.2</u>	<u>-43.7</u>	<u>-42.7</u>
Target outlay ceiling.....	655.2	695.3	732.0	770.2	844.0	912.0

a/ Measured from the January budget.

Lessons of Past Economic Events

The experience of the past decade has taught workers and businessmen alike that frequent Government tinkering with economic policy results in increased uncertainty, unpredictable interest rates, rapid price increases, steep increases in Federal budget outlays, and uncertain real returns to savings and investment. In contrast, the President's economic plan moves toward dependable stability.

For the future, budget control is essential. The excessive past rates of increase in Federal outlays have inhibited economic growth, raised the Nation's real tax burden, diverted resources from more productive private uses, and discouraged production and investment.

Borrowing to finance growing deficits has brought about a substantial reallocation of national savings from the private sector to the Federal Government. More than three-fourths of the nondefense portion of the Federal budget is for current expenditure rather than investment. The growing public sector demands on available savings, to finance current expenditures by the Government, has impeded the private sector capital formation necessary for sustained economic growth.

Sluggish growth and rising unemployment led, in a vicious circle, to additional budget spending, higher budget deficits, and still less growth. The budget became a captive of deteriorating economic forces rather than a catalyst for economic improvement. A year ago, for example, the Congress and the executive branch reached a consensus as to the need to balance the budget, and made an effort to do so. An economic recession, however, along with the explosive increase in interest rates, overwhelmed these efforts. This volatility and deterioration in the performance of the national economy increased estimated 1981 spending by \$47 billion while receipts increased by less than \$8 billion. The plan to balance the budget fell apart. Once again, external economic forces reversed planned policy.

This Administration's budget control plan explicitly recognizes the interaction between external economic forces and internal Federal policy changes. The surest path to a balanced budget is a coordinated program to rejuvenate economic growth and restore the value of money. If this is done, external economic forces will act to enhance the Government's internal fiscal policies rather than to undermine them.

Budget Restraint

Restraining the growth of Federal spending lies at the center of the program for economic recovery. In recent years, deeply embedded inflationary fears have been reinforced by numerous upward budget revisions and growing Federal deficits. During the past 2 years, Federal spending has increased from the original budget estimates by amounts totaling nearly \$100 billion, and the rate of increase in Government spending has averaged 16%. The President's budget control plan is designed to create a much better economic environment. Compared to the current policy base, the plan will save \$40 billion in outlays in 1982. Reduction targets of \$97.0 billion in 1983 and more than \$125 billion annually during 1984-1986 have been established.

During the 1981-84 period, the budget plan would reduce the rate of growth of Federal expenditures to 5.5% annually. Together with a stable monetary policy, this abrupt downward shift in spending growth is the only credible way to reduce inflationary expectations and remove the historically large inflation premium that is currently embedded in interest rates.

As indicated in the following tables, this Administration's proposals substantially alter the previous administration's tax and spending policies. Sharp reductions in spending growth would occur under the budget reform plan. Spending in 1982 would grow by 6.1% under the Administration's revised budget, only about half as fast as the 11.6% growth in spending proposed by the previous administration. The substantial reduction in the Government tax burden is illustrated by:

- a much slower growth rate in budget receipts during 1982 -- 8.3% for the revised budget in comparison to 17.2% in the January budget; and
- almost a 2 percentage point reduction in the receipts share of GNP in 1982 -- from 22.1% under the January budget to 20.4% under the Administration proposals.

In addition to budget spending reductions, off-budget outlay savings of \$4.7 billion are proposed in 1982, and significantly larger reductions are proposed for later years. Some of these budget and off-budget reductions, which are partially offset by upward revisions to the base, occur in Federal lending or loan guarantee programs. Under the revised budget, direct loan obligations would be \$2.6 billion lower for 1982 than under the January budget proposals, and new loan guarantee commitments would be \$18.4 billion lower.

Table 3.--JANUARY VERSUS REVISED BUDGET TOTALS
(in billions of dollars)

	Actual 1980	Estimate	
		1981	1982
<u>Budget Authority</u>			
January budget.....	658.8	726.5	809.8
Change.....	---	-16.3	-37.5
Revised budget.....	658.8	710.1	772.4
<u>Outlays</u>			
January budget.....	579.6	662.7	739.3
Change.....	---	-7.6	-44.0
Revised budget.....	579.6	655.2	695.3
<u>Receipts</u>			
January budget.....	520.0	607.5	711.8
Change.....	---	-7.2	-61.4
Revised budget.....	520.0	600.3	650.3
<u>Deficit (-)</u>			
January budget.....	-59.6	-55.2	-27.5
Change.....	---	0.3	-17.4
Revised budget.....	-59.6	-54.9	-45.0

The combination of incentive-strengthening tax rate reductions and firm expenditure control will lead to a balanced budget by 1984. The President's proposals project a 1984 spending target of \$770 billion, which is \$120 billion below the January budget projection for that year. The 1984 outlay target share of GNP is estimated at 19.3%, 2.7 percentage points below the January budget estimate. The receipt share of GNP under President Reagan's proposals also stands at 19.3% in 1984, with the Federal tax burden reduced by \$152 billion from the January budget estimate.

As a result of the President's tax proposals, Federal receipts are estimated to rise by 28% between 1981 and 1984, when budget balance is first attained, and by 57% over the entire 1981-1986 period. Under the previous administration's proposals, Federal receipts would have risen by 96% over this 5-year period. But this extraordinary tax burden would inhibit investment and output growth, and thus would have triggered additional outlays for unemployment benefits and the like, resulting in higher budget deficits. However, the new policy of tax rate reduction is expected to expand the economy's productive base, lower unemployment, and reduce budget outlays. As a result, the decline in tax rates is likely to generate both strong economic

improvement and impressive gains in receipts, paving the way for a balanced budget.

Table 4.--FISCAL TRENDS

	<u>1981 Estimate</u>		<u>1982 Estimate</u>	
	<u>January</u>	<u>Revised</u>	<u>January</u>	<u>Revised</u>
<u>Percentage Growth</u>				
Receipts.....	16.8	15.4	17.2	8.3
Outlays.....	14.3	13.0	11.6	6.1
<u>Percent of GNP</u>				
Receipts.....	21.4	21.1	22.1	20.4
Outlays.....	23.3	23.0	23.0	21.8

By holding the growth of Federal spending below the rate of growth of gross national product, the new policy achieves serious and reliable budget control. The tax share will be equal to the outlay share by 1984, at significantly lower levels than under previous policy. The reduced size of the public sector will free up the resources for a strong, rapidly growing private sector.

The reduced Federal share of GNP under the new budget plan, reinforced by monetary stability, will signal a sharp reduction in future rates of inflation, and will thus have beneficial effects on financial, labor, product, commodity, and foreign exchange markets. As inflationary expectations moderate, interest rates will decline and business confidence will improve. Long-term capital markets will recover, making possible the refinancing of corporate balance sheets. Wage and price demands will become less aggressive. Commodity prices will stop rising, and the dollar will strengthen in foreign exchange markets. Tax burdens will ease. Better fiscal policies will become the basis for economic revival.

Budget Reduction Plan

The expenditure plan proposed in this document is complete for 1981 and 1982. Projections of 1983 and future-year spending consistent with the specific budget reductions included in this program are also shown. However, as shown in Table 2 above, further spending reductions affecting 1983 and subsequent years are also planned. These further reductions will be identified in later messages and budgets.

Because of the long lags in the Federal spending process, large reductions in spending authority do not result in corresponding immediate reductions in outlays. For example, the proposed reductions in budget authority amount to \$21 billion in 1981.

The resulting outlay reductions in 1981 are estimated to total less than a third of this amount.

Spending has achieved runaway momentum because criteria on which to judge the merits of spending programs have been largely absent. As a result, virtually any demand for Federal assistance, from any sector of the economy or region, has been considered valid.

The President's budget revisions represent a sharp departure from the policies of the past two decades. The January budget estimates showed Federal spending increasing at an annual rate of 13.3% over the period from 1977 to 1981. This Administration's program will reduce the rate of growth of Federal spending to only 5.5% a year over the 1981-1984 period. Restrained and steady fiscal policy will replace the excessively expansionary and erratic policies of the past and will permit sound monetary policies.

This change will benefit Americans of all income classes, regions, and ages. Similarly, as is fitting in our democracy, the impact of budget restraint will be widely shared. No group except the truly needy should be exempt. No one should expect to share the benefits of budget restraint without also sharing its costs.

Despite the limited time that this Administration has had to review the budget, the proposed revisions are extensive and detailed. This detail demonstrates clearly that the costs of the budget restraint program are shared equitably.

The proposed budget reductions were developed on the basis of a set of clear, consistent, and economically sound criteria. The Administration has applied the following nine criteria for evaluating claims for Federal support.

The first criterion is the preservation of the social safety net. The social safety net consists of those programs, mostly begun in the 1930's, that now constitute an agreed-upon core of protection for the elderly, the unemployed, and the poor, and those programs that fulfill our basic commitment to the people who fought for this country in times of war. Under the President's plan, expenditures for these programs will increase as a percentage of total Federal outlays, from 36.8% in 1981 to 40.1% in 1984.

The second criterion is the revision of entitlements to eliminate unintended benefits. This criterion applies primarily to newer Federal entitlement programs and related income security programs that have undergone rapid growth during the last 20 years. The criterion also applies to certain aspects of social safety net programs that have been added unnecessarily or have grown excessively. Outlays for new or expanded entitlements have grown from \$5.6 billion in 1970 to a January budget estimate of \$56.9 billion for 1982.

The third criterion is the reduction of benefits for people with middle to upper incomes. Given the current economic climate and

the proposed major reductions in income taxes, these spending reductions are a matter of simple equity and common sense. This criterion directly challenges the drift toward the universalization of social benefit programs.

The fourth criterion is the recovery of allocable costs by means of user fees. The user fee principle is applicable to activities that provide direct economic benefits to a specific and known group of individuals or enterprises and where there is no need or reason for these beneficiaries to be subsidized by all taxpayers. The Administration proposes applying this criterion to certain Coast Guard expenses, inland waterways, and the air traffic control system. The scope for application of this principle extends to other areas as well.

The fifth criterion is the application of rigorous standards to economic subsidy programs. The budget reform plan proposes to eliminate grants and subsidies that were designed to alleviate specific problems of economic deterioration, but have instead made our economic problems worse by interfering with the workings of the marketplace. Significant reductions are proposed for nonproductive jobs programs, unnecessary subsidies to develop energy technologies, and a host of other subsidy programs that contribute to, rather than help solve, our national economic problems.

The sixth criterion is a stretch-out of public sector capital investment programs. Many of these projects are desirable and should be completed expeditiously under normal economic conditions. However, the present economic crisis argues for stretching out and delaying these investments in the short run.

The seventh criterion is the imposition of fiscal restraint on other programs of national interest. These programs have some merit, but given current constraints on available resources they must be curtailed or eliminated.

The eighth criterion is consolidation of many categorical grants to State and local governments into block grants. The Federal Government in Washington has no special wisdom in dealing with many of the social and educational issues faced at the State and local level. By consolidating many of the 550 categorical grant programs, it will be possible to achieve numerous efficiencies. The health, education, and social services programs proposed for consolidations encompass 616 pages of law, 1,400 pages of regulations, over 10,000 separate grants, and approximately 88,000 grant sites. It takes over 7 million hours to fill out the reports that are required each year, and several thousand Federal employees to administer these programs.

The ninth and final criterion is the reduction of Federal overhead, personnel costs, and program waste and inefficiency. As a start, President Reagan placed a complete freeze on Federal hiring and ordered limits on the procurement of office equipment, consulting services, and travel. This is a beginning. Federal management, personnel levels, and administration are being further evaluated and tightened.

Many people will find some of the individual, specific budget reductions described in these pages difficult to accept. This is because every dollar now paid in Federal taxes or borrowed by the Federal Government in private financial markets is paid out to a recipient who has an interest in seeing this payment continued, whether the Federal Government and its taxpayers can truly afford it or not. People who plead for special treatment or exemption from the criteria outlined above threaten the rationale and validity of the entire budget reform plan. The plan is designed to share the temporary economic burden of constraining the Federal Government to its proper role, based on stated principles. One exception logically leads to many other exceptions and to erosion of the plan and of its long-term benefits for the economy and for all Americans.

The application of these criteria makes it possible to continue to finance programs that comprise the social safety net and aid the truly needy, and those -- like a strengthened national defense -- that are essential Federal Government responsibilities.

The benefits of the President's economic plan to the average American will be substantial. Inflation, now at double-digit rates, can be cut in half by 1986. Reduced tax burdens and increased private saving will provide funds for productive investment. As a result, the American economy should be able to produce some 13 million new jobs by 1986.

The creativity and ambition of the American people are the vital forces of economic growth. The motivation and incentive of our people -- to supply new goods and services and earn additional income for their families -- are the mainspring of our Nation's economy. The U.S. economy faces no insurmountable barriers to sustained growth. It confronts no permanently disabling tradeoffs between inflation and unemployment or between high interest rates and high taxes. New economic policy can revive the incentives to work and save. It can restore the willingness to invest in the private capital required to achieve a steadily rising standard of living. Most important, it can help the American people regain their faith in the future.

Part 2

THE CURRENT BUDGET OUTLOOK

Introduction

This part presents information on the revised budget totals. It includes sections on the budget economic assumptions, budget receipts, the credit budget and off-budget outlays, the Federal debt, and Federal civilian employment. The revised estimates in this document supersede the budget estimates and recommendations transmitted to the Congress in January. They reflect:

- tax and spending reductions proposed as part of the President's program for economic recovery;
- proposed increases for defense programs; and
- reestimates of receipts and outlays resulting from revised economic assumptions and from technical reestimates.

Table 5.--BUDGET TOTALS
(in billions of dollars)

	Actual	Estimate					
	1980	1981	1982	1983	1984	1985	1986
Receipts.....	520.0	600.3	650.3	709.1	770.7	849.9	940.2
Target outlay ceiling.....	579.6	655.2	695.3	732.0	770.2	844.0	912.0
Target surplus or deficit (-).	-59.6	-54.9	-45.0	-22.8	0.5	5.8	28.2

Addendum:
Percent of GNP

Receipts.....	20.3	21.1	20.4	19.7	19.3	19.3	19.5
Target outlay ceiling.....	22.6	23.0	21.8	20.3	19.3	19.2	19.0

Under the President's Budget reform plan, budget outlays are estimated to total \$695.3 billion in 1982 with outlay targets of \$732.0 billion in 1983 and \$912.0 billion by 1986. Budget receipts are estimated at \$650.3 billion in 1982, growing to \$709.1 billion in 1983 and \$940.2 billion by 1986. Under the target outlay ceilings the outlay share of GNP is projected to fall from 23.0% in 1981 to 19.0% in 1986. The receipts share of GNP is projected to decline from 21.1% in 1981 to 19.5% in 1986.

Economic Assumptions

The economy and the budget are interrelated. Economic conditions significantly affect the budget, and the budget, in turn, influences economic conditions. Because of the complex interrelationships between the budget and the economy, budget estimates depend to a very significant extent upon economic assumptions.

The economic assumptions presented here reflect the President's program for economic recovery. This plan is designed to bring to all aspects of Government policy a greater sense of purpose and consistency. Permanent personal tax rate reductions will allow people to keep more of the additional income they earn, thereby providing increased incentives for work and saving. Business tax reductions will increase incentives for capital expansion, resulting in higher productivity. Spending reductions and elimination of unneeded regulation will give greater control over resources to the private sector, where incentives to economize are strongest. Stable monetary policy and slower growth of the money supply, combined with expanding productive capacity, will bring about a reduction of the inflation rate.

The economic assumptions used for developing the budget estimates are presented in the following table to assist in understanding the budget estimates. These economic assumptions are on a calendar year basis, whereas the budget estimates are for fiscal years. These economic assumptions set goals that may seem difficult to attain to some. Compared to the January budget, projected inflation, unemployment and interest rates are all generally lower. The projections do represent a decisive departure from the trends of recent years -- but so do the proposed policies. In fact, if each portion of this comprehensive economic program is put in place -- quickly and completely -- the economic environment could improve even more rapidly than envisioned in these assumptions.

Table 6.--ECONOMIC ASSUMPTIONS
(Calendar years; dollar amounts in billions)

	Actual 1980	1981	1982	Estimate				1986
		1983	1984	1985				
Major economic indicators:								
Gross national product (percent change, fourth quarter over fourth quarter):								
Current dollars.....	9.8	11.0	13.3	11.8	10.1	9.6	9.1	
Constant (1972) dollars.....	0.0	1.4	5.2	4.9	4.2	4.2	4.2	
GNP deflator (percent change, fourth quarter over fourth quarter).	9.9	9.5	7.7	6.6	5.7	5.2	4.7	
Consumer Price Index (percent change, fourth quarter over fourth quarter) 1/.....	12.6	10.5	7.2	6.0	5.1	4.6	4.0	
Unemployment rate (percent, fourth quarter).....	7.5	7.7	7.0	6.5	6.3	5.8	5.6	
Annual economic assumptions:								
Gross national product:								
Current dollars:								
Amount.....	2629	2920	3293	3700	4098	4500	4918	
Percent change, year over year.....	8.9	11.1	12.8	12.4	10.8	9.8	9.3	
Constant (1972) dollars:								
Amount.....	1482	1497	1560	1638	1711	1783	1858	
Percent change, year over year.....	-0.1	1.1	4.2	5.0	4.5	4.2	4.2	
Income:								
Personal income, #.....	2161	2399	2675	2982	3276	3580	3910	
Wages and salaries.....	1344	1488	1667	1853	2035	2221	2417	
Corporate profits 2/.....	243	242	281	326	367	408	455	
Price level:								
GNP deflator:								
Level (1972=100), annual average.....	177.4	195.0	211.1	225.9	239.5	252.4	264.7	
Percent change, year over year.....	9.0	9.9	8.3	7.0	6.0	5.4	4.9	
Consumer Price Index 1/:								
Level (1967=100), annual average.....	247.0	274.3	297.0	315.5	332.7	348.3	363.0	
Percent change, year over year.....	13.5	11.1	8.3	6.2	5.5	4.7	4.2	
Unemployment rate:								
Total, annual average.....	7.2	7.8	7.2	6.6	6.4	6.0	5.6	
Insured, annual average 3/.....	3.9	4.4	3.8	3.4	3.2	2.9	2.7	
Federal pay raise, October (percent) 4/:								
Civilian.....	9.1	4.8	7.0	7.0	7.0	6.4	6.0	
Military.....	11.7	9.1 5/	8.9	7.9	7.0	6.4	6.0	
Interest rate, 91-day Treasury bills (percent) 6/.....	11.5	11.1	8.9	7.8	7.0	6.0	5.6	

1/ CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

2/ Excludes the direct accounting effect of the Administration's depreciation proposal on business income, although all categories of economic assumptions do reflect the economic impact of this proposal.

3/ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

4/ General schedule pay raises become effective in October -- the first month of the fiscal year. Thus, the October 1981 pay raise will set new pay scales that will be in effect during fiscal year 1982.

5/ An additional pay raise of 5.3% is proposed to be effective in July 1981.

6/ Average rate on new issues within period. The projections assume that interest rates decline with the rate of inflation and inflationary expectations. The projections do not represent a forecast of interest rates.

Budget Receipts

Under the Administration's budget reform plan, receipts would be substantially lower than the January estimates. These reductions are the net effect of policy changes, administrative actions, the revised economic forecast, and technical reestimates. The revised estimate of 1981 receipts is \$600.3 billion, \$7.2 billion below the January budget estimate. Receipts in 1982 are estimated at \$650.3 billion, \$61.4 billion less than the January estimate of \$711.8 billion. Estimates of receipts are \$100 to \$248 billion lower in 1983-1986.

Substitution of the Administration's proposals for those presented in the January budget reduces receipts by \$11.1 billion in 1981, \$56.6 billion in 1982, and \$195.9 billion by 1986. Administrative actions, which include the immediate decontrol of crude oil prices and the electronic funds transfer of payments of alcohol and tobacco excise taxes, increase receipts by \$3.7 billion in 1981 and \$0.5 billion in 1982. The revised economic forecast, primarily lower inflation, reduces receipts by \$4.3 billion in 1982 and by increasing amounts in each subsequent year.

Receipt Proposals

Proposed reductions in individual income tax rates and business taxes are an integral part of the Administration's economic recovery program. These reductions are designed to encourage work, saving, and investment, which will strengthen the growth and productivity of the economy and result in higher incomes and balanced budgets in later years. The proposed changes are described briefly below.

Individual income tax reductions.--The Administration is proposing that marginal tax rates for individuals be reduced by 10% each year for the next three years, beginning July 1, 1981. Compared with present law, tax rates would be reduced by 5% for calendar year 1981, 15% for calendar year 1982, 25% for calendar year 1983, and 30% for calendar year 1984. As a result, marginal tax rates would be reduced from their present range of 14 to 70% to a range of 10 to 50% effective January 1, 1984. Withholding rates would be reduced by 10% on July 1, 1981. For all years after 1981, the percentage reduction in withholding rates and tax schedule rates would be the same. These proposed reductions in individual income tax rates are estimated to reduce receipts by \$6.4 billion in 1981, \$44.2 billion in 1982, and \$162.4 billion by 1986. As a result, individual income taxes rise at a 10.2% annual rate from 1981-1986, compared with an annual increase of 16.6% under current law.

Depreciation reform.--The proposed Accelerated Cost Recovery System would provide for faster write-off of capital expenditures under simplified and standardized rules. Under this proposal, the following classes of plant and equipment are identified, each with a standard schedule of deductions to be taken over a fixed recovery period:

Table 7.--CHANGE IN BUDGET RECEIPTS
(in billions of dollars)

	Actual 1980	Estimate					
		1981	1982	1983	1984	1985	1986
January budget.....	520.0	607.5	711.8	809.2	922.3	1052.6	1188.5
Policy changes:							
Removal of Carter administration proposals.....	---	-2.5	-5.3	7.9	15.0	15.1	17.8
Individual income tax reductions..	---	-6.4	-44.2	-81.4	-118.1	-141.5	-162.4
Depreciation reform.....	---	-2.5	-9.7	-18.6	-30.0	-44.2	-59.3
Reform of Federal employee injury compensation.....	---	*	0.1	0.1	0.1	0.1	0.1
User charges.....	---	0.2	2.1	2.4	2.7	3.1	3.4
Other proposals <u>1/</u>	---	*	0.4	0.5	0.5	4.4	4.5
Subtotal, policy changes.....	---	-11.1	-56.6	-89.2	-129.8	-163.2	-195.9
Administrative actions <u>2/</u>	---	3.7	0.5	*	*	*	*
Revised economic assumptions.....	---	0.4	-4.3	-10.3	-21.8	-40.2	-54.9
Technical reestimates.....	---	-0.4	-1.0	-0.5	0.1	0.7	2.5
Revised budget.....	520.0	600.3	650.3	709.1	770.7	849.9	940.2

1/ These proposals include extension of highway trust fund taxes scheduled to expire September 30, 1984, an increase in railroad retirement payroll taxes, and increases in passport and visa fees.

2/ These estimates include gross windfall profit tax receipts resulting from immediate decontrol of crude oil prices and a speed up in collections of tobacco and alcohol excise taxes resulting from the electronic funds transfer of payments.

* \$50 million or less.

- 3-year property.--This class consists of autos and light trucks plus machinery and equipment used in research and development. Expenditures for these assets would be written-off in 3 years according to an accelerated schedule. An investment credit of 6% would be allowed, which is an increase of 2-1/2 percentage points over the credit allowed under present law.
- 5-year property.--This class consists of other machinery and equipment, except for certain long-lived utility property. After a phase-in period, property in this class would be written-off according to an accelerated 5-year schedule. The full 10% investment tax credit would apply for property in this class.
- 10-year property.--This class consists of factory buildings, retail stores, and warehouses, and public utility property for which present guidelines exceed 10 years. After a phase-in period, property in this class would be written-off according to an accelerated 10-year schedule. As under present law, the 10% investment credit would apply to the public utility property in this class but not to the structures.

Standard lives and depreciation methods also are established for other classes of depreciable real estate:

- 15-year property.--This class consists of non-residential structures not included in the 10-year class described above, and low-income rental housing. After an initial phase-in period, these structures would be written-off in 15 years on a straight-line basis.
- 18-year property.--Other residential structures would be written-off on a straight-line basis over 18 years.

This system of accelerated depreciation, proposed to be effective for new and used property acquired or placed in service after December 31, 1980, is estimated to reduce receipts by \$2.5 billion in 1981, \$9.7 billion in 1982, and increasing amounts in subsequent years.

As part of its effort to reform the Federal employees injury compensation program, the Administration proposes to make the entire amount of benefits received under this program subject to the Federal income tax. This proposal is estimated to increase receipts by \$18 million in 1981 and \$0.1 billion in 1982 and each year thereafter.

The Administration is proposing an increase in aviation user taxes and an increase in user fees for barge operators beginning July 1, 1981. These charges are proposed to recover through governmental receipts most of the Federal costs associated with the safe and efficient movement of air traffic, the operation of waterways, and the construction of new facilities on these waterways. A proposal to levy user charges on yacht and boat owners and a proposed increase in fees paid by users of deepwater

ports are classified as proprietary receipts and are offset against outlays in the transportation and natural resources and environment functions.

The revised estimates also reflect the following proposals, which were included in the January budget: extension of highway trust fund taxes that are scheduled to expire September 30, 1984; an increase in railroad retirement payroll taxes to alleviate funding problems of the Railroad Retirement trust fund; and increases in passport and visa fees.

The Credit Budget and Off-Budget Outlays

In the last decade, rapid growth of Federal credit activity -- both direct loans and loan guarantees -- has had serious effects on the Nation's economy and on financial markets. For this reason, rigorous control over Federal credit programs, including loans financed off-budget, is an important part of the President's budget reform plan. The criteria used in developing proposed reductions in credit and off-budget activity are identical to those used for on-budget expenditure reductions. For example, special scrutiny has been applied to certain credit programs, such as the guaranteed student loan program and certain housing programs, that provide benefits to those with middle and upper incomes. Attention has also been given to credit programs that were designed to promote economic development, but have had either little or no measurable results or have exacerbated existing problems by interfering with the efficiency of private financial markets.

The Credit Budget

The application of the economic criteria of the President's reform plan to Federal credit programs has led the Administration to propose substantial reductions in the size and scope of the Federal credit budget. The Administration will work with the Congress to control credit programs in two ways:

- by proposing annual appropriation bill limitations on new obligations for direct loans and on new commitments for loan guarantees; and
- by proposing changes to the basic authorizing legislation for programs that are not acted on in annual appropriations bills. Without fundamental changes to authorizing legislation, certain entitlements to Federal credit will remain relatively uncontrollable.

Revised totals for direct loan obligations and loan guarantee commitments are \$13.6 billion below the adjusted January budget for 1981 and \$21.0 billion below for 1982. The revised totals for direct loan obligations are \$2.6 billion below January in 1981 and 1982. Total loan guarantee commitments are \$11.0 billion below the adjusted January total in 1981 and \$18.4 billion lower in 1982.

Table 8.--SUMMARY OF CREDIT BUDGET TOTALS
(in billions of dollars)

	1981 Estimate			1982 Estimate		
	January	Revised	Change	January	Revised	Change
New direct loan obligations:						
On-budget.....	42.1	38.6	-3.5	34.1	32.9	-1.2
Off-budget.....	<u>32.2</u>	<u>32.6</u>	<u>0.4</u>	<u>26.1</u>	<u>22.7</u>	<u>-3.4</u>
Total new direct loan obligations, gross.....	74.2	71.2	-3.0	60.2	55.6	-4.6
Less new FFB purchases of loan assets.....	<u>-16.6</u> a/	<u>-16.2</u>	<u>0.4</u>	<u>-8.2</u> a/	<u>-6.2</u>	<u>2.0</u>
Total direct loan obligations, net.....	57.6 a/	55.0	-2.6	52.0 a/	49.4	-2.6
New loan guarantee commitments:						
Commitments, gross.....	202.1 b/	184.7	-17.4	196.4 b/	168.7	-27.7
Less secondary guarantees and guaranteed loans held as direct loans.....	<u>-105.9</u>	<u>-99.5</u>	<u>6.4</u>	<u>-99.5</u>	<u>-90.2</u>	<u>9.3</u>
Total primary guarantee commitments.....	<u>96.2</u> b/	<u>85.2</u>	<u>-11.0</u>	<u>96.9</u> b/	<u>78.5</u>	<u>-18.4</u>
Total credit budget.....	153.8	140.2	-13.6	148.9	127.9	-21.0

a/ The direct loan obligation totals published in the January budget have been adjusted downward by \$16.6 billion in 1981 and \$8.2 billion in 1982 to eliminate double counting of purchases of loan assets by the Federal Financing Bank.

b/ The loan guarantee commitment totals published in the January budget have been increased by \$5.1 billion in 1981 and \$4.5 billion in 1982 to correct technical errors.

Proposed reductions.--Federal credit programs would be reduced primarily as a result of applying three of the criteria used in shaping the President's economic plan. First, proposed changes resulting from the application of sound economic criteria to subsidy programs reduce direct loan obligations by \$2.7 billion in 1981 and \$5.1 billion in 1982. Guaranteed loan commitments would be reduced by \$4.6 billion in 1981 and \$5.4 billion in 1982 below the January budget levels. The following subsidy programs would be affected:

-- Rural and agricultural development programs would be reduced by:

- . \$89 million in 1981 and \$2,650 million ^{1/} in 1982 in direct loan obligations for the agricultural credit insurance fund in the Farmers Home Administration (FmHA). Decreases are primarily for farm ownership and emergency disaster loans. Loan guarantee commitments for this program would be increased by \$100 million. The reductions in direct loans result in decreases in loan guarantee commitments of \$76 million in 1981 and \$1,139 million in 1982 for sales of certificates of beneficial ownership to the Federal Financing Bank (FFB).
- . \$316 million in 1981 and \$649 million in 1982 in direct loan obligations and \$274 million in 1981 and \$517 million in 1982 for loan guarantee commitments for the rural housing insurance fund. The latter are due to decreases in sales of certificates of beneficial ownership to the Federal Financing Bank. These reductions will not significantly affect the poorest households and communities. FmHA would narrow its focus to serve borrowers who lack access to other credit sources, rather than serve as a source of below-market interest rate loans to a wide variety of private, credit-worthy borrowers. Under this approach, housing programs serving the very poor would receive smaller reductions than those that provide homeownership loans to moderate income families.
- . \$187 million in 1981 and \$400 million in 1982 for Rural Electrification Administration (REA) direct loan obligations and a \$100 million increase in 1982 for REA loan guarantee commitments to replace REA direct 5% loans to generation and transmission cooperatives. The FFB will no longer provide direct lending with REA guarantees to electric generation

^{1/} Subsequent to the revision of the credit budget data base and calculation of final credit budget totals, it was learned that the correct figure for the reduction in 1982 direct loan obligations for the agricultural credit insurance fund is \$1.3 billion.

and transmission cooperatives and to telephone companies and cooperatives. The REA has substantially accomplished its purpose of providing concessional financing to make available electric and telephone service to rural areas. These changes shift most of the financing for rural electric and telephone facilities currently assisted by REA and the FFB from direct Federal lending to privately originated loans with REA guarantees.

- . \$160 million in 1981 and \$130 million in 1982 in direct loan obligations and \$500 million in 1982 in loan guarantee commitments in rural development programs in FmHA as a result of the proposed elimination of the business and industry loan program in FmHA. This does not include further cuts of \$275 million that would result from proposed legislation.
 - . \$25 million in 1981 and \$100 million in 1982 in the storage facility loan program of the Department of Agriculture.
- Other proposed reductions in the commerce and economic development subsidy programs are:
- . \$50 million in 1981 and \$116 million in 1982 in direct loan obligations and \$262 million in 1981 and \$425 million in 1982 in loan guarantee commitments by eliminating the Economic Development Administration (EDA). There is a lack of convincing evidence that EDA programs have been effective in creating new jobs and attracting capital investment to distressed areas.
 - . \$126 million in 1981 and \$133 million in 1982 in direct loan obligations by eliminating the National Consumer Cooperative Bank. Successful cooperatives can obtain adequate private credit, and the use of scarce budgetary resources to subsidize inefficient cooperatives cannot be justified.
 - . \$45 million in 1981 and \$116 million in 1982 by reducing direct lending of the Small Business Administration. Guarantee commitments for SBA would be reduced by \$990 million in 1981 and \$1.5 billion in 1982. The decrease for SBA direct loan obligations for disasters is \$780 million in 1981 and \$50 million in 1982.
- Proposed reductions in energy subsidy programs will allow normal market forces to achieve rapid development of the most efficient new energy technology and to promote energy conservation. Direct loan obligations would be reduced by \$90 million in 1981 and \$94 million in 1982. Loan guarantee commitments would be reduced by

\$1.9 billion in 1981 and \$233 million in 1982 in biomass and geothermal energy development programs.

-- Direct loan obligations for programs that subsidize exports would be reduced by:

- . \$752 million in 1981 and \$600 million in 1982 by program changes in the Export-Import Bank. Loan guarantee commitments would be reduced by \$1.0 billion in 1981 and \$1.2 billion in 1982. These reductions are proposed because restoration of general economic health in the U.S. economy will be a more powerful stimulant to export expansion than costly subsidized loans.
- . \$76 million in 1981 and \$70 million in 1982 in direct loan obligations as a result of reductions in very low interest loans for exports of food under Public Law-480. In light of the current rising trend in commercial agricultural exports and the need to target foreign aid on the highest priority objectives, this substantial subsidy is no longer justified.

Second, the effort to reduce subsidies to middle and upper income families reduces primary loan guarantee commitments by \$4.8 billion in 1981 and \$9.0 billion in 1982. Secondary loan guarantee commitments would be reduced by \$7 billion in 1981 and \$9.6 billion in 1982.

Loan guarantee commitments for the Federal Housing Administration (FHA) mortgage insurance program would be reduced by \$4.8 billion in 1981 and \$9 billion in 1982. Government National Mortgage Association (GNMA) guarantees of mortgage-backed securities would be reduced by \$8 billion in both 1981 and 1982. While the GNMA tandem mortgage assistance program is proposed to be terminated, an increase in mortgage purchase commitments of \$3.3 billion over the January totals will be made in 1982 to provide subsidized mortgages for projects processed before February 13, 1981 that satisfy tandem program criteria. These overall lower levels of activity for Federal housing credit reflect downward reestimates in the number of newly constructed HUD subsidized housing units for 1981 and 1982, and a slower expected rate of increase in single family Federal mortgage insurance activity. The estimates also reflect the effort to focus Federal housing credit assistance only on those segments of the housing market that are not served by the private market.

The Administration proposes that the Department of Education guarantees of obligations of the Student Loan Marketing Association (SLMA) be increased by \$1.0 billion in 1981 and decreased by \$1.4 billion in 1982. The Department of Education's authorization to guarantee the obligations of SLMA would be terminated in 1982 to curtail further use of off-budget financing through the Federal Financing Bank (FFB). Access to the FFB was intended to enable SLMA to expand its loan purchasing and attract adequate private capital into the guaranteed student loan

program. However, SLMA is not prepared to begin raising funds in private credit markets during 1982. Its current financial condition is sufficiently strong to allow SLMA to go wholly private thereafter. The Administration's budgetary proposal provides sufficient interim capital to SLMA to ensure this transition without interruption of SLMA's scheduled financing.

Other proposed reductions in education are \$30 million in 1981 and \$45 million in 1982 in direct loan obligations for college housing. Collections of principal on past loans, which have been used to make new loans, will help provide adequate funding for future lending.

Third, the President's budget reform plan imposes fiscal restraint on a number of credit assistance programs that are in the national interest but cannot be accorded an urgent priority in light of the need to curtail the effects of large Federal demands upon the Nation's financial markets. Direct loan obligations would be reduced by \$0.8 billion in 1981. Commitments for loan guarantees would be reduced by \$1.0 billion in 1981 and \$3.6 billion in 1982.

-- Loan guarantee commitments for less essential credit programs would be reduced by:

- . \$100 million in 1981 and \$250 million in 1982 for aircraft purchase loan guarantees. In addition, beginning in 1982 eligibility for loan guarantees will be limited to commuter airlines, which traditionally have the most difficulty getting financing from private institutions.
- . \$300 million in 1981 and \$350 million in 1982 for loan guarantee commitments for assistance to merchant shipbuilding.
- . \$0.6 billion in 1981 and \$2.6 billion in 1982 for loan guarantee commitments for public housing and construction. This reduction is part of the general effort to reduce the growth in the number of units of federally subsidized housing. This action will substantially decrease Federal investment in future years while maintaining essential housing benefits to the most needy.

-- Direct loan obligations would be reduced by:

- . \$40 million in 1981 for the coastal energy impact program in the National Oceanic and Atmospheric Administration. Activities under this program can be undertaken by States and localities on their own or deferred.
- . \$152 million in 1981 and \$215 million in 1982 by eliminating the rehabilitation loan fund in the Department of Housing and Urban Development because it unnecessarily duplicates the much larger

rehabilitation efforts of the community development block grant program.

- A net reduction of \$358 million in 1982 is proposed for foreign military sales credit guarantees of Federal Financing Bank direct lending. This action will decrease FFB off-budget direct loans. An increase of \$632 million in direct loan obligations in 1982 is due to increased assistance to governments critical to the security of the United States.
- Other reductions in direct loan obligations are:
 - . \$91 million in 1981 and \$96 million in 1982 for several veterans insurance funds.
 - . \$75 million in 1982 to the District of Columbia for capital investment.

Table 9.--CHANGES IN NEW DIRECT LOAN OBLIGATIONS, 1981-1982
(in billions of dollars)

	1981	1982
January budget totals.....	74.2	60.2
Less FFB purchases of loan assets.....	-16.6 ^a	-8.2 ^a
Adjusted January totals.....	57.6	52.0
Policy reductions:		
Security assistance.....	-0.5	0.6
Export-Import Bank.....	-0.8	-0.6
Foreign assistance - P.L. 480.....	-0.1	-0.1
Biomass and geothermal energy development....	-0.1	0.1
Rural Electrification Administration.....	-0.2	-0.4
Price support and commodity loans.....	-*	-0.1
Agricultural credit.....	-0.1	-2.6 ^b
Mortgage purchase activity (GNMA).....	---	3.3
Rural housing.....	-0.3	-0.6
National Consumer Cooperative Bank.....	-0.1	-0.1
Housing rehabilitation programs.....	-0.2	-0.2
Rural development.....	-0.2	-0.1
Economic development assistance.....	-*	-0.1
Small business.....	-0.8	-0.2
Student assistance.....	-*	-0.1
Veterans programs.....	-0.2	-0.1
District of Columbia.....	---	-0.1
Federal Financing Bank.....	1.0	-1.0
Other.....	-*	-*
Subtotal, policy reductions.....	-2.6	-2.6
Revised total, direct loan obligations.....	55.0	49.3

a/ The totals published in the January budget have been adjusted downward by \$16.6 billion in 1981 and \$8.2 billion in 1982 to eliminate double counting of purchases of loan assets by the Federal Financing Bank.

b/ Subsequent to the revision of the credit budget data base and calculation of final credit budget totals, it was learned that the correct figure for the reduction in 1982 direct loan obligations for the agricultural credit insurance fund is \$1.3 billion.

* \$50 million or less.

Table 10.--CHANGES IN NEW LOAN GUARANTEE COMMITMENTS, 1981-1982
(in billions of dollars)

	<u>1981</u>	<u>1982</u>
January budget totals.....	91.1	92.4
Reestimates and corrections:		
TVA.....	3.4	4.5
Biomass energy development.....	<u>1.7</u>	<u>---</u>
Adjusted January totals.....	96.2 <u>a/</u>	96.9 <u>a/</u>
Policy reductions:		
Security assistance.....	---	-0.4
International development.....	-*	-0.2
Export-Import Bank.....	-1.0	-1.2
Biomass and geothermal energy development....	-1.9	-0.2
Rural Electrification Administration.....	-*	0.1
Agricultural credit.....	-0.1	-1.0
Mortgage purchase activity (GNMA).....	-8.0	-8.0
Mortgage credit (FHA).....	-4.8	-9.0
Rural housing.....	-0.3	-0.5
Small business.....	-1.0	-1.5
Aircraft programs.....	-0.1	-0.2
Rural development.....	-*	-0.5
Assistance to merchant shipbuilding.....	-0.3	-0.4
Student assistance.....	1.0	-1.4
Public housing.....	-0.6	-2.6
Economic development.....	-0.3	-0.4
Other.....	<u>-*</u>	<u>-0.2</u>
Subtotal, changes in gross loan guarantee commitments.....	-17.4	-27.7
Changes in deductions for secondary guarantees and guarantees held as direct loans.....	6.4	9.3
Subtotal, policy reductions.....	<u>-11.0</u>	<u>-18.4</u>
Revised total, loan guarantee commitments.....	85.2	78.5

a/ The loan guarantee commitment totals published in the January budget have been increased by \$5.1 billion in 1981 and \$4.5 billion in 1982 to correct technical errors.

* \$50 million or less.

Changes in Off-Budget Outlays Due to Credit Activities

The Federal Financing Bank (FFB) accounts for almost all of off-budget net outlays. The FFB was designed in 1974 primarily to provide an efficient method for financing certain Federal agency borrowing. However, the operations of the FFB have weakened budgetary control over Federal credit programs. The Administration is proposing broad reform of Federal Financing Bank operations and substantial decreases in Federal Financing Bank loan outlays.

Proposed reductions in total FFB lending are estimated to be \$0.2 billion in 1981 and \$3.2 billion in 1982. Major reductions are discussed above under the credit budget. They include lending to or on behalf of the Farmers Home Administration, Student Loan Marketing Association, and Rural Electrification Administration. Changes in off-budget outlays are shown on Table 11.

Table 11.--CHANGES IN OFF-BUDGET OUTLAYS
(in billions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
January budget estimates.....	23.2	18.3	15.3	14.7	15.3	16.9
Reestimates and revisions:						
Federal Financing Bank:						
Low-rent public housing.....	-0.4	1.6	1.7	2.6	2.5	2.5
Other.....	*	0.1	0.1	0.2	-1.1	-1.7
Postal Service.....	<u>0.4</u>	<u>1.5</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Subtotal, reestimates.....	*	3.1	2.2	3.2	1.8	1.2
Proposed policy changes:						
Federal Financing Bank:						
Rural Electrification Administration..	-*	-1.2	-2.4	-3.7	-5.1	-6.6
Farmers Home Administration.....	-0.4	-1.7	-1.7	-1.6	-1.6	-1.9
Student Loan Marketing Association....	1.0	-1.4	-2.2	-2.5	-2.5	-2.5
Other.....	<u>-0.2</u>	<u>-0.5</u>	<u>-0.6</u>	<u>-0.7</u>	<u>-0.6</u>	<u>-0.6</u>
Subtotal, proposed policy changes	<u>0.4</u>	<u>-4.7</u>	<u>-6.9</u>	<u>-8.5</u>	<u>-9.8</u>	<u>-11.6</u>
Revised budget estimates.....	23.6	16.7	10.7	9.5	7.4	6.5

* \$50 million or less.

Debt

The budget deficits now estimated for 1981 and 1982, together with the deficits of the off-budget Federal entities and the other factors involved in budget financing, require that the Federal Government borrow \$71.0 billion from the public in 1981 and \$60.0 billion in 1982. By the end of 1982, debt held by the public is estimated to be \$846.1 billion and gross Federal debt to be \$1,075.4 billion. The total borrowing from the public during 1981 and 1982 is estimated to be \$14.0 billion more than in the January budget. This is primarily because the tax reductions needed in 1982 to provide economic stimulus are greater than the cuts in budget outlays and off-budget Federal spending.

The following table shows the relationship between the Federal deficits, the change in debt held by the public, and the change in gross Federal debt.

Table 12.--BUDGET FINANCING AND DEBT
(in billions of dollars)

	Actual 1980	1981 Estimate		1982 Estimate	
		January Budget	Revised Budget	January Budget	Revised Budget
Budget surplus or deficit (-).....	-59.6	-55.2	-54.9	-27.5	-45.0
Deficit(-), off-budget Federal entities.....	-14.2	-23.2	-23.6	-18.3	-16.7
Means of financing other than borrowing from the public.....	3.3	6.4	7.5	0.8	1.7
	=====	=====	=====	=====	=====
Change in debt held by the public.....	70.5	72.0	71.0	45.0	60.0
Change in Federal agency investments in Federal debt.....	10.1	6.1	7.3	20.3	22.8
	<u>10.1</u>	<u>6.1</u>	<u>7.3</u>	<u>20.3</u>	<u>22.8</u>
Change in gross Federal debt.....	80.6	78.1	78.3	65.2	82.8
<hr/>					
Outstanding debt, end of year:					
Gross Federal debt.....	914.3	992.4	992.6	1057.7	1075.4
Held by:					
Government agencies.....	199.2	205.3	206.5	225.6	229.3
The public.....	715.1	787.1	786.1	832.1	846.1
	=====	=====	=====	=====	=====
Debt subject to statutory limit.....	908.7	987.3	987.4	1053.6	1071.2

Federal Civilian Employment

The President demonstrated his commitment to reducing the level of Federal civilian employment when he signed an order freezing Federal civilian hiring as his first official act following his inauguration.

As part of the preparation of the revised budget, new civilian personnel ceilings for 1981 and 1982 were developed for each agency. These personnel ceilings are significantly lower than those planned in the January budget. As the heads of agencies adopt specific plans to meet the revised ceilings, they may be able to modify or lift the hiring freeze. These actions will complete one phase of the Administration's effort to reduce the size and cost of the Federal work force and to increase its efficiency. The new, lower personnel levels should increase productivity by encouraging a more efficient use of personnel.

The following table compares, by major agency, the end-of-year employment estimates in the January budget to the revised estimates.

Employment in nondefense agencies would be reduced by 32,900 positions in 1981 and by 63,100 positions in 1982 from the January budget estimates.

As part of the Administration's proposed increases in budget resources devoted to national defense, civilian employment for the Department of Defense would be 14,000 positions higher in 1981 and 20,000 higher in 1982 than the levels proposed in the January budget.

A table showing full-time permanent employment estimates on a full-time equivalent (workyear) basis is provided in Part 5.

Table 13.--TOTAL FEDERAL CIVILIAN EMPLOYMENT -- EXECUTIVE BRANCH
(Excluding the Postal Service; End-of-Year)

	1981			1982		
	January Budget	Revised Budget	Change	January Budget	Revised Budget	Change
Agriculture.....	129,200	125,000	-4,200	132,300	126,000	-6,300
Commerce.....	39,200	37,300	-1,900	43,100	39,600	-3,500
Defense-Military.....	916,000	930,000	14,000	916,000	936,000	20,000
Defense-Civil.....	31,900	31,900	---	34,700	32,100	-2,600
Education.....	7,200	6,800	-400	6,900	6,400	-500
Energy.....	21,500	20,300	-1,200	21,700	18,400	-3,300
Health and Human Services.....	154,500	160,100	5,600	155,300	155,500	200
Housing and Urban Development.....	16,400	15,500	-900	16,800	15,300	-1,500
Interior.....	77,000	75,000	-2,000	78,700	74,300	-4,400
Justice.....	55,900	54,700	-1,200	56,500	54,100	-2,400
Labor.....	23,500	21,900	-1,600	23,500	21,800	-1,700
State.....	23,400	23,400	---	23,700	23,200	-500
Transportation.....	71,800	68,800	-3,000	72,200	67,500	-4,700
Treasury.....	125,000	120,900	-4,100	128,300	121,200	-7,100
Environmental Protection Agency...	14,800	14,100	-700	15,500	13,800	-1,700
National Aeronautics and Space Administration.....	23,800	23,300	-500	23,800	23,200	-600
Veterans Administration.....	216,700	212,000	-4,700	217,200	208,000	-9,200
Other:						
General Services Administration	35,500	33,700	-1,800	36,200	33,300	-2,900
International Communication Agency.....	8,100	7,700	-400	8,100	7,700	-400
International Development Cooperation Agency.....	6,100	5,900	-200	6,100	5,800	-300
Nuclear Regulatory Commission..	3,500	3,400	-100	3,600	3,500	-100
Office of Personnel Management.	7,400	7,400	---	8,000	7,400	-600
Panama Canal Commission.....	8,700	8,600	-100	8,600	8,500	-100
Small Business Administration..	5,000	4,700	-300	5,000	4,500	-500
Tennessee Valley Authority.....	49,000	45,500	-3,500	48,000	44,000	-4,000
Miscellaneous.....	45,900	43,200	-2,700	47,700	44,300	-3,400
Subtotal.....	2,117,000	2,101,000	-15,900	2,137,500	2,095,400	-42,100
Contingencies.....	2,000	1,000	-1,000	2,000	1,000	-1,000
Expected lapse.....	-8,000	-10,000	-2,000	-8,000	-8,000	---
Total.....	2,111,000	2,092,100	-18,900	2,131,500	2,088,400	-43,100

Part 3

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1980-1982

The budget resources devoted to meeting national needs are classified by functions so that budget authority and outlays can be grouped together according to purpose. To the extent feasible, these groupings are made without regard to agency or other organizational distinctions. These categories are used by the Congress in developing the concurrent resolutions on the budget. This part contains separate sections for each of the budget functions on 1981 and 1982 estimates. Part 4 discusses the projections for 1983 through 1986 for each function.

050: NATIONAL DEFENSE

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	145.8	173.9	200.3
Department of Defense-Military:			
Reestimates and revised economic assumptions:			
Military retired pay.....	---	-*	-0.2
All other.....	---	-0.8	-2.1
Policy reductions:			
Civilian pay.....	---	---	-0.1
All other.....	---	-0.5	-1.9
Policy increases:			
Military pay.....	---	0.4	1.9
All other.....	---	7.7	28.6
Atomic energy defense activities.....	---	---	0.3
Defense-related activities.....	---	*	-0.5
Revised budget.....	145.8	180.7	226.3

<u>Outlays</u>			
January budget.....	135.9	161.1	184.4
Department of Defense-Military:			
Reestimates and revised economic assumptions:			
Military retired pay.....	---	-*	-0.2
All other.....	---	-2.6	-3.4
Policy reductions:			
Civilian pay.....	---	---	-0.2
All other.....	---	-0.3	-0.9
Policy increases:			
Military pay.....	---	0.4	1.9
All other.....	---	3.5	7.6
Atomic energy defense activities.....	---	*	0.1
Defense-related activities.....	---	*	-0.5
Revised budget.....	135.9	162.1	188.8

* \$50 million or less.

The budget authority now requested for the national defense function for 1982 is \$25.8 billion higher than that requested in the January budget. Outlays for 1982 are estimated to be \$4.3 billion higher. This is due to program increases totaling \$9.6

billion in outlays, partly offset by \$3.6 billion in downward reestimates and planned reductions of \$1.6 billion.

Department of Defense-Military

Reestimates.--Defense outlays and budget authority have been reestimated to reflect the economic assumptions contained in this document. Lower projected inflation has reduced projected costs of defense purchases and military retired pay cost-of-living adjustments. In addition, prior to any policy modifications to the January budget, outlays under existing contracts were reestimated downward by \$2.3 billion for 1981 and \$2.2 billion for 1982 on the basis of recent spending patterns.

Proposed reductions.--Savings of \$0.2 billion in 1982 in civilian employment payroll costs, and larger amounts in subsequent years, are estimated for the Administration's proposed changes in the method used to calculate Federal pay raises. Under this proposal, a pay raise of 4.8% is estimated for civilian personnel for 1982, rather than the 5.5% assumed in the January budget.

Savings of \$0.7 billion a year beginning in 1983 are expected from the withdrawal of most of the previous administration's proposals to alter the military retired pay system. The January budget proposal to shift from semi-annual to annual indexation of retired pay benefits is retained, however, and this proposal is now estimated to save \$0.4 billion in 1982 compared to current law.

The Administration proposes other reductions estimated at \$1.9 billion in budget authority and \$0.9 billion in outlays in 1982, and larger amounts in subsequent years. These reductions involve realignment of the defense installation and logistics structure that would reduce its over-all size, and, where appropriate, make greater use of contractual services instead of in-house Government activities. Travel costs and the use of consultants will also be reduced, and a variety of management improvements will be undertaken to improve acquisition procedures. The latter include multi-year procurements permitting substantial economies due to early assurance of longer production runs; ordering in more economic quantities, and increased competition in the awarding of contracts; termination of weapon systems that are excessively costly in relation to mission requirements or peripheral to our defense requirements; and emphasis on investments that improve productivity both in the defense industrial base and in Government-operated facilities.

Proposed increases.--The Administration proposes a 5.3% pay raise for military personnel in July 1981, in addition to the 9.1% October 1981 pay raise assumed in the January budget. This higher military pay will reduce the outflow of experienced personnel from the armed services. This adds \$1.9 billion to military pay in 1982, compared to the amount provided in the January budget.

Increased funding in other areas amounting to \$28.6 billion in budget authority and \$7.6 billion in outlays in 1982 will strengthen strategic forces, improve military readiness, and accelerate modernization of combat forces.

The major program initiatives for strategic forces include a new manned bomber, improvements in tanker aircraft, additional cruise missiles, and improvements in command and control systems.

The readiness of U.S. forces will be improved by providing funds for additional spare parts needed to sustain higher operating rates and fill war reserve needs, and for additional ammunition for training and war reserve requirements. Higher military pay rates will also contribute to readiness by attracting and retaining skilled military manpower.

Our ability to deploy forces in remote areas, such as the Indian Ocean and Persian Gulf, will be improved by increases in naval surface forces, including reactivation of battleships and an aircraft carrier. Special equipment would be acquired to enable combat forces to operate in hostile environments, such as desert warfare.

Modernization of conventional forces would be accelerated by more rapid procurement of new Army equipment, including new tanks, air defense systems, helicopters, and ammunition; naval aircraft and air-defense and missile-launching systems for surface ships; and Air Force aircraft, missiles, and ammunition.

Intelligence capabilities will be strengthened by providing increased funding for personnel, processing, and information collection capabilities.

Other National Defense

Proposed increases.--Estimates for atomic energy defense activities have increased by \$0.3 billion in budget authority and \$0.1 billion in outlays for 1982, primarily for necessary improvements to the Nation's nuclear weapon's production facilities.

Proposed reductions.--The General Services Administration maintains a stockpile of strategic and critical materials for potential defense production requirements. In addition to currently required materials, the stockpile now contains about \$6 billion worth of materials that have been declared excess by defense agencies. The Administration proposes acceleration of the sales of these excess materials to provide funds for future acquisitions of required materials and to reduce security, rotation, and other storage costs of the excess materials. The acceleration of sales would increase receipts by \$0.5 billion over the estimate in the January budget for 1982.

150: INTERNATIONAL AFFAIRS

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	15.5	25.2	19.6
Reestimates:			
Export-Import Bank.....	---	-0.1	-*
Policy reductions:			
Development aid.....	---	-0.6	-1.7
International organization			
assessments.....	---	---	-0.2
Export-Import Bank.....	---	-0.7	-0.6
All other.....	---	*	-0.1
Policy increases:			
Security assistance.....	---	---	0.9
Other.....	---	*	*
Revised budget.....	15.5	23.7	17.9
<u>Outlays</u>			
January budget.....	10.7	11.3	12.2
Reestimates:			
Export-Import Bank.....	---	0.1	-0.4
Other (net).....	---	0.1	0.1
Policy reductions:			
Development aid.....	---	-0.1	-0.3
International organization			
assessments.....	---	---	-0.2
Export-Import Bank.....	---	-0.1	-0.2
All other.....	---	*	-0.1
Policy increases:			
Security assistance.....	---	---	0.1
Other.....	---	*	*
Revised budget.....	10.7	11.3	11.2

* \$50 million or less.

The revised budget proposals for international affairs include a policy increase to meet critical security assistance objectives, but because of offsetting policy reductions and downward reestimates, the function totals for 1982 are well below the January budget request. The Administration's budget authority request is \$1.5 billion lower in 1981 and \$1.7 billion lower in 1982 than the January budget levels. Outlays are estimated to be

approximately the same as the January budget for 1981 and \$1.0 billion lower in 1982.

Reestimates.--Reestimates of spending rates reduce 1982 outlays on net by \$0.3 billion below the January budget. Of this amount, \$0.4 billion is a downward reestimate of Export-Import Bank outlays due to lower interest rates and slower disbursements on aircraft loans. Subscriptions to the multilateral development banks have also been reestimated down (\$-0.1 billion) since January and partially offset an upward reestimate of exchange stabilization fund outlays (\$0.2 billion).

Proposed reductions.--The Administration proposals reduce budget authority for international affairs by \$1.4 billion in 1981 and \$2.6 billion in 1982 below the January budget request. Outlays are estimated to be \$0.2 billion lower in 1981 and \$0.8 billion lower in 1982 as a result.

Reductions are proposed in development programs to eliminate lower priority activities. Contributions to internationally agreed replenishments of the funds of some multilateral development banks will be stretched out in a manner consistent with those agreements. Voluntary contributions to some United Nations and other international organization programs and funding for the Agency for International Development (AID), P.L. 480 food aid, and the Peace Corps would be reduced from the levels in the January budget. Humanitarian programs, such as those providing emergency disaster relief and food, would be maintained at their recent levels. The AID programs would be reoriented to assure that they clearly contribute to the ability of Third World countries to improve their economic performance.

Starting in 1982 there will be a delay each year in the payment of U.S. assessed contributions to international organizations. This change will permit savings in the budget requests for 1982-85. For 1982, this shift would reduce the January budget request by \$0.2 billion in budget authority and outlays.

The Administration proposal to reduce the long-term lending authority of the Export-Import Bank is part of the overall effort to control the expansion of Federal credit programs, particularly those with an unneeded subsidy element. The lower lending level would still permit the Bank to offer substantial levels of credit to exporters. In addition to benefiting from regular, long-term direct loans, smaller U.S. exporters would continue to be assisted by the Bank's medium-term discount loan program. The revised budget proposes an authorization level of \$0.4 billion for the medium-term loan program, while the January budget proposed termination of this program. The net effect of these changes would reduce 1982 budget authority for the Export-Import Bank by \$0.6 billion and outlays by \$0.2 billion below the January budget request.

Other proposed reductions include cutbacks in International Communication Agency activities and in the U.S. contribution to the Sixth International Tin Agreement. In addition, the proposals would reduce the Overseas Private Investment

Corporation's loan guarantee program and terminate its direct lending.

Proposed increases.--The Administration is proposing to increase security assistance programs to several countries as well as contingency accounts. These initiatives would increase 1982 budget authority by \$0.9 billion above the January budget request. In addition, the Administration plans to establish a new revolving fund for procuring military equipment for eventual transfer to other countries that would shorten lead times for delivery of critical weapons systems. Because the fund would receive payments well before they are paid out against military equipment orders, the effect of the fund is to reduce outlays in the international affairs function. As a result, the net increase in security assistance outlays above the January budget is \$0.1 billion in 1982.

The Administration also proposes to increase funding for Radio Free Europe/Radio Liberty through the appropriation to the Board for International Broadcasting to improve broadcasting to Eastern European countries.

250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	6.1	6.6	8.1
Policy reductions:			
NASA.....	---	-*	-0.5
National Science Foundation.....	---	-0.1	-0.3
Department of Energy general science.....	---	-*	-*
Revised budget.....	6.1	6.5	7.2
<u>Outlays</u>			
January budget.....	5.7	6.3	7.6
Policy reductions:			
NASA.....	---	-*	-0.4
National Science Foundation.....	---	-*	-0.2
Department of Energy general science.....	---	---	-*
Revised budget.....	5.7	6.2	6.9

* \$50 million or less.

The Administration believes that Federal support for science and space technology is an important investment in the Nation's future. The policy changes proposed in this function for 1981 and 1982 permit continuation of the highest priority programs, but reduce those that cannot be sustained under current circumstances. In 1982, the revised budget proposes \$7.2 billion in budget authority, an increase of 10% from the level appropriated for 1981, but a reduction of 11% from the level proposed by the previous administration. Estimated outlays are \$6.9 billion in 1982, a 9% reduction from the level estimated in January.

Proposed reductions.--The sharp increase proposed for the space programs of the National Aeronautics and Space Administration in the January budget is incompatible with a program of overall restraint. The revised budget authority request for 1982, \$5.6 billion, still provides the significant increase over 1981 needed in the space shuttle program to meet civilian and critical defense needs. The development and procurement of the fleet of four space shuttle orbiters and the option to buy a fifth orbiter, if needed, will be maintained. Slower development of

spacelab and elimination of funding for the solar electric propulsion system are also proposed.

For space science programs, the revised budget defers new flight projects and projects initiated only recently, such as the gamma ray observatory spacecraft, the Venus orbiting imaging radar project, and spacelab experiments, while the solar polar mission is continued at a reduced level. Most new space applications programs previously proposed would be deleted and reductions are proposed for some ongoing activities. The reduced level would provide support for research on space remote-sensing techniques and satellite missions, research related to understanding weather and climate, and research on advanced space communications technology.

Budget authority for space programs of the National Aeronautics and Space Administration is reduced by \$521 million in 1982 from the January request. Outlay reductions are estimated to be \$428 million in 1982.

The Administration proposes to reduce or eliminate some National Science Foundation (NSF) programs while preserving support for the advancement of science through basic research. The programs that are proposed for reduction or elimination include those in science and engineering education and the behavioral, social, and economic sciences that are less critical to meeting the principal goals and objectives of the Foundation. All new NSF programs proposed in the January budget request -- such as university laboratory modernization grants and a planned 25-meter radio telescope -- are being deferred for future consideration. The budget authority request for NSF is reduced by \$83 million in 1981 and \$320 million in 1982 from the January budget, while estimated outlays are reduced \$36 million and \$209 million respectively.

The Administration proposes a budget authority reduction of \$40 million from the January budget in the Department of Energy's general science programs in life sciences and nuclear medicine, high-energy physics, and nuclear physics. This will result in a stretchout of construction projects, and deferral of new accelerator construction at several universities. The revised budget authority request of \$567 million in 1982 still allows for improvements in experimental facilities and support of continuing research. Outlays would be reduced by \$24 million in 1982 from the January budget estimate.

270: ENERGY

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	36.4	8.3	12.1
Reestimates.....	---	0.1	---
Policy reductions:			
Fossil and synthetic fuels.....	---	-0.6	-1.1
Alcohol fuels and biomass.....	---	-1.2	---
Solar.....	---	-0.1	-0.4
Other supply.....	---	-0.2	-0.3
Uranium enrichment.....	---	-0.8	-0.4
Spent fuel storage.....	---	-0.3	---
Solar Energy and Energy Conservation Bank.....	---	-0.1	-0.1
Conservation.....	---	-0.2	-0.7
Regulation and information.....	---	-0.1	-0.3
Policy increases:			
Nuclear energy.....	---	0.1	0.3
Strategic petroleum reserve.....	---	1.3	0.2
Petroleum reserve and other receipts.....	---	-0.3	-0.3
Revised budget.....	36.4	5.8	9.0
<u>Outlays</u>			
January budget.....	6.3	8.7	12.0
Policy reductions:			
Fossil and synthetic fuels.....	---	-0.3	-1.2
Alcohol fuels and biomass.....	---	-0.1	-0.1
Solar.....	---	-0.1	-0.4
Other supply.....	---	*	-0.3
Uranium enrichment.....	---	---	-0.4
Spent fuel storage.....	---	0.1	-0.2
Solar Energy and Energy Conservation Bank.....	---	-*	-0.1
Conservation.....	---	-*	-0.4
Regulation and information.....	---	-0.1	-0.3
Policy increases:			
Nuclear energy.....	---	0.1	0.2
Strategic petroleum reserve.....	---	1.3	0.3
Petroleum reserve and other receipts.....	---	-0.3	-0.3
Revised budget.....	6.3	9.2	8.7

* \$50 million or less.

Most of the changes in the energy function reflect the Administration's conviction that the Nation's energy problems will be solved by the people and industries of this country in response to realistic Federal policies, not by Government spending. In the past, the Federal Government has postponed hard decisions on energy policy and created numerous programs that have added to the burden of the budget and have provided the illusion of progress without the reality. The President's decision to decontrol oil markets and proposed changes in the budget are key steps in carrying out the policies of this Administration. The budget authority proposed for the energy function is \$2.5 billion lower in 1981 and \$3.1 billion lower in 1982 than the levels requested in the January budget. Estimated outlays are increased by \$0.5 billion in 1981 (due to the net effect of reductions and increased costs for the strategic petroleum reserve) and reduced by \$3.3 billion in 1982.

Reestimates.--Correction of an error in the January budget increases budget authority for the Clinch River breeder reactor by \$0.1 billion in 1981.

Policy reductions.--The Administration supports the development of a commercial synthetic fuels industry. By shifting the Department of Energy's synthetic fuels commercialization activities to the newly-created Synthetic Fuels Corporation, development of our synthetic fuels potential can be achieved without needless use of tax dollars to subsidize private business ventures.

Using the forms of assistance provided by the Corporation, rather than those provided by the Department of Energy, private companies will manage construction with more of their own money at risk. The likelihood of successful project outcomes will, therefore, increase, while potential Government costs will decrease.

The Department of Energy would end its program of major technical demonstrations, transfer the interim alternative fuels funding program to the Synthetic Fuels Corporation, and focus on supporting long-range research and development. The Administration will propose a rescission of \$300 million in 1981 for feasibility studies and cooperative agreements and a transfer of the unobligated portion of the remaining \$5.0 billion of budget authority in the Department of Energy program to the Synthetic Fuels Corporation on June 30, 1981.

In keeping with this strategy, major reductions are also planned in fossil energy research, development, and demonstration programs. Funding for design and operation of major fossil energy pilot and demonstration plants is reduced or eliminated. Budget authority for all fossil and synthetic fuels programs will be reduced below the January level by \$0.6 billion in 1981 and \$1.1 billion in 1982. Estimated outlays would be reduced by \$0.3 billion in 1981 and \$1.2 billion in 1982.

The Administration supports continuation of existing tax credits and the excise tax exemption for gasohol, but proposes the

termination of the alcohol fuels and biomass programs administered by the Departments of Agriculture and Energy and funded through the energy security reserve. The combination of tax incentives and removal of price controls from domestic crude oil will make alcohol fuels more competitive and eliminate the need for additional subsidies through the loan guarantees, feasibility studies, and cooperative agreements that have been supported by these agencies. Budget authority not yet obligated under either program, estimated to be \$1.2 billion, is proposed for rescission in 1981. This would result in reductions in estimated outlays of \$0.1 billion in 1981 and 1982.

The Department of Energy conducts a variety of research, development, and demonstration programs that are intended to develop or improve energy technologies and to subsidize the adoption of these technologies by private industry. Rising energy prices, new tax incentives for investment, regulatory relief and economic recovery make many of these programs unnecessary.

The Administration, therefore, plans to restructure the technology programs of the Department of Energy to emphasize longer-term, high risk, but potentially high-payoff research and development while terminating larger technical demonstrations. The Administration believes that Federal support for energy research is appropriate, but that large demonstrations and the development of commercial applications should be left to the private sector.

- The focus of Department of Energy programs for solar energy will be shifted from near-term development, demonstration, and commercialization activities toward longer-term research and development. Budget authority and outlays would be reduced by \$0.1 billion in 1981 and by \$0.4 billion in 1982 below the January budget. Federal tax credits, including incentives for biomass and alcohol fuels, estimated to be \$0.6 billion in 1982, will continue unchanged.
- Other energy supply programs, including geothermal loan guarantee and commercialization programs, the uranium resource assessments program, subsidies for small hydropower projects, near-term development of energy storage and electric transmission systems and duplicative environmental studies, would be eliminated. These proposals reduce budget authority by \$0.2 billion in 1981 and \$0.3 billion in 1982, while outlays are decreased \$0.3 billion in 1983.

In addition, improved efficiency of operations and increased prices that recover a greater part of the costs associated with the uranium enrichment program of the Department of Energy result in a \$0.8 billion reduction in budget authority in 1981 and \$0.4 billion reductions in budget authority and outlays in 1982.

The Administration does not support Federal funding for an away-from-reactor spent nuclear fuel storage facility. Withdrawal of

the previous administration's proposal reduces budget authority by \$0.3 billion and increases outlays by \$0.1 billion in 1981, while 1982 outlays are reduced by \$0.2 billion.

Under the Administration proposals, the Solar Energy and Energy Conservation Bank program in the Department of Housing and Urban Development would not be started up. Existing Federal tax credits and rising oil prices already provide substantial incentives for investment in solar energy and conservation. Preliminary regulations have been withdrawn and no loan subsidies will be disbursed.

The Administration proposes that \$121 million appropriated for this program in 1981 be rescinded and that the 1982 budget be amended to withdraw the \$125 million appropriation requested by the previous administration. Outlays would be reduced by \$0.1 billion in 1982.

Rising energy prices have led to substantial improvements in the efficiency with which the Nation uses energy. Decontrol of oil prices and existing tax credits will encourage continuing energy conservation efforts by individuals and businesses. As a result, many of the energy conservation spending and regulatory programs conducted by the Federal Government are no longer necessary.

The Administration proposes reductions in Department of Energy programs for conservation technology development, regulation, information, and financial assistance to State and local governments. Grants for conservation improvements in public and non-profit schools and hospitals will continue at a rate of about \$100 million per year. The Department of Energy's weatherization assistance program is proposed for termination. State and local governments can continue to fund weatherization programs using the Department of Housing and Urban Development's community development block grant program, which is discussed in the community and regional development function.

The Administration will propose a rescission of \$207 million in 1981 and amendments to the budget request submitted by the previous administration, as well as withdrawing regulations and proposed legislation that are no longer called for. These changes reduce budget authority by \$0.2 billion in 1981 and \$0.7 billion in 1982 from the January budget level. Outlays would be reduced by \$0.4 billion in 1982.

Since greater reliance will be placed on energy markets to meet energy needs, there will be less need for energy regulation and information programs. The price and allocation functions of the Economic Regulatory Administration, mandatory fuel use restrictions, and coupon gasoline rationing are proposed for elimination. This will result in reductions of \$0.2 billion in both budget authority and estimated outlays from the January budget levels for 1982.

As a result of the reductions in the activities of the Department of Energy, budget authority for departmental administration and overhead is being reduced by 32% below the January budget request

for 1982. In addition, planning for the regional strategic petroleum reserve program proposed by the previous administration will be terminated, since prompt development of centralized storage facilities is more effective and less costly.

The Administration proposes a major change in the financing of the Rural Electrification Administration, termination of the biomass and alcohol fuels loan guarantee program, and reductions in geothermal and other credit programs, which are discussed in Part 2.

Policy increases.--The Administration believes that nuclear energy must play an important role in the Nation's energy future. The revised budget includes budget authority and outlay increases in 1981 and 1982 to build the Clinch River breeder reactor and to start design studies for a large, commercial size breeder reactor. Increases are also proposed for commercial waste management programs and for continuing research by the Department of Energy at the Three Mile Island nuclear plant. These proposals result in an increase over the January budget levels of \$0.1 billion in budget authority in 1981 and of \$0.3 billion in budget authority and \$0.2 billion in outlays in 1982.

As a result of decontrol of domestic oil prices and the termination of the crude oil entitlements program, the strategic petroleum reserve program will lose offsetting receipts of approximately \$1.3 billion in 1981 and \$0.2 billion in 1982. The Administration proposes to increase budget authority and outlays by the amounts needed to maintain strategic petroleum reserve oil fill schedules.

Estimated receipts from the sale of oil at the Government-owned petroleum reserves and from power marketing activities are expected to increase \$0.3 billion in 1981 and \$0.3 billion in 1982 as a result of changes in oil prices, taxes and sales practices.

300: NATURAL RESOURCES AND ENVIRONMENT

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	13.1	12.7	13.6
Reestimates:			
Mineral leasing receipts.....	---	-0.1	-0.1
Policy reductions:			
Water resource construction.....	---	*	-0.2
Improved targeting of conservation expenditures.....	---	-0.3	-0.6
Youth conservation corps.....	---	-*	-0.1
Waste treatment grants.....	---	-1.7	-3.7
National Oceanic and Atmospheric Administration (NOAA).....	---	-*	-0.2
Mineral leasing receipts.....	---	---	-0.2
All other.....	---	-0.1	-0.7
Policy increases:			
National Park Service.....	---	*	0.1
All other.....	---	0.1	*
Revised budget.....	13.1	10.4	7.9
<u>Outlays</u>			
January budget.....	13.8	14.1	14.0
Reestimates:			
National Oceanic and Atmospheric Administration (NOAA).....	---	---	-*
Mineral leasing receipts.....	---	-0.1	-0.1
Waste treatment grants.....	---	---	-0.1
All other.....	---	-0.1	-0.2
Policy reductions:			
Water resource construction.....	---	---	-0.2
Improved targeting of conservation expenditures.....	---	-0.1	-0.3
Youth conservation corps.....	---	-*	-0.1
Waste treatment grants.....	---	-*	-0.3
National Oceanic and Atmospheric Administration (NOAA).....	---	*	-0.2
Mineral leasing receipts.....	---	---	0.2
All other.....	---	-0.1	-0.5
Policy increases:			
National Park Service.....	---	*	0.1
All other.....	---	0.1	*
Revised budget.....	13.8	13.7	12.0

* \$50 million or less.

Administration proposals and technical reestimates reduce outlays for the natural resources and environment function by \$0.4 billion in 1981 and by \$2.1 billion in 1982 below the January budget. The budget authority request is \$2.3 billion less in 1981 and \$5.7 billion less in 1982 than the January budget. The proposed reductions include stretching out and retargeting public sector capital improvement programs, imposing fiscal restraint on other programs, delaying purchase of additional land for park and recreation purposes, while at the same time augmenting resources for the protection of existing national parks, and increasing offsetting receipts by accelerating mineral leasing.

Proposed reductions.--The Administration proposes a 15% reduction in planned construction for water resources programs. This proposal does not include funding for three Corps of Engineers projects that are incompatible with the current austere budget environment.

About 75 of the more than 300 remaining projects would be delayed slightly. However, these delays would not affect the completion dates for hydro-power, municipal and industrial water supply, urban flood control or navigation projects.

The Administration proposes to eliminate funding for the Water Resources Council (including State planning grants and the River Basin Commissions) and the Office of Water Research and Technology. A small Office of Water Policy will be established within the Department of the Interior to advise the Secretary on water resources policies. The Administration will continue to examine water resource planning and development programs for additional improvements.

The expenditures for recreation land conservation will be substantially refocused through: a moratorium on Federal land purchases; the elimination of three major grant programs for recreation land acquisition and development and historic preservation; and significant resource increases for existing national parks. Postponing Federal acquisition will allow for a thoughtful policy review of existing park and recreation legislation. Legislation is being proposed to amend the land and water conservation fund to allow the fund to be used for improvements in our National Park system. The requested budget authority will be reduced by \$0.2 billion in 1981 and \$0.5 billion in 1982. Estimated outlays for conservation purposes will decline \$0.1 billion in 1981 and \$0.3 billion in 1982. While outlays for non-timber activities in national forests will decrease slightly in 1982 from the January budget estimates. Some of the Bureau of Indian Affairs grant programs located in the natural resources and environment function will be consolidated with other Indian programs. This proposal is discussed in the community and regional development function.

The Administration proposes to phase out the Youth Conservation Corps (YCC) by the end of 1981. This will be accomplished by rescinding 1981 funds currently available for YCC. The January budget also proposed to eliminate the Young Adult Conservation Corps, a similar program that is classified in the employment and

training subfunction. The phaseout of these programs is proposed because they are costly and are not well directed to needy youth. In addition, these programs carry out public lands activities that are similar, but often lower priority, than those that are accomplished through other budgeted programs. Budget authority savings from the YCC phaseout are proposed at \$38 million in 1981 and \$60 million in 1982. Outlays will be reduced by \$33 million in 1981 and \$60 million in 1982.

The Administration proposes to reduce appropriations for the municipal waste treatment grant program and to direct future funding only to high-priority projects that directly improve the quality of receiving waters in the near term. This will be achieved by (1) a rescission of \$585 million in 1980 appropriations carried forward to 1981, (2) a rescission of approximately \$115 million in funds appropriated under the Public Works Employment Appropriation Act of 1977, (3) a rescission of \$1.0 billion in appropriations for 1981, (4) substantive legislative changes that limit Federal funding to those projects that directly enhance the quality of receiving waters, and (5) the withdrawal of the appropriation request for \$3.7 billion in 1982 until this legislation has been enacted. Upon enactment by Congress, \$2.4 billion will be requested for 1982.

The Administration proposes to reduce budget authority and outlays for the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) programs in this function by \$0.2 billion below the January budget in 1982. Funding for the State coastal zone management and sea grant colleges grant programs would be terminated because they have largely achieved their original purpose to develop State and local capability for addressing marine and coastal issues. In addition, the funding for the national oceanic satellite system (NOSS) would be eliminated because the intended NOSS data currently is collected through other means. No additional LANDSAT satellite procurements or ground system upgrade to provide land remote satellite sensing data continuity through the 1980's would be undertaken by NOAA. The two LANDSAT satellites already funded by NASA will provide sufficient data to assess the market potential for future land remote satellite sensing data.

Proposed receipts increases.--The Administration is seeking to accelerate the leasing of mineral resources on Federal lands. The Outer Continental Shelf leasing program will be revised with the objectives of shortening the time needed to start exploratory drilling in all OCS areas and of streamlining the OCS sale preparation process while protecting the environment and the public's financial interest. Oil and gas leasing in the national petroleum reserve in Alaska (NRPA), coal leasing, and oil shale leasing will be accelerated. Excluding Outer Continental Shelf receipts which are accounted for in the undistributed offsetting receipts function, this would increase the proprietary receipts of the Government, and therefore reduce budget outlays an estimated \$0.2 billion in 1982, as well as increase future shared revenue payments to States.

The Administration will propose user fee legislation for inland waterways and for harbors and channels. The inland waterway proposal accounted for in the receipts section, Part 2, will increase the present 4-cents per gallon tax on commercial barge fuel to recover the cost of operating and maintaining the waterways through increased receipts beginning in 1982, and will provide for recovering the cost of new waterways to be opened in the future. This proposal will recoup Federal subsidies of \$248 million in 1982. The channel and harbor proposal will begin to recover the full cost of dredging and maintaining harbors and channels, exclusive of costs allocated to naval traffic, beginning in 1983. The proprietary receipts from this proposal are included in the natural resources and environment function in Part 4.

350: AGRICULTURE

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	4.9	5.6	5.6
Policy reductions.....	---	-*	-*
Revised budget.....	4.9	5.6	5.5
<u>Outlays</u>			
January budget.....	4.8	1.1	4.8
Reestimates:			
Federal crop insurance.....	---	0.1	---
Policy reductions:			
Price support and related programs			
(CCC):			
Storage facility loans.....	---	-*	-0.1
Loan interest rates.....	---	-*	-*
Grain reserve interest waivers....	---	-0.1	-0.2
Agricultural credit insurance (FmHA).	---	-*	-*
Research and services.....	---	-*	-*
Grain inspection and weighing user			
charges.....	---	---	-*
Policy increases:			
Debt rescheduling (Poland).....	---	0.1	---
Revised budget.....	4.8	1.2	4.4

* \$50 million or less.

The Administration request for agriculture programs would reduce budget authority by \$22 million in 1981 and in 1982. Outlays are estimated to be \$48 million higher in 1981 and \$0.4 billion lower in 1982 than the January budget as a net result of reestimates and policy reductions. A reestimate of crop insurance indemnity payments increases outlays by \$0.1 billion in 1982.

Proposed reductions.--Since 1978 there have been large surpluses of milk products, which the Federal Government must purchase under the dairy price support program. As a result, Federal stocks have increased (along with the Federal subsidy) at the same time that prices paid by the consumer have increased. To help eliminate excess dairy production, the Administration proposes to decrease the Federal subsidy for these products. As a result, dairy prices in the future would depend more on supply and demand in the market than on artificially high demand created

by this subsidy program. Annual estimated outlays would be no greater than \$0.6 billion.

To achieve these objectives, the Administration submitted legislation to eliminate the mandatory April 1, 1981 increase in dairy price support currently required by law. In addition, the Administration will submit long-term reforms as part of its comprehensive farm program.

The Federal Government provides loans -- not to exceed \$100,000 -- to farmers for 75% or more of the cost to build or renovate storage and drying facilities, usually for grain, rice or soybeans. The Administration proposes to curtail the current storage facility loan program in 1981 and to phase it out by 1986 since there is currently more than adequate storage capacity for current and future crop years. This will reduce outlays by \$25 million in 1981 and \$0.1 billion in 1982.

The Administration intends to reduce costs in price support operations by charging interest on all loans at least equal to the Treasury cost of borrowing. Legislation will be submitted to eliminate the mandated first-year interest waiver for farmer-held reserve loans. These two actions would reduce outlays by \$0.1 billion in 1981 and by \$0.2 billion in 1982. However, because the debt service payments on CCC export credits to Poland that were due March through June 1981 have been rescheduled, 1981 outlays will be increased by \$88 million. As a result, total net outlays for price support programs will decrease by \$21 million in 1981 and \$0.3 billion in 1982.

In order to reduce dependence on the Federal Government as a supplier of credit, the Administration plans to reduce direct lending by the Farmers Home Administration, as is discussed in detail in the credit section of Part 2. In addition, interest subsidies will be terminated through administrative action for the farm operating loan program, and through proposed legislation for farm ownership and emergency disaster loans.

Policy increases.--Agricultural research and extension activities will be increased \$13 million in both budget authority and outlays for 1982. The Administration believes that increasing farm productivity should be an important part of the Federal Government's agriculture policies.

Proposed receipts increase.--In addition to the January budget user charge proposal for cotton, tobacco, and warehouse grading and inspection, user charge legislation is being proposed to recover the full Federal cost associated with the supervision of grain inspection and weighing activities. This new proposal will result in annual outlay savings, starting in 1982, of approximately \$25 million.

370: COMMERCE AND HOUSING CREDIT

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	10.5	7.0	10.7
Reestimates and revised economic assumptions.....	---	-*	-0.5
Policy reductions:			
Government National Mortgage Association (GNMA).....	---	-0.2	2.1
Rural housing insurance (FmHA).....	---	---	-0.1
Postal Service subsidies.....	---	---	-0.2
Withdrawal of proposed payments in excess of corporate tax liability...	---	-0.2	-3.5
Small Business Administration.....	---	-*	-0.2
National Consumer Cooperative Bank...	---	-0.1	-0.1
Other.....	---	-*	-0.1
Proposed increases:			
National Credit Union Administration.	---	---	0.1
Functional change 1/: Trade adjustment assistance.....	---	---	0.1
Revised budget.....	10.5	6.4	8.2
<u>Outlays</u>			
January budget.....	7.8	3.5	8.1
Reestimates and revised economic assumptions.....	---	0.2	-0.7
Policy reductions:			
Government National Mortgage Association (GNMA).....	---	*	-*
Rural housing insurance (FmHA).....	---	-*	-0.1
Postal Service subsidies.....	---	---	-0.2
Withdrawal of proposed payments in excess of corporate tax liability...	---	-0.2	-3.5
Small Business Administration.....	---	-0.1	-0.1
National Consumer Cooperative Bank...	---	-0.1	-0.1
Other.....	---	-*	-0.3
Function change 1/: Trade adjustment assistance.....	---	---	*
Revised budget.....	7.8	3.2	3.1

* \$50 million or less.

1/ The trade adjustment assistance program for firms and communities will be transferred from the community and regional development function.

The Administration proposes to reduce budget authority by \$0.6 billion in 1981 and \$2.5 billion in 1982, and to reduce outlays by \$0.2 billion in 1981 and \$5.0 billion in 1982 below the January budget request. The budget reductions identified in the Government National Mortgage Association (GNMA), the Federal Housing Administration (FHA), the Farmers Home Administration (FmHA), the Small Business Administration (SBA), and the National Consumer Cooperative Bank have significant implications for Federal credit activity, which is discussed in more detail in Part 2.

Reestimates and revised economic assumptions.--Outlays have been reestimated for the Government National Mortgage Association tandem programs to reflect new interest rate projections and recent mortgage sales experience. Outlays have also been reestimated for the Federal Housing Administration and the National Credit Union Administration to reflect recent program experience and other technical factors. These reestimates increase outlays \$0.2 billion in 1981 and reduce outlays \$0.7 billion in 1982.

Proposed reductions.--The tandem mortgage purchase program of GNMA, which provides subsidized mortgage financing for the Department of Housing and Urban Development's subsidized housing (section 8) and other rental apartment projects, will be discontinued after 1982. Under Administration proposals, GNMA will make \$3.6 billion in mortgage purchase commitments in 1982 to provide subsidized financing for projects already under development and meeting current tandem program guidelines. Similarly, the Administration will not propose that any alternative mortgage subsidy program, such as the mortgage assistance grant program, be created to replace the tandem program. These policy changes will have a negligible effect on outlays in 1981 and 1982, but will result in substantial savings in the outyears after current commitments are issued. In 1986 this policy change reduces estimated outlays by \$1.1 billion.

The Administration proposes to reduce the limitation for the FHA mortgage insurance program, as discussed in the credit section of Part 2, to increase sales of property owned by FHA and to increase gradually, over a 5-year period, the rent contribution percentage for tenants in FHA-owned property from 25% to 30% of renters' income. These policy changes reduce estimated outlays by \$14 million in 1981 and \$8 million in 1982.

The Administration proposes to reduce direct loan obligations for the rural housing insurance fund by \$0.3 billion in 1981 and \$0.6 billion in subsequent years below the January budget level. This reduction is also discussed in the credit section of Part 2. The proposed reduction in lending reduces estimated outlays by \$20 million in 1981 and \$86 million in 1982.

The U.S. Postal Service currently receives a subsidy equivalent to about 7% of its total operating budget. This Federal payment subsidizes certain mail users and services and increases the financial burden for all taxpayers. The Administration believes that the costs of mail service should be borne by users, not

taxpayers. It therefore proposes to reduce the public service subsidy, which offsets the cost of maintaining services that are not self-sustaining, by \$0.3 billion. It also proposes to reduce from \$0.8 billion to \$0.5 billion the revenue forgone subsidy, which provides funds for free and reduced rates for certain classes of mail. Further, the Administration is also proposing to rescind \$0.3 billion from the public service subsidy in 1981. These actions would reduce outlays by \$0.3 billion in 1981 and \$0.6 billion in 1982 compared with the current services base. Compared with the January budget, which proposed a smaller cut in the Postal Service subsidy, estimated outlays are reduced by \$0.3 billion in 1982.

The Administration does not support the previous administration's proposal to make 30% of the investment tax credit refundable. Withdrawal of this proposal reduces estimated outlays by \$0.2 billion in 1981 and \$3.5 billion in 1982.

As discussed in the credit section of Part 2, the Administration proposes to reduce direct and guaranteed loans by the Small Business Administration and to raise the interest rate on direct loans. In addition, the Administration proposes to reduce technical assistance to special small business groups. These measures will reduce estimated outlays \$0.1 billion in 1981 and 1982 below the January budget.

Because of the need to eliminate desirable but unnecessary programs, the Administration proposes to end the National Consumer Cooperative Bank. Cooperatives already enjoy special tax treatment. Those that have good management, provide services to their members economically and have expectations of continued good earnings should be able to obtain adequate credit privately. Loans currently held by the Bank will be shifted to other Federal agencies. Capital stock held in the Bank by cooperatives will be redeemed. Termination of the Bank will reduce estimates outlays by \$0.1 billion in 1981 and 1982.

The Administration is proposing a 40% staff reduction in the Federal Trade Commission by 1986 by phasing out the regional offices and decreasing the Washington headquarters' office. State and local governments have significantly increased their resources devoted to consumer protection and antitrust activities. Additionally, the Justice Department's antitrust division has resources to focus on related antitrust problems and many antitrust issues can best be addressed directly by litigation by the aggrieved private sector interests. The proposal contained in the revised 1982 budget would have the Commission focus more on problems of nationwide scope, reduce multi-governmental regulatory burdens on business and eliminate artificial restrictions on commerce that ultimately result in higher costs to consumers. The proposed reduction would eliminate about 665 full-time staff in the FTC by 1986.

400: TRANSPORTATION

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	20.2	26.3	25.5
Function change <u>1/</u>	---	---	0.2
Policy reductions:			
Federal highway construction.....	---	-*	-2.0
Mass transit capital grants.....	---	-0.3	-1.3
Amtrak.....	---	-*	-0.4
Other railroads.....	---	-0.1	-0.4
Airport construction grants.....	---	-0.3	-0.3
Maritime ship construction.....	---	-*	-0.1
Boat and yacht fees.....	---	---	-0.1
All other.....	---	-*	-0.6
Revised budget.....	20.2	25.5	20.5
<u>Outlays</u>			
January budget.....	21.1	24.1	21.6
Reestimates:			
Mass transit.....	---	0.4	0.2
Maritime ship construction.....	---	-*	-*
Function change <u>1/</u>	---	---	*
Policy reductions:			
Federal highway construction.....	---	-*	-0.4
Mass transit capital grants.....	---	-0.1	-0.4
Amtrak.....	---	-*	-0.3
Other railroads.....	---	-0.2	-0.1
Airport construction grants.....	---	-*	-*
Maritime ship construction.....	---	-*	-*
Boat and yacht fees.....	---	---	-0.1
All other.....	---	-0.1	-0.4
Revised budget.....	21.1	24.0	19.9

* \$50 million or less.

1/ Transfer of the Appalachian highway program from the community and regional development function.

The Administration's proposals reduce budget authority and outlays for transportation programs in both 1981 and 1982 below the levels proposed in the January budget, despite increases for both years in mass transit outlays due to higher than anticipated obligations in 1980 and early 1981.

Proposed reductions.--As with other major federally supported public sector investment programs, the Administration's highway proposal would stretch-out and slow down construction of lower-priority highway projects, with proposed savings of \$2.0 billion in budget authority and \$0.4 billion in estimated outlays in 1982.

Capital grants for building new urban rail transit systems and extending existing systems would be reduced in 1981 and 1982. Remaining construction resources would be used to finish only operable rail segments currently under construction and, in the future, no new transit rail system construction would be federally financed. The reduction in mass transit capital grants in 1982 would result in decreases of \$1.3 billion in budget authority and \$0.4 billion in outlays below the January budget request. Funding for bus and rail modernization projects would be continued in recognition of the need to improve transit services.

Legislation will be proposed to require Amtrak to discontinue service on its least efficient routes. Total Federal subsidy amounts will be lowered to \$613 million in budget authority in 1982, with progressively lower amounts authorized in future years. These changes result in 1982 savings of \$0.4 billion in budget authority and \$0.3 billion in outlays.

To promote economy and efficiency, the Administration plans to reduce Federal subsidy levels for low-traffic rail lines and for upgrading track on other freight rail lines. These changes result in savings in 1982 of \$120 million in budget authority and \$37 million in outlays. As a result of greater economic vitalization and less regulation, it may be possible to phase out all low interest loans and other subsidies to the Nation's railroads within the next 4 years.

The Administration intends to decrease the amount of funds for Conrail in 1981-1982, with plans to cease Federal aid by 1983. Additionally, the Administration will propose the sale or transfer of the Alaska railroad in 1982.

Legislation to reauthorize the airport grant program during 1981-1986 will be proposed. The annual funding levels will be held constant at \$450 million, resulting in estimated savings of \$0.3 billion in budget authority in 1981 and 1982. The savings will be achieved through cuts in grant categories and phased-in defederalization of large commercial airports.

Alternatives to existing maritime subsidy policies are currently under consideration. Meanwhile, a stable but somewhat reduced level of subsidy for the construction of new privately-owned commercial vessels for use in ocean foreign commerce is proposed. Budget authority savings related to policy actions in 1982 would be \$107 million below the January budget, with outlay savings estimated at \$21 million and \$40 million in 1981 and 1982, respectively.

The Administration is also withdrawing support of the cooperative automotive research program proposed by the previous administration. The level of support will be reduced for aeronautics research and development in the National Aeronautics and Space Administration (NASA) budget, primarily for new initiatives proposed in the January budget and technology development and demonstration efforts that may be more appropriately undertaken by the private sector.

Proposed receipts change.--Starting in 1982, the Administration proposes that boat and yacht owners and other members of the maritime industry be charged for all direct administrative services provided by the U.S. Coast Guard (USCG) and that a range of annual fees be assessed to pay for indirect USCG services. This will ensure that the small portion of the population that benefits from these activities will bear the costs of operation. The resulting increase in proprietary receipts, which offset budget outlays, would be \$0.1 billion in 1982. An aviation user tax proposal that would increase governmental receipts is discussed in the section in Part 2 on receipts.

450: COMMUNITY AND REGIONAL DEVELOPMENT

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	10.1	10.2	9.2
Reestimates:			
Federal emergency management activities.....	---	-0.5	---
Functional changes <u>1/</u>	---	---	-0.3
Policy reductions:			
Urban development and community development block grants.....	---	---	-0.5
Rehabilitation loans.....	---	-0.1	-0.1
Farmers Home Administration.....	---	-*	-*
Rural Electrification Administration.....	---	-*	-*
Economic Development Administration..	---	-0.3	-0.6
Regional commissions.....	---	-0.1	-0.1
Coastal and inland energy impact programs.....	---	-0.1	-0.1
Indian programs.....	---	-*	-0.1
SBA disaster loans.....	---	-0.8	---
Federal emergency management activities.....	---	---	-0.1
All other.....	---	-*	-0.1
Revised budget.....	10.1	8.2	7.3
<u>Outlays</u>			
January budget.....	10.1	11.1	9.1
Functional changes <u>1/</u>	---	---	-0.1
Policy reductions:			
Urban development and community development block grants.....	---	---	*
Rehabilitation loans.....	---	-*	-0.2
Farmers Home Administration.....	---	-*	-*
Rural Electrification Administration.....	---	-*	-*
Economic Development Administration..	---	-*	-0.3
Regional commissions.....	---	-*	-0.1
Coastal and inland energy impact programs.....	---	-*	-0.1
Indian programs.....	---	-*	-*
SBA disaster loans.....	---	-0.8	*
Federal emergency management activities.....	---	-*	-0.1
All other.....	---	-*	-0.1
Revised budget.....	10.1	10.3	8.1

* \$50 million or less.

1/ Transfer of the trade adjustment assistance program for firms and communities to the commerce and housing credit function and the Appalachian highway program to the transportation function.

Proposed budget authority for the community and regional development function is below the January budget by \$2.0 billion in 1981 and \$1.9 billion in 1982. The current estimates of outlays are below the January budget in 1981 and 1982 by \$0.9 billion and \$1.0 billion, respectively. These reductions are primarily the result of applying sound criteria to economic subsidy programs and imposing fiscal restraint on other programs.

Reestimates.--A technical reestimate relating to new requirements for recording indefinite borrowing authority reduces 1981 budget authority for Federal emergency management activities by \$0.5 billion.

Proposed reductions.--The Department of Housing and Urban Development currently provides financial support directly to local governments to help finance general community development activities and specific economic development projects through the community development block grant (CDBG) and the urban development action grant (UDAG) programs. While communities can use their CDBG funds for a broad range of community and economic development purposes, not all of the economic development activities eligible for UDAG funding can be supported under CDBG. The UDAG program, on the other hand, currently requires an excessive amount of Federal intervention in developing, selecting, and monitoring local economic development projects. The Administration will propose new policies to integrate these programs into a more efficient and flexible grant mechanism. This effort will build on the best features of both programs and will reduce the 1982 budget authority request by \$0.5 billion below the January budget.

The Administration also proposes to terminate the rehabilitation loan fund of the Department of Housing and Urban Development. This fund unnecessarily duplicates the rehabilitation efforts of the community development block grant program. Furthermore, block grant-funded rehabilitation is more flexible than rehabilitation through the loan fund since block grant-funded rehabilitation can make use of direct grants, interest subsidies, or loans. By contrast, the rehabilitation loan fund provides only subsidized loans. This change, which will replace Federal control with local decision-making, reduces budget authority in both 1981 and 1982 by \$0.1 billion. Outlay savings are estimated at \$39 million in 1981 and \$0.2 billion in 1982.

As part of a general effort to reduce dependence on the Federal government as a supplier of credit, the Administration proposes to reduce by \$0.2 billion the 1981 direct loan obligations of the Farmers Home Administration for water and waste disposal systems. In 1982, the Administration proposes to reduce the \$0.6 billion loan level provided in the January budget for water and waste to \$0.3 billion. Similarly, a \$0.1 billion reduction in the \$0.3 billion community facility loan program is proposed in 1982. The Farmers Home Administration will therefore narrow its focus and give priority to those communities least able to afford alternative financing. In addition to the reductions in loan level, the Administration will propose legislation to increase the rate on water, waste and community facility loans from 5% to

the average municipal bond rate charged on similar types of projects. The Administration also proposes to phase-out the business and industry loan guarantee program. A reduction of \$0.1 billion in loan guarantee commitments is proposed in 1981 and the program is scheduled to be terminated in 1982. Termination of the rural communications development fund of the Rural Electrification Administration, which is used to make or guarantee loans to finance and administer community antenna and cable television services in rural areas, is also proposed.

The Administration proposes to eliminate funding for the Economic Development Administration (EDA) and the Regional Development Commissions of the Department of Commerce, and the non-highway programs of the Appalachian Regional Commission (ARC) 1/ . There is no convincing evidence that these programs have been effective in creating new jobs or capital investment, or are actually needed to promote local and regional economic development. As a result of this proposal, budget authority is reduced by \$0.5 billion in 1981 and \$0.7 billion in 1982. Outlay savings are estimated at \$0.4 billion in 1982.

Termination of both the coastal and inland energy impact programs is proposed. The local impacts from oil and gas development have proven to be far less than originally anticipated and well within the capability of States and localities to handle. These proposed changes reduce 1982 outlays by \$0.1 billion below the January budget.

The Administration proposes to consolidate 10 operating programs currently administered by the Bureau of Indian Affairs in order to move toward an Indian block grant program. This initiative will result in net savings of \$40 million in budget authority in 1982. These savings are spread among the natural resources; education, training, employment, and social services; and community and regional development functions.

Given existing fiscal constraints, the Administration believes that Federal disaster assistance should be provided only to those who are most in need. The Administration therefore proposes to terminate funding for the Small Business Administration's (SBA's) non-physical disaster loan program and to increase interest rates on physical disaster loans to the cost of Treasury borrowing. In addition, the pending 1981 supplemental for physical disaster assistance is being withdrawn. These actions reduce budget authority and outlays by \$0.8 billion in 1981.

The Federal Emergency Management Agency (FEMA) administers the Federal disaster assistance and National flood insurance

1/ The trade adjustment assistance program for firms and communities now located in EDA will be transferred to the Department of Commerce's International Trade Administration, which is in the commerce and housing credit function. The Appalachian highway program will be transferred to the Federal Highway Administration and funded from the highway trust fund, which is in the transportation function.

programs. The Administration proposes to tighten the administration of FEMA's disaster relief program. An increase in insurance rates for the subsidized portions of the National flood insurance program is also proposed. Together, these changes reduce budget authority and outlays by \$0.1 billion in 1982.

The Administration also supports termination of the HUD planning assistance and neighborhood self-help development programs. Local communities can use their CDBG funds to support both planning activities and specific neighborhood development projects. Commensurate with the proposed reductions in the Arts and Humanities Endowment programs, the Administration proposes to reduce Federal support for the Commission of Fine Arts by 50% in 1982.

500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	30.6	31.9	36.3
Implicit functional change <u>1/</u>	---	---	0.3
Reestimates and revised economic assumptions:			
Loan guarantees to students.....	---	-0.4	-0.5
Policy reductions:			
Elementary and secondary education grant consolidation.....	---	-1.4	-1.5
Youth initiative <u>2/</u>	---	---	-1.2
Vocational education.....	---	-0.2	-0.2
Pell grants (BEOGs).....	---	-0.2	-0.3
Educational research and improvement.	---	-*	-0.2
National Endowments for the Arts and Humanities.....	---	-*	-0.2
Public service employment (CETA).....	---	-0.2	-4.6
CETA grant consolidation.....	---	---	-0.9
Welfare reform demonstrations.....	---	---	-0.2
Federal-State employment service.....	---	---	-0.2
Social services block grant.....	---	---	-1.4
Tax credit for non-profit institutions	---	---	-0.2
All other.....	---	-0.2	-0.6
Revised budget.....	30.6	29.4	24.6

1/ In the January budget, foster care and adoption assistance were classified in the income security function. They have now been incorporated into the social services block grant in this function.

2/ Includes reductions for the Departments of Education (\$-0.9 billion) and Labor (\$-0.2 billion).

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Outlays</u>			
January budget.....	30.8	31.8	34.5
Implicit functional change <u>1/</u>	---	---	0.3
Reestimates and revised economic assumptions:			
Loan guarantees to students.....	---	-0.3	-0.5
Other adjustments.....	---	---	-0.2
Policy reductions:			
Elementary and secondary education grant consolidation.....	---	-0.1	-1.1
Youth initiative <u>2/</u>	---	---	-0.1
Vocational education.....	---	-0.1	-0.2
Pell grants (BEOGs).....	---	-*	-0.2
Educational research and improvement.....	---	-*	-0.1
National Endowments for the Arts and Humanities.....	---	---	-0.1
Public service employment (CETA).....	---	-0.6	-3.6
CETA grant consolidation.....	---	---	-0.7
Welfare reform demonstrations.....	---	-*	-0.2
Federal-State employment service.....	---	---	-0.2
Social services block grant.....	---	---	-1.2
Tax credit for non-profit institutions.....	---	---	-0.2
All other.....	---	-0.1	-0.6
Revised budget.....	30.8	30.6	25.8

1/ In the January budget, foster care and adoption assistance were classified in the income security function. They have now been incorporated into the social services block grant in this function.

2/ Includes reductions for the Departments of Education (\$-50 million) and Labor (\$-80 million).

* \$50 million or less.

The revised budget reduces budget authority and outlays for education, training, employment, and social services for 1981 and 1982 below the levels proposed in the January budget. The differences are due to reestimates and revised economic assumptions as well as to policy reductions. In total, the revised budget proposals reduce 1982 budget authority by \$11.7 billion and outlays by \$8.7 billion below the January budget request.

Reestimates and revised economic assumptions.--Under the revised interest rate assumptions, the interest subsidy provided to students through the guaranteed student loan program is expected to be lower than was assumed in the January budget. As a result,

the outlay estimates have been revised downward by \$0.3 billion in 1981 and \$0.5 billion in 1982.

Proposed reductions.--Several policy reductions below the January budget request are proposed for programs in this function totaling \$11.5 billion in 1982 budget authority and \$8.4 billion in outlays.

Education policy has historically been the prerogative of State and local authorities. In recent years, the Federal Government has become increasingly involved in this non-Federal responsibility. The Administration proposes to shift control over education policy from the Federal Government to State and local authorities through the consolidation of 44 elementary and secondary education grant programs into 2 block grants. Substantial reductions in regulatory and paperwork burdens, resulting in significantly lower administrative costs, would be achieved by this consolidation. The Administration proposal would reduce 1982 budget authority by \$1.5 billion and outlays by \$1.1 billion below the January budget request to reflect these economies. The revised budget also reduces 1981 budget authority for the programs to be consolidated by 25% or \$1.4 billion.

In recent years, State and local expenditures for vocational education have been increasing rapidly and now provide more than \$10 for every Federal dollar spent for vocational education. The Administration proposes to cut budget authority for Federal vocational education programs by 25% in 1981 and 20% in 1982 below the January budget request. This proposal would save \$0.2 billion in 1982 budget authority and outlays.

Although the original purpose of the Pell grant program was to assist low income students, changes have been made in this program that allow grants to be provided to students from families with incomes in excess of \$30,000 per year. The Administration proposes to target Pell grants more specifically on the truly needy, to increase the amount of discretionary income that families must contribute to the support of a student, and to require a \$750 self-help contribution from students, except where extreme financial need is demonstrated. The Administration proposal would result in outlay savings of \$0.2 billion in 1982 from the January budget request. (The Administration proposal to eliminate the Student Loan Marketing Association's access to Federal borrowing starting in 1982 is discussed in Part 2.)

Historically, cultural activities and the arts have been maintained by State and local support and by the philanthropy of private individuals and corporations. In recent years, however, the Federal Government has been relied upon increasingly as the financial patron of first resort for both individuals and institutions engaged in artistic and literary pursuits. The Administration is proposing to restore the historical reliance on the role of private philanthropy and State and local support for cultural activities by reducing 1982 budget authority for the Arts and Humanities Endowments by 50% or \$0.2 billion below the January budget request.

The revised budget proposes to eliminate the public service employment programs by the end of fiscal year 1981 to return the Comprehensive Employment and Training Act (CETA) to its original purpose -- improving the employability of the disadvantaged and structurally unemployed by training them in skills that are marketable in the private sector. People who currently hold public service jobs could be absorbed into the regular State or local government payroll, be placed by the prime sponsor in an unsubsidized job in the private sector, or enroll in a CETA or other education or training program. Individuals who lose their jobs would be eligible for unemployment compensation. The phase-out of public service employment reduces outlays by \$0.6 billion in 1981 and \$3.6 billion in 1982.

The January budget proposed a youth education, training, and employment program (the youth initiative) -- a joint effort of the Departments of Labor and Education. This Administration is withdrawing that proposal, reducing 1982 outlays by \$130 million. Instead the Administration is proposing a more comprehensive consolidation of youth programs into the general purpose CETA training grants (Title II Parts B and C). The authorization of appropriations for two of CETA's Title IV youth programs (the youth community conservation and improvement projects and the youth employment and training programs) expired at the end of 1980, and the two programs currently are authorized by the 1981 Continuing Resolution. Rather than seek reauthorization of these programs for 1982, the Administration proposes to consolidate them with the training and employment programs authorized under Title II Parts B and C. The revised budget requests a modest increase in budget authority above the January budget for Title II Parts B and C to reflect this consolidation, although total budget authority requested is \$0.9 billion less than the January request for the three separate programs. However, the decrease in resources available for training under these programs is expected to be significantly mitigated by administrative savings achieved by consolidating several grants into one. Beginning in 1983, the summer youth employment program would become part of the consolidated grant, providing prime sponsors with increased flexibility to design training and employment strategies that serve the disadvantaged and meet local needs for skilled employees. The consolidation proposal reduces outlays by \$0.7 billion in 1982 relative to the January budget request.

The Administration is also proposing to fund numerous social and community service activities in a block grant to States. This reform will permit better coordination at the State and local levels and deliver publicly-financed services more effectively. It will lower costs by eliminating the problems and associated costs of administering Federal categorical programs with different matching rates, procurement requirements, reporting standards, and accounting practices. Grant applications from local service providers could be reviewed in the context of overall State funding priority decisions. Improved coordination will make it easier for clients to receive comprehensive follow-up services from a single service agency rather than from several different grantees. The proposal reduces 1982 outlays for the

categorical programs to be consolidated by \$1.2 billion below the January budget request.

In addition, the Administration is withdrawing support for the previous administration's proposed tax credit for non-profit institutions, which reduces 1982 budget authority and outlays by \$0.2 billion. Several other changes are proposed, including: termination of the Institute for Museum Services and the Architectural and Transportation Barriers Compliance Board, and reductions in bilingual education, higher and continuing education, the Corporation for Public Broadcasting, and national employment and training programs (including withdrawal of 1982 proposals to test positive adjustment assistance concepts).

In addition to the proposed reductions from the January budget, the Administration endorses the following proposals recommended in the January budget:

- Limiting impact aid to those districts whose tax base is most adversely affected by Federal activities. Starting in 1982, payments would be made only to those districts in which children whose parents both live and work on Federal property comprise 20% or more of the district's enrollment.
- Reforming the guaranteed student loan program by: (1) limiting loans to a student's remaining financial need after all other financial assistance and expected family contribution have been counted; (2) eliminating the 9% interest subsidy now provided to students while they are in school; and (3) removing the special allowance lenders receive on loans they make to parents of students.
- Phasing out the Young Adult Conservation Corps -- one of the most costly and least targeted of Federal training and employment programs -- by the end of 1982. (The Administration is also proposing the elimination of the Youth Conservation Corps, which is discussed in the natural resources and environment function.)

The following information fulfills the requirement of Section 602 of the Comprehensive Employment and Training Act (Public Law 95-524), and revises information supplied in the Budget Appendix for 1982 in the temporary employment assistance account.

- The unemployment rate for fiscal year 1982 is now projected to be 7.4%.
- The number of unemployed in excess of 4% of the labor force is estimated to be 3.6 million in 1982.

- The average cost per year of a Title VI public service employment opportunity is estimated to be \$11,294.
- The amount that would need to be appropriated to provide public service jobs for 25% of the number of unemployed in excess of 4% is \$10,291 million. Because the Administration is proposing a rescission of 1981 appropriations not needed to phase out Title VI in 1981, this estimate includes no allowance for carry-forward balances.

550: HEALTH

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	59.8	71.9	86.1
Reestimates and revised economic assumptions:			
Medicare and medicaid.....	---	0.3	-0.1
Policy reductions:			
Medicaid grants.....	---	-0.6	-1.2
Medicare.....	---	*	-0.1
Health services grant consolidation..	---	---	-0.5
Other health care services.....	---	-0.1	-0.5
Research.....	---	-0.1	-0.1
Training.....	---	-0.1	-0.1
All other.....	---	-*	-0.1
Revised budget.....	59.8	71.3	83.5
<u>Outlays</u>			
January budget.....	58.2	66.0	74.6
Reestimates and revised economic assumptions:			
Medicare and medicaid.....	---	0.7	1.3
Policy reductions:			
Medicaid grants.....	---	-0.3	-0.9
Medicare.....	---	0.5	-0.8
Health services grant consolidation..	---	---	-0.2
Other health care services.....	---	-*	-0.3
Research.....	---	-*	-*
Training.....	---	-*	-0.1
All other.....	---	-*	-0.1
Revised budget.....	58.2	66.7	73.4

* \$50 million or less.

The revised budget totals for the health function reflect the effects of upward reestimates for medicare offset by the effects of revised economic assumptions and proposed policy reductions. On net, these changes increase outlays by \$0.7 billion in 1981 and decrease outlays by \$1.2 billion in 1982 in comparison to the January budget estimates. Budget authority is reduced by \$0.6 billion in 1981 and \$2.6 billion in 1982.

Reestimates and revised economic assumptions.--Program reestimates and revised economic assumptions raise outlays for medicare under current law above the January estimates in both years. For 1982, the increase is \$1.2 billion in outlays. A major source of this 1982 increase is the deletion of the previous administration's assumption that issuance of voluntary cost increase guidelines for hospitals would significantly lower the rate of hospital cost inflation. Removing these "savings" from the revised budget raises 1982 outlays \$0.8 billion.

Proposed reductions.--The revised budget proposes policy changes to restructure and restrain growth in Federal health spending. The Administration is proposing an interim limit on unconstrained growth in medicaid and elimination of medicaid expansions included in the January budget while fundamental health care financing reforms are developed. For 1981, outlays for medicaid grants would be reduced a total of \$0.3 billion below the January budget through imposition of the interim limit and by accelerated Federal collection of prior year funds erroneously spent by States. Federal spending for medicaid would be limited to an increase of 5% in 1982, and to the rate of inflation thereafter. Increased flexibility in administering medicaid would allow States to reorganize their programs to deliver care more effectively and at lower cost. The budget authority request for 1982 would be reduced by \$1.2 billion and outlays for medicaid grants would be an estimated \$0.9 billion lower as a result of the Administration proposals.

The proposed medicare changes include elimination of a one-time shift in hospital reimbursement from the last three weeks in 1981 to the first week of 1982, which was enacted last year, as well as changes in utilization review requirements and withdrawal of program expansions proposed in the January budget. The shift in hospital reimbursement to a normal payment schedule adds \$0.5 billion to 1981 outlays and reduces 1982 outlays by \$0.5 billion.

Several changes in discretionary health programs are proposed. The Administration proposes to replace the present collection of 26 Federal categorical grants for health services and prevention programs with two block grants to States as part of the effort to return decisionmaking authority, where appropriate, to States and localities. This proposal would reduce 1982 budget authority by \$0.5 billion and outlays by about \$0.2 billion below the January budget request, primarily as a result of reduced administrative costs for both States and the Federal Government.

Several other changes in discretionary health care services programs are proposed including: elimination of free medical care for merchant seamen and closure of the remaining 8 Public Health Service (PHS) hospitals and 29 clinics now providing these services; reductions in Indian Health Service facilities construction; phase-out of Federal subsidies for health maintenance organizations and of the health planning and professional standards review organizations programs; and restrained growth in the National Health Service Corps (NHSC) service delivery program. Finally, adjustments are proposed for the bonuses paid to PHS Commissioned Corps physicians consistent

with current PHS physician needs and with similar adjustments proposed for Veterans Administration physicians. These proposals reduce the 1982 budget authority request by over \$0.5 billion below the January budget.

The Administration proposes reducing the increase in research funding proposed in the January budget to cover only partially the effects of projected inflation. These proposals reduce budget authority for research by \$57 million in 1981 and \$92 million in 1982 below the January budget. Outlay savings are estimated at \$35 million and \$21 million, respectively.

The revised budget proposes better targeting of Federal subsidies for health professions education to ensure that Federal dollars subsidize the education of health professionals only in medical specialties where they are most needed. General institutional subsidies for training health professionals would be eliminated, training of mental health professionals would be phased out by the end of 1982, and there would be no new scholarships in the remainder of 1981 or in 1982 for the NHSC. The Administration also proposes to end the current practice of paying more to educational institutions for a Federally supported research trainee under the national research service awards program than is charged in tuition and fees to non-Federally supported students at the same institutions. These reforms would reduce 1982 budget authority by \$140 million and outlays by \$133 million below the January request.

Proposed reforms of consumer and occupational health and safety programs would reduce 1982 budget authority by \$81 million and outlays by \$68 million below the January budget request.

600: INCOME SECURITY

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	224.2	255.2	279.6
Implicit functional change 1/.....	---	---	-0.3
Reestimates and revised economic assumptions:			
Retirement and disability programs:			
Social security.....	---	1.4	0.8
Other.....	---	-0.1	-0.1
Unemployment compensation.....	---	-0.6	-1.6
Food and nutrition assistance.....	---		
Other income security.....	---	-0.1	-0.3
Policy reductions:			
Retirement and disability programs:			
Social security.....	---	---	-0.1
Other.....	---	-*	-0.1
Unemployment compensation:			
Extended benefits.....	---	-0.4	---
Trade adjustment.....	---	---	-1.2
Ex-Servicemen.....	---	-0.1	-0.2
Other.....	---	*	0.2
Housing assistance:			
Program level.....	---	-4.6	-8.7
Rent contribution.....	---	---	-0.1
Modernization.....	---	-0.3	-0.5
Indian housing.....	---	-0.2	-0.7
Other.....	---	---	-0.1
Food and nutrition assistance:			
Food stamps.....	---	-0.2	-2.3
Food assistance to Puerto Rico....	---	---	0.9
Child nutrition.....	---	-*	-1.3
Other.....	---	-*	-0.6
Other income security:			
Aid to families with dependent children.....	---	---	-0.7
Hardship assistance block grant...	---	---	-0.4
Supplemental security income.....	---	*	0.2
Other.....	---	-*	-0.1
Revised budget.....	224.2	249.9	261.8

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Outlays</u>			
January budget.....	193.1	231.6	255.0
Implicit functional change 1/.....	---	---	-0.3
Reestimates and revised economic assumptions:			
Retirement and disability programs:			
Social security.....	---	-0.4	-2.0
Other.....	---	-0.1	-0.3
Unemployment compensation.....	---	-0.7	-1.4
Food and nutrition assistance.....	---	---	-0.3
Other income security.....	---	*	-0.4
Policy reductions:			
Retirement and disability programs:			
Social security:			
Minimum benefits.....	---	-*	-1.3
Student benefits.....	---	-*	-1.0
Disability insurance.....	---	-0.1	-0.4
Death benefits.....	---	---	-0.2
Other.....	---	-*	-0.1
Unemployment compensation:			
Extended benefits.....	---	-0.5	-*
Trade adjustment.....	---	---	-1.2
Ex-Servicemen.....	---	-0.1	-0.2
Other.....	---	0.1	-0.1
Housing assistance:			
Program level.....	---	-*	-*
Rent contribution.....	---	---	-0.1
Other.....	---	-*	-0.1
Food and nutrition assistance:			
Food stamps.....	---	-0.1	-2.3
Food assistance to Puerto Rico....	---	---	0.9
Child nutrition.....	---	---	-1.2
Other.....	---	*	-0.5
Other income security:			
Aid to families with dependent children.....	---	---	-0.7
Hardship assistance block grant...	---	---	-0.4
Supplemental security income.....	---	*	0.2
Other.....	---	*	-0.1
Revised budget.....	193.1	229.7	241.4

1/ In the January budget, foster care and adoption assistance were classified in the income security function. Starting in 1982 they are incorporated into the social services block grant proposal in the education, training, employment, and social services function.

* \$50 million or less.

Reestimates and revised economic assumptions.--The anticipated improvement in the economy and other factors have resulted in downward reestimates for most income security benefits under existing law. Estimated outlays for social security and other retirement benefits under existing law have been revised downward by \$0.5 billion in 1981 and \$2.3 billion in 1982. The estimates of outlays for unemployment compensation under existing law have been reduced by \$0.7 billion in 1981 and \$1.4 billion in 1982. The revised estimates for other income security outlays under existing law are below the January estimates by \$0.4 billion for 1982.

Under current economic assumptions, the proposed change in extended unemployment benefits is estimated to reduce 1982 outlays by \$1.2 billion, compared to a savings of \$2.2 billion in the January budget estimates for a similar change. The savings associated with annual indexation of Federal employee retirement are currently estimated to be \$515 million in 1982, \$140 million less than the January budget estimate.

Proposed reductions.--Proposed policy reductions from the January budget in budget authority and outlays for 1982 are estimated to be \$15.8 billion, and \$8.8 billion, respectively. Retirement and disability programs are reduced in 1982 from the January budget by \$0.2 billion in budget authority and \$3.0 billion in outlays. Unemployment compensation is reduced by \$1.2 billion in budget authority and \$1.5 billion in outlays, while housing assistance is reduced by \$10.1 billion in budget authority and \$0.2 billion in outlays. The food and nutrition assistance programs are reduced by \$3.4 billion in budget authority and \$3.2 billion in outlays.

Retirement and disability programs.--While the Administration is committed to protecting basic retirement and disability benefits, the budget includes a number of legislative proposals to eliminate unintended benefits.

Since the enactment of social security, a number of unearned benefits have been added to the basic old-age and survivors insurance program. In recent years, these non-basic benefits have threatened the continued solvency of the basic social security program. The Administration is proposing the following changes in social security benefits:

- Minimum benefit.--Under current law, everyone eligible for social security benefits receives at least a minimum payment of \$122 a month, regardless of their employment history. The main beneficiaries of the minimum payment provision are those with a modest work history in employment covered by social security. Many of the recipients had long periods of Federal civilian employment and therefore also receive generous Federal pensions. Because these recipients receive social security payments far in excess of the level to which their taxes entitle them, they represent a serious drain on the social security trust funds. Eliminating the "minimum benefit" would stop this drain, without

reducing benefits for truly needy retirees at all; their benefits would be replaced, dollar for dollar, by increased payments from the supplemental security income program. The net outlay savings associated with this proposal are estimated to be \$1.3 billion in 1982.

- Student benefits.--Another unearned benefit that was added to the social security system in 1965 is the payment to adult students whose parents are social security beneficiaries. These payments are unrelated to the educational costs incurred, are often inversely related to family needs, and duplicate benefits available under other Federal student assistance programs. Adult student payments have grown from \$165 million in 1965 to over \$2.0 billion in 1981. Under the Administration's proposal, no new recipients would be eligible, and current student payments would be reduced by 25% annually. The outlay savings associated with this proposal are estimated to be \$1.0 billion in 1982.
- Disability benefits.--The Administration also proposes to reduce mounting disability insurance costs by tightening administration and ending misdirected benefits. In addition, an overall limit will be established on disability benefits so that the benefits a recipient receives from all public sources never exceeds the worker's prior earnings, adjusted for inflation. This proposal will prevent recipients with multiple sources of disability payments from receiving overly-generous benefits. The Administration will propose legislation to require disability insurance beneficiaries to have worked 6 out of the last 13 calendar quarters. The proposals are estimated to reduce outlays by \$0.1 billion in 1981 and \$0.4 billion in 1982.
- Payments upon the death of a worker.--Under current law, a payment of \$255 is made upon the death of an insured worker regardless of whether there is a surviving family member. About half of current payments are made to estates with no surviving spouse or surviving minor children and many of these payments go directly to funeral home operators. The costs of administering these payments is five times as high as for earned social security benefits. The Administration will propose eliminating this payment where there is neither a spouse nor a child to receive survivors benefits. Payments to widows and orphans would be continued as under current law. The outlay savings associated with this proposal are estimated to be \$0.2 billion in 1982.

The black lung disability trust fund is rapidly sinking into insolvency, producing massive deficits that are presently financed from general revenues. To put the trust fund on a sound financial footing, the Administration will propose legislation to restrict benefits to those who are truly medically disabled by black lung and to ensure that the program is financed entirely by

a reasonable levy on the coal industry. The objective of the proposal is to eliminate questionable claims and reduce trust fund outlays to a level where the coal industry could finance the program without drawing on the Treasury. The legislation is expected to eliminate the current deficit in this program by 1983. Since the precise distribution between outlay reductions and revenue increases depends upon legislation that is still being developed, the savings resulting from these changes are reflected in the allowance for contingencies.

The Railroad Retirement Board pension system is substantially underfunded and could be unable to pay benefits on a timely basis by April 1982. The Congress directed the rail sector to negotiate and report, by March 1, 1981, a solution to fund soundly the rail industry pension system. On assurance from labor and management that they would recommend sound financing for their industry pension, the Congress enacted an ad hoc increase to take effect in June 1981. Since the parties neither agreed to nor recommended a solution to the pension system's imminent insolvency, the Administration proposes to defer the ad hoc increase until after current benefit payments are soundly funded. The Administration will support the Rail Pension Assurance Amendments, originally proposed in the 96th Congress, as a way of solving the rail industry pension system's long-term actuarial deficit on an evenhanded basis without added Federal subsidies.

Under present policy, virtually every Federal benefit payment that has automatic adjustments for the impact of inflation is adjusted once a year. Federal employee retirement and disability benefits, however, are currently adjusted twice a year. To assure equitable treatment for all beneficiaries, the Administration supports legislation to replace biannual cost-of-living adjustments with a single annual adjustment for civil service and other Federal retirees. This proposal, which was also included in the January budget, is now estimated to reduce 1982 outlays in this function by \$0.5 billion. The savings in retired pay for military personnel is estimated to be \$0.4 billion in 1982, are classified in the national defense function.

The Administration intends to continue exploring the appropriateness of the existing inflation adjustment mechanism for federal retirees and their survivors. An attempt will be made to identify and correct inequities in that adjustment mechanism.

The Administration also supports the tightening of criteria for granting Federal employees disability and early retirement benefits. Changes in the administrative guidelines governing these programs will reduce the number of beneficiaries and is expected to lower outlays in 1982 by \$180 million.

As part of the general effort to improve entitlement programs, the Administration will propose legislation to reform the Federal employees injury compensation program. These changes are intended to remove (1) incentives to file questionable claims; (2) disincentives for injured workers to return to work when they

are medically able to do so; and (3) inequities in compensation rates, which now permit higher-paid workers to receive more in compensation benefits than they received in take-home pay when working. The proposed reforms would ensure the efficient compensation of justifiable claims, while eliminating the overcompensation and other inequities that currently plague the Federal employees compensation program. Outlay savings of \$50 million are expected in 1982.

Unemployment compensation.--Under current law, during periods of high unemployment, the Federal Government assists the States in providing an additional 13 weeks of unemployment insurance benefits ("extended benefits") beyond the 26 weeks of coverage provided by basic State programs. As announced on February 18, the Administration will propose legislation to focus extended benefit payments only on those areas where high unemployment provides a real barrier to employment for unemployed workers.

The legislation would: (1) eliminate the national extended benefits program, which now requires payment of extended benefits in all States -- including those with low unemployment -- when the national insured unemployment rate reaches the level set by law; (2) remove claimants of extended benefits from the calculation of the insured unemployment rate, which determines when extended benefits are paid in each State; (3) require recipients of extended benefits to have worked 20 weeks in the one-year base period; and (4) require a higher level of unemployment in individual States before extended benefits are paid. State trigger rates would be increased to 5% insured unemployment (and 120% of the rate in the comparable period of the prior 2 years) or, at State option, to 6% (without regard to prior years). In addition, the requirement in the Omnibus Reconciliation Act of 1980 that extended benefits claimants must accept offers of jobs that pay an amount equal to their unemployment benefits or the minimum wage, whichever is higher, will be strictly enforced. The Administration will propose legislation to apply this same provision to claimants who have collected at least 13 weeks of regular benefits.

The Administration proposal would eliminate the national trigger on July 1, 1981 and change the method of calculating the insured unemployment rate the week following enactment. To permit necessary changes in State law, the increase in State trigger rates, the requirement of 20 weeks of work in the base period, and the requirement that claimants under the regular program accept jobs paying at least their weekly benefit amount or the minimum wage after 13 weeks of benefits, would take effect October 1, 1982.

In comparison to current law, proposed reforms to extended benefits are now estimated to reduce outlays by \$0.5 billion in 1981 and \$1.2 billion in 1982. The January budget also included legislation to change the method of calculating extended benefits. Under the economic assumptions used in January, the proposal was estimated to reduce 1982 outlays by \$2.2 billion.

The Administration will propose legislation to make ex-military personnel who voluntarily leave the service, who are released or separated for cause, or who fail to reenlist when they could have done so, ineligible for unemployment benefits. This change would be effective July 1, 1981, and would reduce 1981 outlays by an estimated \$60 million and 1982 outlays by an estimated \$225 million.

The Administration will also propose legislation to reform the trade adjustment assistance (TAA) program. This legislation will direct benefits to those workers who have not been called back to work by their former employers and who have been unable to find other work by the time their eligibility for unemployment insurance has ended.

Weekly TAA benefit amounts will be the same as the worker's weekly unemployment insurance benefit amount and will be paid only to workers who have used up all their weeks of unemployment insurance. This change would become effective for all claimants October 1, 1981. This proposal is estimated to reduce outlays by \$1.2 billion in 1982.

Housing assistance.--As part of the general effort to control long-term Federal government spending, the Administration is proposing several reductions in housing assistance provided by the Department of Housing and Urban Development (HUD):

- The Administration is requesting funds for 175,000 additional subsidized housing units in 1982, compared to 260,000 units in the January budget. The 1981 subsidized housing program will also be reduced from the 254,550 unit level proposed in the January budget to 210,000 units. This is a more realistic estimate of the program level likely to be achieved in 1981. In addition, the Administration proposes shifting the percentage mix between new and existing units from 50/50 to 45/55 in 1982 to take greater advantage of the lower subsidy costs for existing housing. To achieve this policy change, the President will propose to rescind \$4.6 billion in 1981 budget authority for the Department of Housing and Urban Development's subsidized housing program. The Administration will also propose a reduction in 1982 budget authority for subsidized housing of \$8.7 billion.
- The Administration proposes to increase gradually over the next 5 years the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25% to 30% of their adjusted income. Currently, very needy households pay less than 25% of their income for rent in HUD subsidized housing projects. Since this proposal provides for the same rate of increase for all tenants, the differential for the very needy will be maintained. This change will be achieved through administrative action and proposed legislation.

The proposal will decrease budget authority by \$60 million in 1982. The reduction will decrease budget authority by over \$400 million in 1986. Outlays are estimated to decline by \$0.3 billion in 1982. However, by 1986, outlays are estimated to be almost \$1.1 billion less than the outlays for subsidized housing and public housing operating subsidies estimated in the January budget.

- The Administration also proposes to stretch out construction and renovation activity for the public housing modernization program. This will be achieved by rescinding \$300 million of the 1981 appropriation of \$2.0 billion and reducing the 1982 appropriation request by \$500 million to \$1.5 billion.
- In addition, the Administration proposes to terminate HUD's Indian housing program in 1982 and rescind \$0.2 billion in budget authority for the program in 1981. The current backlog of 22,000 funded but unfinished Indian housing units represents a 5 1/2 year supply at the 4,000 unit program level proposed in the January budget. With an average budget authority cost of over \$175,000 per unit there is no reason to continue this very expensive and substantially backlogged program.

Food and nutrition assistance.--In accord with the Administration's efforts to target assistance to the most needy families, major changes will be proposed in the food stamp and child nutrition programs. The changes in the food stamp program are designed to eliminate anomalies found in the present program under which families with high annual incomes are nevertheless eligible for food stamps. The Administration's program would remove about 400,000 such households from the rolls. The January budget for food stamps included legislative savings of \$0.5 billion in 1982 outlays. The revised budget reflects gross food stamp changes of \$3.1 billion in 1982 outlays. Funds totaling \$1.1 billion for food stamps to Puerto Rico will be converted into a proposed block grant for Puerto Rico at the reduced amount of 0.9 billion in outlays for 1982.

Food stamps account for more than 10% of the personal income of residents of the Commonwealth of Puerto Rico. To improve the administration of these activities and to make them more responsive to the Commonwealth's culture, economy, and food preferences, a consolidation of funds amounting to \$0.9 billion is proposed. This block grant would eliminate the detailed nutritional prescriptions, financial reporting and accounting of current Federal programs, and would permit the Puerto Rican government to target nutrition assistance in accord with its priorities and to stimulate local agricultural production. The proposed amount is about 75% of the 1981 level of USDA nutrition assistance for Puerto Rico.

Under the Administration's proposal for the child nutrition programs, Federal subsidies will be eliminated for students from families of four with incomes above \$15,630. Students from families of four with incomes between \$11,640 and \$15,630 will

continue to have their school meals partially subsidized. For students from families of four with incomes below \$11,640, the present policy of full subsidization of meals will continue. The proposal would also terminate funding to purchase new food service equipment, and to finance nutrition education and training grants to States, subsidized snacks, and all meal subsidies to schools with high tuitions. The base and special subsidies for both free and reduced price meals would be annually indexed in future years from 1982 levels for price changes in the current indices. These proposals would reduce 1982 outlays for child nutrition by \$1.6 billion below current law. The January budget included legislative outlay savings of \$0.4 billion in 1982. The supplemental feeding program for women, infants, and children (WIC) will be focused on low-income pregnant and lactating women, and infants under established priorities for participation. Applicants with relatively high incomes or without measurable nutrition deficiencies may not receive WIC benefits at the 1982 funding level, which is \$0.2 billion below the 1981 level.

The Administration is proposing several reforms to the aid to families with dependent children (AFDC) and child support enforcement programs. These changes are designed to determine welfare needs more accurately, improve program administration, reduce fraud and abuse, and decrease Federal and State costs. Anomalies in the present system often result in the payment of cash welfare grants to high-income families. Changes are needed to assure that the resources available to a family are fully taken into account in determining the family's need for public assistance cash payments, to improve incentives to work, to standardize and simplify program requirements and administration (which will help reduce errors, waste, and abuse), to increase child support collections (which will reduce the amount of welfare payments needed), and to provide a more equitable balance between the State and Federal shares of enforcement costs and collections.

These proposals are expected to reduce 1982 outlays by \$0.7 billion. The January budget also included outlay savings of \$0.5 billion in 1982.

The Administration is also preparing several management improvements in the supplemental security income program to reduce errors and waste.

Other income security.--The Administration is proposing reductions in the refugee assistance program reflecting lower refugee flow to the United States, earlier phaseout of the old Cuban refugee program (1962 to 1978 arrivals), reduced Federal administration, and elimination of funds for non-State administered, low-priority social service programs. This will produce outlay savings of \$31 million for 1981.

Increased reliance on the sponsors of immigrants to meet their obligations with respect to an immigrants' first 3 years in the United States will reduce AFDC outlays by \$15 million in 1982.

An expansion of the earned income tax credit, proposed in the January budget, has not been included as part of the economic recovery plan.

The Administration will propose legislation to consolidate authorities for energy and related assistance into a hardship assistance block grant to States. The Administration's proposal will enable States to assist low-income households to meet the rising cost of home heating and assist households facing other hardship situations that may not be energy related. This consolidation will result in outlay savings of \$0.4 billion in 1982.

700: VETERANS BENEFITS AND SERVICES

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	21.2	23.2	25.0
Revised economic assumptions:			
Service-connected compensation.....	---	---	-0.1
Non-service-connected pensions.....	---	---	-*
All other.....	---	---	-*
Policy reductions:			
Readjustment benefits.....	---	-*	-0.1
Medical care.....	---	-0.1	-0.4
Hospital construction.....	---	-0.2	-0.1
All other.....	---	-*	-0.1
Revised budget.....	21.2	22.9	24.2
<u>Outlays</u>			
January budget.....	21.2	22.6	24.5
Revised economic assumptions:			
Service-connected compensation.....	---	---	-0.1
Non-service connected pensions.....	---	---	-*
All other.....	---	---	-*
Policy reductions:			
Insurance policy loans.....	---	-0.1	-0.1
Readjustment benefits.....	---	-*	-0.1
Medical care.....	---	-0.1	-0.4
Hospital construction.....	---	-*	-0.1
All other.....	---	-*	-0.1
Revised budget.....	21.2	22.4	23.6

* \$50 million or less.

The Administration proposes to reduce budget authority for veterans benefits and services from the January budget request by \$0.3 billion in 1981 and \$0.7 billion in 1982. Estimated outlays in 1981 and 1982 are below the January budget by \$0.2 billion and \$0.8 billion, respectively. These reductions are in large part the result of lower projected inflation, revisions in entitlements to eliminate unintended benefits, the application of sound criteria to economic subsidy programs, and a stretch-out of capital investment programs.

Revised economic assumptions.--A decline in budget authority and outlays for service-connected compensation of \$0.1 billion in

1982 reflects lower estimates of proposed cost-of-living adjustments than the January budget. Lower automatic cost-of-living adjustments reduce budget authority and outlays for non-service-connected pensions by \$11 million in 1982.

Policy reductions.--At present, VA insurance policy loans are made at 5% interest rates, a fraction of the interest rates charged on secured loans in private markets. This has had the effect of encouraging veterans to borrow on their policies, often diminishing the future security of veterans' families as the value of the policy is reduced. The Administration proposes to decrease the interest subsidy now given to veterans receiving insurance loans. This proposal reduces outlays by \$0.1 billion in both 1981 and 1982.

A 2-year extension of the period of eligibility for certain readjustment benefits for needy and educationally disadvantaged Vietnam-era veterans, which was proposed in the January budget, is not supported by this Administration. The current 10-year period of eligibility is sufficient and the same as that provided for veterans of previous wars. Elimination of this proposal reduces 1982 budget authority and outlays below the level proposed in January by \$0.1 billion.

The Administration proposes a ceiling on the funding available for VA physicians' and dentists' bonuses. Under this proposal funds available for bonuses will be limited to 12% of the total annual appropriations for physicians and dentists pay. This will reduce the annual costs of bonuses for VA physicians and dentists by approximately \$40 million, to the level estimated by the Congressional Budget Office at the time the Congress was considering passage of PL 96-330, the legislation that authorized the additional bonuses. In addition, moderate staffing reductions in non-clinical personnel will be imposed on the Department of Medicine and Surgery (DM&S), which would return DM&S to its 1979 staffing level. These actions and the withdrawal of several new initiatives that were included in the January budget will save \$0.3 billion in outlays in 1982.

Some cancellations and delays in the Veterans Administration (VA) hospital construction program are proposed. These changes, which can be accomplished without significant short-run detriment to the VA medical system, reduce proposed budget authority by \$0.2 billion in 1981 and \$0.1 billion in 1982. Outlays in 1981 and 1982 are estimated to be reduced by \$28 million and \$0.1 billion, respectively.

Proposals in the January budget to end payments for general flight training and correspondence courses and to terminate outpatient dental benefits for certain non-service-related dental problems are included in the revised budget. The Administration also proposes to reduce travel reimbursements for veterans being treated for non-service-connected disabilities by requiring a \$5 deductible payment.

750: ADMINISTRATION OF JUSTICE

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	4.4	4.5	4.8
Policy reductions:			
Legal Services Corporation.....	---	---	-0.3
Office of Juvenile Justice and Delinquency Prevention.....	---	---	-0.1
Personnel and other reductions.....	---	-0.1	-0.2
Revised budget.....	4.4	4.4	4.2
<u>Outlays</u>			
January budget.....	4.6	4.8	4.9
Policy reductions:			
Legal Services Corporation.....	---	---	-0.3
Office of Juvenile Justice and Delinquency Prevention.....	---	---	-*
Personnel and other reductions.....	---	-0.1	-0.2
Revised budget.....	4.6	4.7	4.4

* \$50 million or less.

The Administration proposes to reduce budget authority by \$0.1 billion in 1981 and \$0.6 billion in 1982, and to reduce outlays by \$0.1 billion in 1981 and \$0.5 billion in 1982 compared with the January budget request.

Policy reductions.--The authorization for the Legal Services Corporation has expired. In lieu of proposing funding for this program in 1982, the President has proposed a consolidated block grant to States for social services. Legal services would be authorized activities within the programs encompassed by the block grant. Increased pro bono efforts by private attorneys, as part of their professional responsibility, are a major way of augmenting legal services activities financed by the block grant.

The Administration believes that services currently authorized in programs of the Office of Juvenile Justice and Delinquency Prevention can be provided under the broader authorities of programs proposed for consolidation into a social services block grant. The Administration therefore proposes that these activities be carried out by the States in the context of the

block grant, which is discussed in the education, training, employment, and social services function.

The Administration is proposing significant travel, procurement, and personnel reductions in this function. These measures will reduce estimated outlays by \$0.1 billion in 1981 and \$0.2 billion in 1982.

800: GENERAL GOVERNMENT

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	4.6	5.4	5.4
Policy reductions:			
Central fiscal operations.....	---	-*	-0.1
Federal buildings fund.....	---	---	-0.1
Other.....	---	-*	-0.1
Revised budget.....	4.6	5.4	5.1
<u>Outlays</u>			
January budget.....	4.5	5.2	5.2
Policy reductions:			
Central fiscal operations.....	---	-*	-0.1
Other.....	---	-*	-0.1
Revised budget.....	4.5	5.1	5.0

* \$50 million or less.

Several small proposed policy reductions would reduce budget authority and outlays for the general government function by \$0.1 billion in 1981 and by \$0.3 billion in 1982 from the January budget levels.

Policy reductions.--The President has signed an Executive Order terminating the Council on Wage and Price Stability's wage and price standards program. Outlays for the Council on Wage and Price Stability are estimated to be \$5.2 million lower in 1981 than the January estimates and \$4.4 million lower in 1982.

Proposed budget authority for central fiscal operations is lower than the January levels by \$32 million in 1981 and \$116 in 1982. Outlays are estimated to be \$47 million lower in 1981 and \$126 million lower in 1982. Because the Administration's proposed reduction in marginal tax rates is expected to enhance voluntary compliance, the level of increase in Internal Revenue Service enforcement staff proposed in the January budget will not be necessary. The Administration does, however, support the January budget request to increase IRS personnel for the collection of unpaid taxes.

The Administration is also proposing a broad reform of Federal Financing Bank operations that will affect its major users, such

as the Rural Electrification Administration and the Tennessee Valley Authority, and will affect other, non-Federal entities that borrow from the FFB under Federal guarantees. This is discussed in more detail in Part 2 of this document.

Reductions in the amount of new construction of Federal buildings and in the amount of space leased by the Federal Government are proposed in conjunction with expected decreases in Federal personnel levels. New obligational authority for construction would decrease from the \$196 million previously proposed for 1982 to \$28 million. This would decrease budget authority for the Federal buildings fund by \$121 million in 1982. The two new projects that the Administration proposes to fund are border stations in California and Maine. The amount of leased office space would also be reduced by 1% from levels budgeted in January, and may decrease further as the need for office space is reassessed.

The Administration supports the proposal included in the January budget to increase funds for the purchase of new vehicles in 1981 by \$100 million. The original proposal, which would have replaced all motor pool vehicles over five years of age, will be changed to include replacing some leased vehicles with new vehicles. This will reduce Federal Government costs over the life of the vehicles. These purchases of new vehicles will assist the automobile industry during a particularly difficult period of high unemployment and will contribute to energy conservation and cleaner air by replacing older vehicles with cleaner, more fuel-efficient vehicles.

Consistent with its overall effort to reduce the number of categorical grant programs, the Administration will not request funding for the Intergovernmental Personnel Act grant program. This would reduce 1982 outlays by \$13 million from the January level.

850: GENERAL PURPOSE FISCAL ASSISTANCE

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	8.7	6.2	6.9
Reestimates.....	---	-*	0.1
Policy reductions:			
Withdrawal of proposed tax credit for State and local governments.....	---	---	-0.5
Loans to the District of Columbia for capital improvements.....	---	---	-*
Policy increases:			
Withdrawal of the proposal to eliminate payments in lieu of taxes.	---	---	*
Revised budget.....	8.7	6.2	6.5

<u>Outlays</u>			
January budget.....	8.6	6.9	6.9
Reestimates.....	---	-*	0.1
Policy reductions:			
Withdrawal of proposed tax credit for State and local governments.....	---	---	-0.5
Loans to the District of Columbia for capital improvements.....	---	---	-0.1
Policy increases:			
Withdrawal of the proposal to eliminate payments in lieu of taxes.	---	---	*
Revised budget.....	8.6	6.8	6.4

* \$50 million or less.

The Administration's budget revisions for general purpose fiscal assistance result in a net decrease in budget authority and outlays of \$0.5 billion for 1982 from the January budget.

Reestimates.--Outlays are expected to increase by \$70 million in 1982 for Federal land management receipt sharing programs due to higher estimates for receipts. Repayments for advances to the District of Columbia general fund are estimated to increase by \$60 million in 1981, thus reducing outlays by that amount.

Proposed reductions.--The Administration proposes reductions of \$570 million in outlays in 1982 for two programs. Withdrawing the proposal made in the January budget for tax credit payments

to State and local governments accounts for \$495 million of this reduction. Another \$75 million will be saved by limiting Federal loans to the District of Columbia for its capital improvements program. It is proposed that outlays for this program be capped at \$145 million in 1982 and that it be phased out by 1984. It is anticipated that the District of Columbia government will enter the municipal bond market and, thus, will have no further need to borrow from the U.S. Treasury after 1983.

Proposed increases.--The Administration is withdrawing the January budget proposal to eliminate the payments in lieu of taxes program to State and local governments. Restoring funds for this program will increase outlays by \$45 million in 1982 over the January budget level. Funds for resumption of this program are contingent upon the passage of new legislation that will revise the payment formula.

900: INTEREST

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	64.5	80.4	89.9
Reestimates and revised economic assumptions:			
Interest on the public debt.....	---	-3.5	-8.4
Other interest.....	---	0.3	1.0
Revised budget.....	64.5	77.2	82.5
<u>Outlays</u>			
January budget.....	64.5	80.4	89.9
Reestimates and revised economic assumptions:			
Interest on the public debt.....	---	-3.5	-8.4
Other interest.....	---	0.3	1.0
Revised budget.....	64.5	77.2	82.5

Budget authority and outlay estimates for the interest function have decreased since January due to lower projected interest rates, partially offset in 1982 by higher borrowing requirements. These changes have decreased estimated budget authority and outlays for interest on the public debt by \$3.5 billion to a level of \$90.6 billion in 1981, and \$8.4 billion to \$98.1 billion in 1982. These large decreases in interest on the public debt are partially offset by decreases in interest received on loans made to the Federal Financing Bank.

920: ALLOWANCES

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority</u>			
January budget.....	---	---	3.0
Policy reductions:			
Civilian agency pay raises.....	---	---	-0.2
Contingency allowance.....	---	---	-0.5
Revised budget.....	---	---	2.3
<u>Outlays</u>			
January budget.....	---	---	1.9
Policy reductions:			
Civilian agency pay raises.....	---	---	-0.1
Revised budget.....	---	---	1.8

The allowance function includes amounts for Federal civilian agency employee pay raises, future initiatives, and unforeseen requirements. The Administration proposes to reduce 1982 budget authority and outlays for allowances from the January budget levels by \$0.7 billion and \$0.1 billion, respectively.

Proposed reductions.--As part of its general effort to reduce Federal overhead, personnel, and regulatory costs, the Administration will recommend comprehensive legislative changes in the way that Federal civilian pay rates are set. When enacted, these proposals will reduce outlays from the current services base by \$2.5 billion in 1982.

The Administration supports the principle of comparability as the best basis for adjusting Federal civilian pay, but will propose major changes in the way comparability is calculated. The following major components are among those being considered for inclusion in proposed legislative changes:

1. Broadening the principle of comparability by:
 - establishing total compensation comparability--including both pay and benefits, rather than just pay--as the basis for calculating comparability; and
 - including State and local government pay and benefits, rather than only those of private industry, in the data on which compensation scales will be based.

2. Bringing Federal compensation rates and practices more closely in line with those of the non-Federal sector by:

- setting white-collar pay on a locality basis;
- changing certain features of the Federal wage system for blue-collar workers to provide much more accurate comparability with locally prevailing rates;
- changing Federal premium pay laws to make them more consistent with the Fair Labor Standards Act and private sector practices; and
- providing the executive branch with additional pay flexibility to recruit and manage a high-quality work force.

The above components are included in legislation proposed by the previous administration. In addition, this Administration will propose establishing the Federal compensation comparability standard at 94% of average non-Federal compensation (including benefits), thereby recognizing those aspects of Federal employment that make it more attractive than many comparably-paid jobs in the private sector.

Enactment of these proposals is expected to result in a white-collar pay increase in October 1981 of approximately 4.8%. A final decision on the level of the October 1981 pay increase is made in the late summer after Presidential review of the recommendations of the President's Compensation Agent and the Federal Employees Compensation Council and after a review of the prevailing economic conditions.

The President has concluded that the increases in Federal executive salaries proposed in the January budget should be deferred because current economic conditions require that substantial budget reductions be achieved. However, the President is deeply concerned about the diminishing ability of the Federal Government to attract and retain high caliber executives. The Administration will, therefore, work with the Congress in developing other ways to address this issue before the next report of the quadrennial Commission on Executive, Legislative, and Judicial Salaries, which is due in 1984.

The allowance for civilian agency pay raises was estimated in January with the assumption that agencies would absorb 30% of the cost of these raises. The absorption rate has been increased to 40%. These changes would reduce 1982 allowances by \$0.2 billion in budget authority and \$0.1 billion in outlays from the January levels.

The contingency allowance for unforeseen requirements has been reduced to \$1.5 billion in budget authority and \$1.0 billion in outlays for 1982 through 1986. It is expected that these levels, in addition to the anticipated savings discussed below, will be adequate to fund any unforeseen requirements.

The Administration is committed to improving the management of Federal Government activities. This is already underway. The President has placed a complete freeze on Federal hiring and has ordered limits on procurement of office equipment, consulting services, and Government travel. For 1982 and beyond, every aspect of Federal management and administrative practice will be evaluated. In particular, the Administration expects substantial savings from improvements in administrative practices designed to increase the level of competition in the procurement process and to collect money owed to the Federal Government on a more timely basis.

It is the general policy of the Administration to rely, whenever possible, on the competitive private sector to supply the products and services the Federal Government needs. The Office of Federal Procurement Policy is, therefore, working with agencies to:

- increase competition in the procurement of goods and services and in the acquisition of major systems;
- increase agency compliance with OMB circular A-76, which requires agencies to determine which commercial and industrial type activities could be performed more efficiently through contracts with private firms;
- curtail the use of consulting services; and
- improve other acquisition programs such as the use of commercial distribution systems.

The Administration is developing ways to improve the collection of tax and loan payments owed to the Government and overpayment of benefits. The accounting and servicing, collection, and liquidation functions related to debt management can be handled more efficiently through private contractors who have the necessary training and expertise than through hiring or training additional Federal personnel. The use of contractors for these services would increase collections and decrease the number of Federal employees needed for debt management and collection.

The Administration also plans to review administrative practices under the Davis-Bacon and Service Contract Acts. The principal objective is to ensure that prevailing wage determinations made by the Department of Labor under these Acts reflect actual wages paid in the localities where Federal contracts are performed. Previous studies have indicated that substantial savings could be achieved by revising current administrative practices. These savings and the anticipated savings due to changes in the black lung disability trust fund, which are discussed in the income security function, are estimated to reduce the contingency for other requirements by \$30 million in 1981 and by \$528 million in 1982.

950: UNDISTRIBUTED OFFSETTING RECEIPTS

	(\$ billions)		
	Actual	Estimate	
	1980	1981	1982
<u>Budget Authority and Outlays</u>			
January budget.....	-21.9	-27.8	-31.9
Reestimates and revised economic assumptions:			
Employer share, employee retirement..	---	*	0.1
Interest received by trust funds <u>1/</u> ..	---	0.3	0.8
Rents and royalties on the Outer Continental Shelf.....	---	-1.6	-0.4
Policy reductions:			
Rents and royalties on the Outer Continental Shelf.....	---	-0.2	-0.7
Revised budget.....	-21.9	-29.3	-32.0

1/ Includes decreases due to lower interest rate assumptions offset by increases due to higher trust fund balances.

*50 million or less

The estimates of undistributed offsetting receipts for 1981 and 1982 have increased since January. These increases reduce budget authority and outlays by \$1.5 billion in 1981 and \$0.2 billion in 1982.

Interest received by trust funds.--Revised interest rate assumptions have lowered the estimates of interest received by trust funds in both 1981 and 1982. These decreases are partially offset by the effects of higher trust fund balances, resulting from the Administration's policy reductions for certain trust fund outlays. These outlay reductions increase trust fund balances and thereby increase trust fund investment in Treasury securities.

Rents and royalties on the Outer Continental Shelf.--The Outer Continental Shelf oil and gas leasing schedule will be revised as quickly as is possible in accordance with the requirements of the OCS Lands Act. A major objective is to shorten the time needed to start exploratory drilling in all OCS areas. Efforts will be made to streamline and shorten the OCS sale preparation process while preserving adequate protection of environmental values and the public's proprietary interest. The schedule revision is expected to increase OCS receipts by \$0.2 billion in 1981 and \$0.7 billion in 1982. In addition, rents and royalties on the Outer Continental Shelf are expected to increase by \$1.6 billion in 1981 and \$0.4 billion in 1982 due to technical reestimates and revised oil price projections.

Part 4

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION: 1983-1986

The longer-range budget outlook is the result of past and present budget decisions as well as projected economic and demographic trends. The longer-range numbers are by their nature preliminary because they include substantial budget authority and outlays for existing programs that the Administration intends to reduce or eliminate in order to meet its spending and deficit/surplus targets.

The economic assumptions that are used for the budget projections are presented in Part 2. They project downward trends for inflation, interest rates, and unemployment, which will all help restrain the growth in budget outlays. However, the demographic trends -- especially the aging of the population in the next 10 years -- will help increase budget costs, especially for retirement and health programs. Moreover, essential tax reductions are planned for three consecutive years. The net result of these trends is that excess outlays of \$30 billion for 1983, \$44 billion for 1984, \$44 billion for 1985, and \$43 billion for 1986 are being temporarily carried in the out-year budget projections pending the presentation of specific policy measures to eliminate them.

These savings measures are now being developed and planned, and will be transmitted to the Congress at the earliest possible date and on a continual basis. Illustrative options under consideration include:

- development of fundamental and comprehensive health care financing reforms, which would reduce health care inflation;
- more efficient delivery of veterans health services;
- development of alternative ways of financing strategic petroleum reserves;
- improved efficiency in the many Defense Department programs;
- reduction in error rates in income transfer programs;
- reevaluation of the housing subsidy programs;
- better coordination of programs that benefit specific groups of people such as Indians and migrant workers;
- reform of military and civilian retired pay so that people who have been retired for a while would not receive substantially more than people at their same grade level who have just retired;

- reconsideration of how Federal annuities are determined in order not to reward disproportionately people who worked for a few years at high salary levels;
- review of the Federal credit and loan guarantee programs with particular attention on improved debt collection and forbearance policies;
- change in the structure of the Northeast rail system to ensure a private sector solution;
- imposition of further user charges where a restricted group of people benefit disproportionately from the Government service, such as specialized weather services;
- examination of the present Federal stockpiles to see if further disposals of non-critical commodities can be made;
- elimination of overlapping or redundant subsidies and benefits;
- deletion of programs that have objectives which the private sector can meet if disincentives caused by Government regulations or actions are removed;
- termination of programs which the private sector or State or local governments can perform better or at lower cost;
- exploration of ways to reduce or minimize certain interest subsidies by recovering their value from the beneficiaries; and
- examination of the relative changes in the size of the Federal and State and local sectors, and how growth in the public sector in general can be efficiently shared among the three levels of government.

The combined effects of the revised economic outlook, substantial upward technical reestimates, and the President's budget reform plan are shown in Table 14. In comparison to the January budget estimates, the revised budget outlay estimates are lower by \$55.5 billion in 1983 and \$95.6 billion by 1986. Despite the substantial reductions underlying the revised long-range estimates, the Administration will propose additional savings in future budgets. When combined with the projected receipts and spending levels resulting from the proposals in this document, these further proposals would produce a balanced budget by 1984.

Table 14.--CHANGES FROM JANUARY BUDGET
TO REVISED BUDGET, 1983-1986
(in billions of dollars)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	892.0	962.7	1047.2	1139.1
Change.....	<u>-51.3</u>	<u>-62.2</u>	<u>-72.0</u>	<u>-78.9</u>
Revised budget.....	840.7	900.5	975.2	1060.2
<u>Outlays</u>				
January budget.....	817.3	890.3	967.9	1050.3
Change.....	<u>-55.5</u>	<u>-75.8</u>	<u>-80.2</u>	<u>-95.6</u>
Revised budget.....	761.8	814.4	887.7	954.7
Additional savings to be proposed.....	<u>-29.8</u>	<u>-44.2</u>	<u>-43.7</u>	<u>-42.7</u>
Target outlay ceiling.....	732.0	770.2	844.0	912.0
<u>Receipts</u>				
January budget.....	809.2	922.3	1052.6	1188.5
Change.....	<u>-100.1</u>	<u>-151.6</u>	<u>-202.7</u>	<u>-248.3</u>
Revised budget.....	709.1	770.7	849.9	940.2
<u>Memorandum</u>				
Surplus or deficit under target outlay ceiling.....	-22.9	0.5	5.9	28.2

The spending targets provide sufficient funds to continue support for the well established programs developed over the years that provide an essential social safety net. Under the Administration targets, the share of budget resources devoted to the social safety net would increase from an estimated 37% in 1981 to 39% by 1986. At the same time, our Nation's defenses would be modernized and fortified. The budget share devoted to national defense would increase from 25% in 1981 to 38% by 1986.

Table 15.--BUDGET OUTLAY TARGET SHARES, 1981 AND 1986
(percent)

	<u>1981</u>	<u>1986</u>
National defense.....	24.7	37.6
Nondefense:		
Social safety net.....	36.8	39.0
Net interest.....	9.8	6.9
All other.....	<u>28.6</u>	<u>16.6</u>
Subtotal, Nondefense.....	<u>75.3</u>	<u>62.4</u>
Target outlay ceiling.....	100.0%	100.0%

The projections also include the Administration's initiatives to redefine the role of the Federal Government in relation to States and localities. The major proposals in this area are the several grant consolidations, described in Part 3. Additional information on grants to State and local governments is provided in Appendix A.

In addition to the savings resulting from specific program reductions described in Part 3, the revised budget projections for discretionary nondefense programs provide no funds during 1983-1986 to cover future inflation. This results in across-the-board reductions in real resources for these programs, and will provide an incentive to increase efficiency and cost-consciousness.

Summary tables of long-range projections by various categories appear in Part 5. Appendix B and Appendix C provide projections of proposed increases and decreases in budget authority and outlays for 1981-1986.

050: NATIONAL DEFENSE

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	228.6	258.0	289.7	324.1
Change.....	<u>31.0</u>	<u>36.9</u>	<u>43.3</u>	<u>50.2</u>
Revised budget.....	259.6	294.9	333.0	374.3
<u>Outlays</u>				
January budget.....	210.4	237.8	267.8	299.5
Change.....	<u>15.7</u>	<u>17.8</u>	<u>36.1</u>	<u>43.2</u>
Revised budget.....	226.0	255.6	303.9	342.7

In comparison to the January budget projections, budget authority for national defense is now projected to be \$31.0 billion higher in 1983 and \$50.2 billion higher by 1986. Outlays are projected to be higher by \$15.7 billion in 1983 and \$43.2 billion by 1986. These increases are the net differences between substantial increases in funding necessary to improve our defense capabilities, lower costs due to lower projected rates of inflation, and reductions and economies in civilian pay and other areas noted in Part 3.

150: INTERNATIONAL AFFAIRS

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	18.4	20.1	21.3	22.4
Change.....	<u>-0.7</u>	<u>-3.8</u>	<u>-5.2</u>	<u>-6.3</u>
Revised budget.....	17.7	16.3	16.1	16.1
<u>Outlays</u>				
January budget.....	12.9	13.6	14.5	15.3
Change.....	<u>-1.1</u>	<u>-1.4</u>	<u>-2.3</u>	<u>-3.1</u>
Revised budget.....	11.8	12.2	12.2	12.3

In comparison to the January budget projections, budget authority for international affairs is now projected to be \$0.7 billion lower in 1983 and \$6.3 billion lower by 1986. Outlays are projected to be \$1.1 billion lower in 1983 and \$3.1 billion lower by 1986. These reductions are the net result of reestimates, proposed reductions, and a policy increase for international security assistance discussed above in Part 3.

The decisions to reduce foreign development assistance programs, payments of international organization assessments, and Export-Import Bank lending authority result in significant reductions from the January projections, and make room for critical increases for security assistance.

250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	8.8	8.4	8.0	7.7
Change.....	<u>-1.1</u>	<u>-1.3</u>	<u>-1.1</u>	<u>-1.0</u>
Revised budget.....	7.7	7.1	6.9	6.8
<u>Outlays</u>				
January budget.....	8.3	8.3	8.0	7.8
Change.....	<u>-1.0</u>	<u>-1.2</u>	<u>-1.2</u>	<u>-1.1</u>
Revised budget.....	7.3	7.2	6.8	6.7

In comparison to the January budget projections, budget authority for general science, space and technology is now projected to be \$1.1 billion lower in 1983 and \$1.0 billion lower by 1986. Outlays are projected to be \$1.0 billion lower in 1983 and \$1.1 billion lower by 1986. These reductions are the result of reestimates and proposed reductions and deferrals discussed above in Part 3.

Proposed changes in the scope of National Science Foundation activities reduce outlays by \$324 million in 1983 and by \$462 million in 1986. Deferral of construction in the Department of Energy's general science programs results in outlays savings of \$42 million in 1982, rising to \$83 million by 1986. Deferral of previously planned National Aeronautics and Space Administration space and general support activities reduces estimated outlays by \$631 million in 1983, and \$592 million by 1986.

270: ENERGY

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	12.7	10.8	11.5	15.7
Change.....	<u>-3.6</u>	<u>-2.9</u>	<u>-2.9</u>	<u>-3.2</u>
Revised budget.....	9.1	8.0	8.6	12.5
<u>Outlays</u>				
January budget.....	12.4	11.1	10.9	13.0
Change.....	<u>-3.2</u>	<u>-3.4</u>	<u>-2.9</u>	<u>-3.0</u>
Revised budget.....	9.2	7.7	8.0	10.0

In comparison to the January budget projections, budget authority for energy is now projected to be \$3.6 billion lower in 1983 and \$3.2 billion lower by 1986. Outlays are projected to be \$3.2 billion lower in 1983 and \$3.0 billion lower by 1986. These reductions are the net result of reestimates and proposed reductions discussed above in Part 3. These include reduced subsidies for synthetic and alcohol fuels and demonstration and development programs for fossil and solar energy, termination of the Solar Energy and Energy Conservation Bank, and elimination of many information and regulatory programs of the Department of Energy.

300: NATURAL RESOURCES AND ENVIRONMENT

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	15.3	16.2	16.4	16.4
Change.....	<u>-4.7</u>	<u>-5.9</u>	<u>-6.6</u>	<u>-6.9</u>
Revised budget.....	10.6	10.3	9.8	9.5
<u>Outlays</u>				
January estimate.....	15.0	15.5	15.4	15.3
Change.....	<u>-4.0</u>	<u>-5.7</u>	<u>-6.2</u>	<u>-6.1</u>
Revised budget.....	11.0	9.7	9.2	9.1

In contrast to the January budget projections, budget authority for the natural resources and environment function is now projected to be \$4.7 billion lower in 1983 and \$6.9 billion lower by 1986. Outlays are projected to be \$4.0 billion lower in 1983 and \$6.1 billion lower by 1986. These reductions are the net result of reestimates and proposed reductions discussed above in Part 3. The major reductions in 1983-1986 include continuation of the moratorium on Federal recreation and conservation land acquisition begun in 1981 and termination of funding for State and urban recreation and historic preservation grants. Changes also include increased receipts and increased resources for existing national parks to provide necessary facilities to protect the health and safety of visitors and to preserve park areas from damage.

The Administration will propose legislation for two major user charge programs in the water resources area. The first will sufficiently increase inland waterways fees to provide recovery, starting in 1982, of the entire cost of operating and maintaining existing waterways (discussed in Parts 2 and 3). This legislation will also provide for new waterway cost recovery in the future. The second user charge will recover, through proprietary receipts, the cost of dredging and maintaining deep water channels leading to our seaports, except for that portion allocated to Government use. Together, these proposals will increase revenues by \$2.1 billion over the 1983-86 period, offsetting costs otherwise borne by the general taxpayer.

Increased shared revenue payments to States, as a result of mineral leasing acceleration, are included in the general purpose fiscal assistance function.

350: AGRICULTURE

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	5.6	4.9	5.3	5.6
Change.....	<u>0.2</u>	<u>-0.3</u>	<u>-0.4</u>	<u>-0.6</u>
Revised budget.....	5.7	4.6	4.9	5.1
<u>Outlays</u>				
January estimate.....	4.5	4.8	5.2	5.5
Change.....	<u>-0.5</u>	<u>-0.8</u>	<u>-1.0</u>	<u>-1.1</u>
Revised budget.....	3.9	4.0	4.2	4.4

In comparison to the January budget projections, budget authority for the agriculture function is now projected to be \$0.2 billion higher in 1983 and \$0.6 billion lower by 1986. Outlays are projected to be \$0.5 billion lower in 1983 and \$1.1 billion lower by 1986. These reductions are the result of proposed reductions in the dairy price support and other commodity price support programs discussed above in Part 3.

The reductions in price support programs in 1983-1986 reflect the continued impact of the 1981-1982 proposed reductions as well as anticipated revisions to price support operations as part of the Administration's 4-year farm program to be transmitted to the Congress later this year.

370: COMMERCE AND HOUSING CREDIT

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	12.3	13.4	14.1	15.1
Change.....	<u>-6.9</u>	<u>-7.6</u>	<u>-7.8</u>	<u>-8.7</u>
Revised budget.....	5.4	5.8	6.3	6.4
<u>Outlays</u>				
January budget.....	7.9	9.2	9.8	10.5
Change.....	<u>-4.5</u>	<u>-6.1</u>	<u>-7.6</u>	<u>-8.4</u>
Revised budget.....	3.4	3.1	2.2	2.1

In comparison with the January budget projections, budget authority for commerce and housing credit is now projected to be \$6.9 billion lower in 1983 and \$8.7 billion lower by 1986. Outlays are projected to be \$4.5 billion lower in 1983 and \$8.4 billion lower in 1986. These reductions are the net result of reestimates, revised economic assumptions, and proposed reductions discussed above in Part 3.

The major reductions include:

- discontinuation of the tandem mortgage purchase program of GNMA;
- a reduction in the limitation for FHA mortgage insurance and loan guarantee commitments;
- a reduction in direct loan obligations for the rural housing insurance fund;
- a reduction in subsidies to the U.S. Postal Service;
- withdrawal of the previous administration's proposal to make 30% of the investment tax credit refundable;
- elimination of funding for the National Consumer Cooperative Bank; and
- substantial reductions in funding and staff in the Federal Trade Commission's Bureaus of Consumer Protection and Competition.

400: TRANSPORTATION

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	27.2	28.3	29.4	30.5
Change.....	<u>-6.0</u>	<u>-7.0</u>	<u>-8.0</u>	<u>-8.1</u>
Revised budget.....	21.2	21.3	21.4	22.4
<u>Outlays</u>				
January estimate.....	24.9	26.6	27.7	29.1
Change.....	<u>-4.5</u>	<u>-5.6</u>	<u>-6.9</u>	<u>-7.5</u>
Revised budget.....	20.4	21.0	20.9	21.7

In comparison to the January budget projections, budget authority for the transportation function is now projected to be \$6.0 billion lower in 1983 and \$8.1 billion lower by 1986. Outlays are projected to be \$4.5 billion lower in 1983 and \$7.5 billion lower by 1986. These reductions are the net result of reestimates and proposed reductions discussed above in Part 3 as well as additional policy changes occurring in 1983-1986.

The major reductions in 1983-1986 would eliminate or stretch out lower priority Federal highway projects and would refocus Federal highway program resources on the interstate and primary systems. A reduction in mass transit capital grants, starting in 1982, reflects a moratorium on new Federal commitments for building transit rail lines or systems, whereas the phaseout of mass transit operating subsidies by 1985 is part of a general effort to reduce dependency on government subsidy.

While Coast Guard funding continues at real rates of growth comparable to those projected in the Carter budget, a major study of Coast Guard roles and missions being conducted in 1981 may reveal ways to achieve future savings in the methods used to provide the types of services and defense preparedness now furnished by the Coast Guard.

450: COMMUNITY AND REGIONAL DEVELOPMENT

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	9.3	9.4	9.7	10.0
Change.....	<u>-1.9</u>	<u>-2.0</u>	<u>-2.1</u>	<u>-2.1</u>
Revised budget.....	7.4	7.4	7.6	7.8
<u>Outlays</u>				
January budget.....	8.9	9.2	9.5	9.6
Change.....	<u>-1.3</u>	<u>-1.8</u>	<u>-2.4</u>	<u>-2.5</u>
Revised budget.....	7.6	7.3	7.2	7.1

In comparison to the January budget projections, budget authority for the community and regional development function is now projected to be \$1.9 billion lower in 1983 and \$2.1 billion lower by 1986. Outlays are projected to be \$1.3 billion lower in 1983 and \$2.5 billion lower by 1986. These reductions are the result of reestimates and proposed reductions discussed in Part 3. The major reductions include:

- integration of the community development block grant and the urban development action grant programs into a more efficient and flexible grant mechanism;
- termination of the rehabilitation loan fund;
- a reduction in direct loan obligations of the Farmers Home Administration;
- termination of the Economic Development Administration and the Regional Development Commissions of the Department of Commerce, and the non-highway programs of the Appalachian Regional Commission;
- termination of the coastal and inland energy impact programs; and
- reductions in funding for disaster assistance.

500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	38.0	39.7	41.3	42.7
Change.....	<u>-13.3</u>	<u>-14.9</u>	<u>-16.6</u>	<u>-17.9</u>
Revised budget.....	24.8	24.8	24.7	24.8
<u>Outlays</u>				
January budget.....	36.5	38.6	40.3	41.7
Change.....	<u>-11.7</u>	<u>-14.6</u>	<u>-16.2</u>	<u>-17.6</u>
Revised budget.....	24.7	24.0	24.0	24.1

In comparison to the January budget projections, budget authority for education, training, employment, and social services is now projected to be \$13.3 billion lower in 1983 and \$17.9 billion lower by 1986. Outlays are projected to be \$11.7 billion lower in 1983 and \$17.6 billion lower by 1986. These reductions are the net result of reestimates, revised economic assumptions, and proposed reductions discussed in Part 3.

The major reductions involve: elimination of the two CETA public service employment programs by the end of fiscal year 1981; consolidation of 44 categorical education grant programs into two block grants; consolidation of CETA youth programs with general purpose CETA training grants; and funding of numerous social and community services activities under one block grant. In addition, the Administration proposes improved targeting of student financial assistance provided by the Pell grant program on the truly needy.

For education programs, the current long-range estimates are significantly below the January estimates. In 1983, budget authority for education programs is estimated to be \$4.5 billion below the January estimates, and \$3.6 billion lower in outlays. By 1986, the differences from the January estimates are \$6.2 billion and \$5.9 billion, respectively.

For training and employment programs, the Administration proposals reduce 1983 budget authority by \$6.1 billion and outlays by \$5.8 billion below the January estimates. By 1986, the savings from these proposals are \$8.3 billion and \$7.9 billion, respectively.

For social and community services programs, the Administration's block grant proposal would reduce 1983 budget authority by \$1.7

billion and outlays by \$2.0 billion below the January estimates for programs in this function. By 1986, the savings from this proposal are \$2.2 billion in budget authority and \$2.5 billion in outlays. Additional savings result from consolidating Federal management, research and demonstration, and administrative activities previously undertaken along categorical lines. Withdrawal of support for the previous administration's proposed tax credit for non-profit institutions reduces budget authority and outlays by \$0.3 billion in 1983 and by \$0.5 billion in 1986.

550: HEALTH

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	96.1	107.5	121.7	139.0
Change.....	<u>-5.2</u>	<u>-8.5</u>	<u>-12.4</u>	<u>-17.0</u>
Revised budget.....	90.9	99.0	109.3	122.0
<u>Outlays</u>				
January budget.....	84.5	95.4	107.1	119.9
Change.....	<u>-2.9</u>	<u>-5.1</u>	<u>-8.4</u>	<u>-13.2</u>
Revised budget.....	81.6	90.3	98.7	106.7

In comparison to the January budget projections, budget authority for the health function is now projected to be \$5.2 billion lower in 1983 and \$17.0 billion lower by 1986. Outlays are projected to be \$2.9 billion lower in 1983 and \$13.2 billion lower by 1986. These changes are the net result of reestimates, revised economic assumptions, proposed reduction, and reforms that the Administration expects to institute to establish a more competitive market in the health care industry. The interim reform of medicaid achieves sizeable outlay savings in all years, rising from \$2 billion in 1983 to \$5 billion in 1986.

The health service and prevention grant consolidations are described in Part 3. By allowing States the flexibility to design comprehensive services programs according to their own priorities, publicly funded services would become more effective and less costly.

600: INCOME SECURITY

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	310.4	332.4	362.8	389.8
Change.....	<u>-26.3</u>	<u>-28.9</u>	<u>-32.6</u>	<u>-33.5</u>
Revised budget.....	285.2	303.5	330.2	356.3
 <u>Outlays 1/</u>				
January budget.....	284.0	309.1	337.5	364.8
Change.....	<u>-23.7</u>	<u>-32.0</u>	<u>-41.7</u>	<u>-51.5</u>
Revised budget.....	260.2	277.1	295.7	313.3

1/ Estimated OASI benefit outlays for 1983 through 1986 are contained in these amounts although under current law and economic assumptions, the OASI trust fund will be unable to make timely benefit payments. The Administration is currently developing a plan for this and longer-range social security financing issues, which will be submitted to Congress in the near future. The benefit outlays are displayed here under the assumption firmly held by this Administration that neither the Congress nor the Administration will allow any interruption in the timely payment of social security benefits.

Budget authority and outlays for income security programs are estimated to be substantially lower during 1983-1986 than estimated in January. The net effect of revised economic assumptions, reestimates and proposed reductions reduce budget authority by \$26.3 billion in 1983 and \$33.5 billion by 1986. Outlay estimates are reduced by \$23.7 billion in 1983 and \$51.5 billion by 1986. As discussed in Part 3, the Administration has proposed reductions in the following program areas: general retirement and disability insurance, Federal employee retirement and disability, unemployment compensation, housing assistance, food and nutrition assistance, and other income security programs.

However, the proposed reductions in income security do not affect the programs that comprise an essential social safety net of income support. For example, the basic retirement and disability benefits under the social security program are not affected but many of the ancilliary benefits that have been added in recent years are either eliminated or reduced.

The Administration is also proposing a hardship assistance block grant, consolidating energy and related assistance, to aid families experiencing emergencies.

In addition, changes in the areas of Federal employee retirement and disability, housing assistance, and food and nutrition assistance have rather small changes in 1981 and 1982 compared with the substantial changes through 1983-86.

700: VETERANS BENEFITS AND SERVICES

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	27.0	29.2	30.7	31.7
Change.....	<u>-1.2</u>	<u>-1.9</u>	<u>-2.6</u>	<u>-3.4</u>
Revised budget.....	25.7	27.3	28.1	28.3
<u>Outlays</u>				
January budget.....	26.2	28.0	30.3	31.2
Change.....	<u>-1.4</u>	<u>-2.0</u>	<u>-2.6</u>	<u>-3.3</u>
Revised budget.....	24.8	26.0	27.6	27.9

In comparison to the January budget projections, budget authority for veterans benefits and services is now projected to be \$1.2 billion lower in 1983 and \$3.4 billion lower by 1986. Outlays are projected to be \$1.4 billion lower in 1983 and \$3.3 billion lower by 1986. These reductions are the result of revised economic assumptions and proposed reductions discussed in Part 3.

Lower proposed cost of living adjustments for service-connected compensation, reflecting lower projected inflation, reduce budget authority and outlays by \$0.3 billion in 1983 and \$1.2 billion by 1986. Proposed restrictions on the growth of the VA medical care program reduce budget authority and outlays by an additional \$0.6 billion in 1983 and \$1.3 billion by 1986. Other major reductions include a decrease in the interest subsidy now given to veterans receiving insurance loans, the withdrawal of a proposal by the previous administration to extend for 2 years the period of eligibility for certain readjustment benefits for needy and educationally disadvantaged Vietnam-era veterans, and some cancellations and delays in the VA hospital construction programs.

750: ADMINISTRATION OF JUSTICE

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	4.9	5.1	5.3	5.5
Change.....	<u>-0.8</u>	<u>-1.0</u>	<u>-1.2</u>	<u>-1.4</u>
Current estimate.....	4.1	4.1	4.1	4.0
<u>Outlays</u>				
January estimate.....	4.9	5.1	5.2	5.4
Change.....	<u>-0.8</u>	<u>-1.0</u>	<u>-1.2</u>	<u>-1.5</u>
Current estimate.....	4.1	4.0	4.0	3.9

In comparison with the January budget projections, budget authority for the administration of justice function is now projected to be \$0.8 billion lower in 1983 and \$1.4 billion lower by 1986. Outlays are projected to be \$0.8 billion lower in 1983 and \$1.5 billion lower in 1986. These reductions are the net result of reestimates and proposed reductions discussed above in Part 3.

The Administration will propose to make services currently provided by the Legal Services Corporation and the Office of Juvenile Justice and Delinquency Prevention eligible activities under a social services block grant. This is discussed in the education, training, employment, and social services section of Part 3. The Administration also proposes to make significant personnel reductions in the agencies in this function.

800: GENERAL GOVERNMENT

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	5.6	5.5	5.6	5.6
Change.....	<u>-0.3</u>	<u>-0.5</u>	<u>-0.6</u>	<u>-0.8</u>
Revised budget.....	5.3	5.0	5.0	4.8
<u>Outlays</u>				
January budget.....	5.2	5.4	5.3	5.2
Change.....	<u>-0.3</u>	<u>-0.6</u>	<u>-0.8</u>	<u>-0.8</u>
Revised budget.....	4.9	4.8	4.5	4.3

Budget authority and outlays for the general government function are \$0.3 billion lower than the levels in the January budget for 1983 and \$0.8 billion lower by 1986. These reductions are primarily due to the reductions in Internal Revenue Service personnel discussed in Part 3.

850: GENERAL PURPOSE FISCAL ASSISTANCE

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	7.4	7.6	7.8	8.0
Change.....	<u>-0.7</u>	<u>-0.8</u>	<u>-0.8</u>	<u>-0.9</u>
Current estimate.....	6.8	6.9	7.0	7.1
<u>Outlays</u>				
January estimate.....	7.5	7.6	7.8	8.0
Change.....	<u>-0.7</u>	<u>-0.9</u>	<u>-1.0</u>	<u>-1.1</u>
Current estimate.....	6.8	6.7	6.8	6.9

In comparison to the January budget projections, budget authority for general purpose fiscal assistance is now projected to be \$0.7 billion lower in 1983 and \$0.9 billion lower by 1986. Outlays are projected to be \$0.7 billion lower in 1983 and \$1.1 billion lower by 1986. These reductions are the net result of reestimates, proposed reductions, and a policy increase discussed above in Part 3.

The major reductions are the withdrawal of the proposed tax credit payments to State and local governments and the proposed phasing out by 1984 of capital improvement loans to the District of Columbia.

900: INTEREST

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January budget.....	91.7	89.0	87.5	88.2
Change.....	<u>-7.0</u>	<u>-4.2</u>	<u>-4.1</u>	<u>-4.5</u>
Revised budget.....	84.7	84.9	83.4	83.7
<u>Outlays</u>				
January budget.....	91.7	89.1	87.5	88.2
Change.....	<u>-7.0</u>	<u>-4.2</u>	<u>-4.1</u>	<u>-4.5</u>
Revised budget.....	84.7	84.9	83.4	83.7

Budget authority and outlays for the interest function are estimated to be \$7.0 billion lower in 1983 and \$4.5 billion lower in 1986 than estimated in the January budget. These lower budget authority and outlay levels for the interest function in 1983-86 are due to lower projected interest rates and lower borrowing requirements. The large decreases in interest on the public debt are partially offset by decreases in interest received on loans made to the Federal Financing Bank.

920: ALLOWANCES

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority</u>				
January estimate.....	6.8	10.3	12.8	15.4
Change.....	<u>-2.1</u>	<u>-3.6</u>	<u>-4.0</u>	<u>-4.5</u>
Current estimate.....	4.6	6.6	8.7	10.8
<u>Outlays</u>				
January estimate.....	5.7	9.2	11.7	14.3
Change.....	<u>-1.6</u>	<u>-3.2</u>	<u>-3.6</u>	<u>-4.1</u>
Current estimate.....	4.0	6.0	8.1	10.1

Budget authority and outlays for the allowance function are lower than the January budget levels by \$2.1 billion and \$1.6 billion respectively in 1983. By 1986 budget authority is \$4.5 billion lower than the January budget projections and outlays are \$4.1 billion lower.

The changes in Federal employee compensation discussed in Part 3 would decrease the allowance for civilian agency pay raises included in this function. The contingency for other requirements has been reduced to \$1.5 billion in budget authority and \$1.0 billion in outlays in 1983-1986 to reflect anticipated savings due to the improvements in contracting and procurement practices and in debt collection discussed in Part 3.

950: UNDISTRIBUTED OFFSETTING RECEIPTS

	(in billions of dollars)			
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Budget Authority and Outlays</u>				
January estimate.....	-34.1	-33.2	-33.5	-34.1
Change.....	<u>-0.8</u>	<u>-4.2</u>	<u>-6.2</u>	<u>-8.2</u>
Current estimate.....	-34.8	-37.4	-39.7	-42.3

Undistributed offsetting receipts are \$0.8 billion higher in 1983 than the January estimates and \$8.2 billion higher by 1986. These increases in receipts reduce budget authority and outlays.

The revision of offshore oil and gas leasing schedules that the President is seeking would increase rents and royalties on the Outer Continental Shelf and therefore reduce budget authority and outlays. Lower projected interest rates reduce interest received by trust funds. This decrease is offset by increased investment in Treasury securities resulting from higher trust fund balances.

Part 5

SUMMARY TABLES

Table 16.--BUDGET RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	Actual	Revised Budget Estimates					
	1980	1981	1982	1983	1984	1985	1986
Individual income taxes.....	244.1	277.4	288.2	311.0	339.6	383.4	439.5
Corporation income taxes.....	64.6	64.7	62.4	68.5	71.4	71.4	72.8
Social insurance taxes and contributions.....	160.7	186.4	214.5	239.9	263.7	295.9	327.4
Excise taxes.....	24.3	43.6	55.7	56.9	58.4	59.9	60.0
Estate and gift taxes.....	6.4	6.9	7.6	8.5	9.4	10.4	11.3
Customs duties.....	7.2	7.4	7.8	8.2	8.7	9.0	9.2
Miscellaneous receipts.....	12.7	13.8	14.2	16.1	19.6	19.8	20.0
Total budget receipts.....	520.0	600.3	650.3	709.1	770.7	849.9	940.2

Table 17.--ESTIMATED EFFECT OF ADMINISTRATIVE ACTIONS AND
PROPOSED LEGISLATION ON RECEIPTS, 1981-1986
(in billions of dollars)

	Revised Budget Estimates					
	1981	1982	1983	1984	1985	1986
Receipts under current law.....	608.8	701.6	806.2	915.5	1028.1	1153.9
Extension of highway trust fund taxes schedule to expire September 30, 1984.....	---	---	---	---	3.9	4.0
Receipts on a current services basis.....	608.8	701.6	806.2	915.5	1032.0	1157.9
Proposed legislation and administrative actions other than extensions:						
Individual income tax reductions.....	-6.4	-44.2	-81.4	-118.1	-141.5	-162.4
Depreciation reform.....	-2.5	-9.7	-18.6	-30.0	-44.2	-59.3
Taxation of Federal employee injury compensation.....	*	0.1	0.1	0.1	0.1	0.1
User charges.....	0.2	2.1	2.4	2.7	3.1	3.4
Other proposals <u>1/</u>	*	0.4	0.5	0.5	0.5	0.5
Total, Proposed legislation and administrative actions other than extensions.....	-8.6	-51.3	-97.1	-144.8	-182.1	-217.7
Total budget receipts.....	600.3	650.3	709.1	770.7	849.9	940.2

1/ These proposals include an increase in railroad retirement payroll taxes and increases in passport and visa fees.

* \$50 million or less.

Table 18.--COMPOSITION OF BUDGET OUTLAYS, 1980-1986
(dollar amounts in billions)

	Actual 1980	Revised Budget Estimates					
		1981	1982	1983	1984	1985	1986
National defense:							
Direct Federal payments							
for individuals.....	11.9	13.8	15.3	17.1	18.7	20.2	21.6
Grants to States and localities.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other.....	<u>123.8</u>	<u>148.3</u>	<u>173.4</u>	<u>208.9</u>	<u>236.9</u>	<u>283.7</u>	<u>321.1</u>
Subtotal, National defense.....	135.9	162.1	188.8	226.0	255.6	303.9	342.7
Nondefense:							
Direct Federal payments							
for individuals.....	237.0	278.0	298.2	323.8	348.3	374.6	398.4
Payments for individuals through							
States and localities.....	34.2	39.4	39.1	41.5	43.5	45.5	47.3
All other grants to States							
and localities.....	57.2	54.9	47.2	45.7	44.3	44.2	45.1
Net interest.....	52.5	64.1	68.2	68.9	67.8	64.9	62.8
Other.....	<u>63.0</u>	<u>56.6</u>	<u>53.7</u>	<u>55.8</u>	<u>54.9</u>	<u>54.8</u>	<u>58.4</u>
Subtotal, Nondefense.....	<u>443.8</u>	<u>493.1</u>	<u>506.5</u>	<u>535.7</u>	<u>558.8</u>	<u>583.9</u>	<u>612.0</u>
Total, Revised budget.....	579.6	655.2	695.3	761.8	814.4	887.7	954.7
Additional savings to be proposed...	<u>---</u>	<u>---</u>	<u>---</u>	<u>-29.8</u>	<u>-44.2</u>	<u>-43.7</u>	<u>-42.7</u>
Target outlay ceiling.....	579.6	655.2	695.3	732.0	770.2	844.0	912.0

Table 18 (continued)

	Actual	Revised Budget Estimates					
	1980	1981	1982	1983	1984	1985	1986
<u>Percent of Total Outlays</u>							
National defense:							
Direct Federal payments							
for individuals.....	2.1	2.1	2.2	2.3	2.4	2.4	2.4
Grants to States and localities.....	*	*	*	*	*	*	*
Other.....	21.4	22.6	24.9	28.5	30.8	33.6	35.2
Subtotal, National defense.....	23.4	24.7	27.2	30.9	33.2	36.0	37.6
Nondefense:							
Direct Federal payments							
for individuals.....	40.9	42.4	42.9	44.2	45.2	44.4	43.7
Payments for individuals through							
States and localities.....	5.9	6.0	5.6	5.7	5.6	5.4	5.2
All other grants to States							
and localities.....	9.9	8.4	6.8	6.2	5.7	5.2	4.9
Net interest.....	9.1	9.8	9.8	9.4	8.8	7.7	6.9
Other.....	10.9	8.6	7.7	7.6	7.1	6.5	6.4
Subtotal, Nondefense.....	76.6	75.3	72.8	73.2	72.6	69.2	67.1
Total, Revised budget.....	100.0	100.0	100.0	104.1	105.7	105.2	104.7
Additional savings to be proposed...	---	---	---	-4.1	-5.7	-5.2	-4.7
Target outlay ceiling.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* 0.05% or less.

Table 19.--BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

<u>Function</u>	<u>Actual</u>	<u>Revised Budget Estimates</u>					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
National defense.....	145.8	180.7	226.3	259.6	294.9	333.0	374.3
International affairs.....	15.5	23.7	17.9	17.7	16.3	16.1	16.1
General science, space, and technology..	6.1	6.5	7.2	7.7	7.1	6.9	6.8
Energy.....	36.4	5.8	9.0	9.1	8.0	8.6	12.5
Natural resources and environment.....	13.1	10.4	7.9	10.6	10.3	9.8	9.5
Agriculture.....	4.9	5.6	5.5	5.7	4.6	4.9	5.1
Commerce and housing credit.....	10.5	6.4	8.2	5.4	5.8	6.3	6.4
Transportation.....	20.2	25.5	20.5	21.2	21.3	21.4	22.4
Community and regional development.....	10.1	8.2	7.3	7.4	7.4	7.6	7.8
Education, training, employment, and and social services.....	30.6	29.4	24.6	24.8	24.8	24.7	24.8
Health.....	59.8	71.3	83.5	90.9	99.0	109.3	122.0
Income security.....	224.2	249.9	261.8	284.2	303.5	330.2	356.3
Social security (OASDI).....	(116.0)	(132.4)	(151.0)	(168.2)	(185.0)	(210.6)	(234.2)
Other.....	(108.2)	(117.5)	(110.8)	(116.0)	(118.5)	(119.6)	(122.0)
Veterans benefits and services.....	21.2	22.9	24.2	25.7	27.3	28.1	28.3
Administration of justice.....	4.4	4.4	4.2	4.1	4.1	4.1	4.0
General government.....	4.6	5.4	5.1	5.3	5.0	5.0	4.8
General purpose fiscal assistance.....	8.7	6.2	6.5	6.8	6.9	7.0	7.1
Interest.....	64.5	77.2	82.5	84.7	84.9	83.4	83.7
Allowances.....	---	---	2.3	4.6	6.6	8.7	10.8
Undistributed offsetting receipts.....	-21.9	-29.3	-32.0	-34.8	-37.4	-39.7	-42.3
 Total budget authority.....	 658.8	 710.1	 772.4	 840.7	 900.5	 975.2	 1060.2

Table 20.--BUDGET OUTLAYS BY FUNCTION
(in billions of dollars)

Function	Actual	Revised Budget Estimates					
	1980	1981	1982	1983	1984	1985	1986
National defense.....	135.9	162.1	188.8	226.0	255.6	303.9	342.7
International affairs.....	10.7	11.3	11.2	11.8	12.2	12.2	12.3
General science, space, and technology..	5.7	6.2	6.9	7.3	7.2	6.8	6.7
Energy.....	6.3	9.3	8.7	9.2	7.7	8.0	10.0
Natural resources and environment.....	13.8	13.7	11.9	11.0	9.7	9.2	9.1
Agriculture.....	4.8	1.2	4.4	3.9	4.0	4.2	4.4
Commerce and housing credit.....	7.8	3.2	3.1	3.4	3.1	2.2	2.1
Transportation.....	21.1	24.0	19.9	20.4	21.0	20.9	21.7
Community and regional development.....	10.0	10.3	8.1	7.6	7.3	7.2	7.1
Education, training, employment, and social services.....	30.8	30.6	25.8	24.7	24.0	24.0	24.1
Health.....	58.2	66.7	73.4	81.6	90.3	98.7	106.7
Income security.....	193.1	229.7	241.4	260.2	277.1	295.7	313.3
Social security (OASDI).....	(117.1)	(137.8)	(154.8)	(170.1)	(184.4)	(198.8)	(212.9)
Other.....	(76.0)	(91.9)	(86.6)	(90.2)	(92.8)	(97.0)	(100.4)
Veterans benefits and services.....	21.2	22.4	23.6	24.8	26.0	27.6	27.9
Administration of justice.....	4.6	4.7	4.4	4.1	4.0	4.0	3.9
General government.....	4.5	5.1	5.0	4.9	4.8	4.5	4.3
General purpose fiscal assistance.....	8.6	6.8	6.4	6.8	6.7	6.8	6.9
Interest.....	64.5	77.2	82.5	84.7	84.9	83.4	83.7
Allowances.....	---	---	1.8	4.0	6.0	8.1	10.1
Undistributed offsetting receipts.....	-21.9	-29.3	-32.0	-34.8	-37.4	-39.7	-42.3
Total revised budget outlays.....	579.6	655.2	695.3	761.8	814.4	887.7	954.7
Additional savings to be proposed.....	---	---	---	-29.8	-44.2	-43.7	-42.7
Target outlay ceiling.....	579.6	655.2	695.3	732.0	770.2	844.0	912.0

Table 21.--BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

Agency	Actual	Revised Budget Estimates					
	1980	1981	1982	1983	1984	1985	1986
Legislative branch.....	1.3	1.3	1.5	1.6	1.5	1.5	1.5
The Judiciary.....	0.6	0.7	0.7	0.7	0.8	0.8	0.8
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	12.5	14.0	9.8	10.2	8.6	8.2	7.8
Agriculture.....	24.9	26.3	25.9	25.9	25.3	26.0	26.3
Commerce.....	3.1	2.4	2.1	2.3	2.3	2.2	2.4
Defense--Military.....	142.6	177.1	221.8	254.5	288.9	326.2	367.2
Defense--Civil.....	3.3	3.1	3.1	3.1	3.0	2.8	2.9
Education.....	13.8	13.5	12.3	12.1	12.3	12.3	12.6
Energy.....	10.0	10.5	11.9	12.7	12.0	13.1	17.6
Health and Human Services.....	195.9	226.2	255.3	283.0	307.6	344.1	380.8
Housing and Urban Development.....	35.7	32.8	29.0	25.7	25.7	25.1	25.0
Interior.....	4.6	3.9	3.4	4.0	4.0	4.1	3.9
Justice.....	2.5	2.3	2.3	2.3	2.3	2.2	2.2
Labor.....	28.8	32.2	27.9	28.5	28.9	27.6	27.8
State.....	2.1	2.3	2.8	2.6	2.6	2.6	2.8
Transportation.....	18.2	23.4	19.2	19.8	19.9	19.9	20.8
Treasury.....	90.6	86.2	92.9	95.0	95.0	93.3	93.5
Environmental Protection Agency.....	4.7	3.0	1.4	3.9	4.0	4.0	3.8
National Aeronautics and Space Administration.....	5.2	5.5	6.1	6.5	5.9	5.6	5.4
Veterans Administration.....	21.2	22.9	24.2	25.7	27.3	28.0	28.2
Office of Personnel Management.....	24.9	28.5	30.4	32.9	34.9	36.8	38.4
Other agencies.....	34.3	21.1	17.9	17.8	18.5	19.4	19.8
Allowances.....	---	---	2.3	4.6	6.6	8.7	10.8
Undistributed offsetting receipts.....	-21.9	-29.3	-32.0	-34.8	-37.4	-39.7	-42.3
Total budget authority.....	658.8	710.1	772.4	840.7	900.5	975.2	1060.2

Table 22.--BUDGET OUTLAYS BY AGENCY
(in billions of dollars)

Agency	Actual	Revised Budget Estimates					
	1980	1981	1982	1983	1984	1985	1986
Legislative branch.....	1.2	1.5	1.4	1.5	1.5	1.5	1.6
The Judiciary.....	0.6	0.7	0.7	0.7	0.7	0.8	0.8
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.....	7.5	6.1	6.1	6.8	7.1	7.1	6.9
Agriculture.....	24.6	20.7	23.7	24.0	24.2	24.8	25.0
Commerce.....	3.8	2.9	2.5	2.4	2.3	2.2	2.2
Defense--Military.....	132.8	158.6	184.8	221.1	249.8	297.3	336.0
Defense--Civil.....	3.2	3.3	3.2	2.9	2.8	2.6	2.8
Education.....	13.1	14.3	12.4	12.2	11.7	12.0	12.2
Energy.....	6.5	10.5	11.1	12.5	11.6	12.4	14.7
Health and Human Services.....	194.7	227.6	250.7	275.4	297.6	321.6	344.1
Housing and Urban Development.....	12.6	13.5	14.3	15.7	16.5	16.4	17.4
Interior.....	4.4	4.4	3.3	3.9	3.9	3.9	3.7
Justice.....	2.6	2.6	2.5	2.3	2.2	2.2	2.1
Labor.....	29.7	35.5	26.7	23.8	23.4	22.7	22.4
State.....	1.9	2.2	2.4	2.4	2.4	2.6	2.7
Transportation.....	19.0	22.0	18.3	19.1	19.7	19.5	20.2
Treasury.....	76.7	87.7	92.6	94.7	94.8	93.0	93.2
Environmental Protection Agency.....	5.6	5.5	5.2	4.4	3.7	3.6	3.6
National Aeronautics and Space Administration.....	4.8	5.3	5.9	6.3	6.0	5.5	5.3
Veterans Administration.....	21.1	22.3	23.6	24.8	26.0	27.6	27.9
Office of Personnel Management.....	15.1	17.9	19.9	22.3	24.5	26.6	28.5
Other agencies.....	20.0	19.4	14.1	13.4	13.4	13.6	13.7
Allowances.....	---	---	1.8	4.0	6.0	8.1	10.1
Undistributed offsetting receipts.....	-21.9	-29.3	-32.0	-34.8	-37.4	-39.7	-42.3
Total revised budget outlays.....	579.6	655.2	695.3	761.8	814.4	887.7	954.7
Additional savings to be proposed.....	---	---	---	-29.8	-44.2	-43.7	-42.7
Target outlay ceiling.....	579.6	655.2	695.3	732.0	770.2	844.0	912.0

Table 23.--NEW DIRECT LOAN OBLIGATIONS BY AGENCY
(in billions of dollars)

	1980 Actual	1981 Estimate January Revised	1982 Estimate January Revised
On-budget agencies:			
Funds appropriated to the President:			
International security assistance.....	1.3	1.4	0.9
International development assistance....	0.4	0.4	0.4
Agriculture.....	21.5	21.8	21.0
Commerce.....	0.2	0.2	0.1
Education.....	0.7	0.6	0.6
Energy.....	*	*	*
Health and Human Services.....	0.1	0.1	0.1
Housing and Urban Development.....	5.0	3.5	3.4
Interior.....	*	*	*
Labor.....	---	*	*
State.....	*	*	*
Transportation.....	0.2	0.1	0.1
Treasury.....	---	0.1	*
Veterans Administration.....	0.6	0.7	0.6
Other independent agencies:			
Export-Import Bank.....	4.4	5.9	5.1
National Credit Union Administration....	0.3	2.2	2.1
Small Business Administration.....	2.0	3.6	2.8
All other independent agencies.....	1.1	1.4	1.3
Subtotal, On-budget agencies.....	37.8	42.1	38.6
Off-budget entities:			
Rural Electrification Administration.....	1.2	1.1	0.9
Federal Financing Bank.....	22.2	30.9	31.5
All other off-budget entities.....	0.2	0.2	0.2
Subtotal, Off-budget entities.....	23.6	32.2	32.6
Total.....	61.4	74.2	71.2
Less loan assets acquired by the Federal Financing Bank.....	-12.1	-16.6	-16.2
Grand total.....	49.3	57.6	55.0

-130-

* \$50 million or less.

Table 24.--NEW LOAN GUARANTEE COMMITMENTS BY AGENCY
(in billions of dollars)

	1980 Actual	1981 Estimate January	Revised	1982 Estimate January	Revised
Funds appropriated to the President:					
International security assistance.....	1.4	2.5	2.5	2.9	2.6
International development assistance.....	0.4	0.3	0.3	0.4	0.2
Agriculture <u>1/</u>	19.2	24.4	24.0	15.6	13.6
Commerce.....	1.3	1.7	1.2	1.9	1.1
Defense.....	*	*	*	*	*
Education.....	5.8	8.3	9.3	7.6	6.2
Energy.....	0.1	6.4	4.5	0.2	---
Health and Human Services.....	0.1	0.1	0.1	0.2	0.2
Housing and Urban Development.....	109.4	129.7	116.2	136.7	116.9
Interior.....	*	*	*	0.1	0.1
Transportation.....	0.5	0.7	0.7	0.7	0.5
Treasury.....	1.1	1.1	1.0	0.8	0.8
Veterans Administration.....	6.3	7.4	7.4	7.4	7.4
Other independent agencies:					
Export-Import Bank.....	8.0	8.6	7.6	9.4	8.2
Small Business Administration.....	4.8	5.9	4.9	5.9	4.4
Synthetic Fuels Corporation <u>2/</u>	---	1.5	1.5	2.0	2.0
Tennessee Valley Authority.....	---	3.4	3.4	4.5	4.5
All other independent agencies.....	0.1	0.1	*	*	*
Less: Secondary guarantees of loans that are already guaranteed.....	-64.4	-73.2	-66.2	-74.3	-64.7
Less: Guaranteed loans held as direct loans..	-24.4	-32.7	-33.3	-25.2	-25.4
Total.....	69.8	96.2 <u>3/</u>	85.2	96.9 <u>3/</u>	78.5

1/ Includes Rural Electrification Administration off-budget activities as follows: 1980, \$5.7 billion; 1981, \$5.1 billion in the January estimate and \$5.1 billion in the revised estimate; and 1982, \$5.1 billion in the January estimate and \$5.2 billion in the revised estimate.

2/ This is an off-budget Federal entity.

3/ The January estimates include a correction of \$1.7 billion in 1981 for biomass energy development and \$3.4 billion in 1981 and \$4.5 billion in 1982 for Tennessee Valley Authority fund.

* \$50 million or less.

Table 25.--BUDGET FINANCING AND OUTSTANDING DEBT
(in billions of dollars)

	Actual 1980	1981 Estimate		1982 Estimate	
		January	Revised	January	Revised
<u>Budget Financing</u>					
Budget surplus or deficit (-).....	-59.6	-55.2	-54.9	-27.5	-45.0
Deficit (-), off-budget Federal entities.....	-14.2	-23.2	-23.6	-18.3	-16.7
Total deficit (-).....	-73.8	-78.4	-78.5	-45.8	-61.7
Means of financing other than borrowing from the public:					
Decrease or increase (-) in cash and other monetary assets.....	0.6	5.1	6.0	---	---
Increase or decrease (-) in liabilities for:					
Checks outstanding, etc.	-0.5	0.2	1.0	---	0.9
Deposit fund balances.....	2.5	0.6	0.1	0.2	0.2
Seigniorage on coins.....	0.7	0.4	0.4	0.6	0.6
Total, means of financing other than borrowing from the public.....	3.3	6.4	7.5	0.8	1.7
Total requirements for borrowing from the public.....	-70.5	-72.0	-71.0	-45.0	-60.0
Change in debt held by the public.....	70.5	72.0	71.0	45.0	60.0
<u>Outstanding Debt, End of Year</u>					
Gross Federal debt:					
Debt issued by Treasury.....	907.7	986.3	986.4	1052.7	1070.2
Debt issued by other agencies.....	6.6	6.1	6.2	5.0	5.2
Total gross Federal debt.....	914.3	992.4	992.6	1057.7	1075.4
Held by:					
Government agencies.....	199.2	205.3	206.5	225.6	229.3
The public.....	715.1	787.1	786.1	832.1	846.1
<u>Debt Subject to Limit, End of Year</u>					
Debt issued by Treasury.....	907.7	986.3	986.4	1052.7	1070.2
Treasury debt not subject to limit.....	-0.6	-0.6	-0.6	-0.6	-0.6
Agency debt subject to limit.....	1.7	1.6	1.6	1.5	1.5
Total debt subject to limit <u>1/</u>	908.7	987.3	987.4	1053.6	1071.2

1/ The statutory debt limit is permanently established at \$400 billion. Public Law 97-2 temporarily increased the statutory debt limit to \$985 billion through September 30, 1981.

Table 26.--SUMMARY OF THE FULL-TIME EQUIVALENT OF FULL-TIME
PERMANENT CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH 1/
(Excluding the Postal Service. Full-Time Equivalent Basis)

	Actual 1980	1981 Estimate		1982 Estimate	
		January	Revised	January	Revised
Agriculture.....	85,400	86,500	83,800	87,000	84,800
Commerce.....	29,300	32,300	32,100	32,700	30,900
Defense-military functions <u>2/</u>	880,000	865,000	869,600	865,000	878,700
Defense-civil functions.....	27,700	27,800	27,800	27,600	25,400
Education.....	6,400	6,100	6,000	6,100	5,800
Energy.....	19,600	19,700	19,100	20,200	17,400
Health and Human Services.....	136,400	135,700	134,900	136,100	129,800
Housing and Urban Development.....	15,600	16,000	15,700	16,300	15,200
Interior.....	53,800	53,600	53,100	55,000	52,800
Justice.....	53,400	54,200	53,600	54,400	52,800
Labor.....	22,100	22,300	21,800	22,600	21,000
State.....	21,800	22,000	22,000	22,000	21,900
Transportation.....	68,800	68,800	68,000	69,100	65,800
Treasury.....	109,400	110,400	107,900	113,600	108,000
Environmental Protection Agency.....	10,700	11,200	10,600	11,700	10,400
National Aeronautics and Space Administration.....	22,600	22,300	22,000	22,300	21,600
Veterans Administration.....	193,100	195,600	194,000	195,800	188,900
Other:					
General Services Administration....	32,300	32,200	31,600	32,200	30,100
International Communication Agency.	8,000	7,900	7,900	7,900	7,500
International Development Cooperation Agency.....	5,700	5,700	5,600	5,700	5,400
Nuclear Regulatory Commission.....	2,800	3,200	3,200	3,400	3,300
Office of Personnel Management.....	6,400	6,200	5,900	6,200	5,700
Panama Canal Commission.....	7,700	8,300	8,300	8,400	8,300
Small Business Administration.....	4,400	4,700	4,500	4,700	4,300
Tennessee Valley Authority.....	16,500	16,600	16,200	16,600	15,500
Miscellaneous.....	42,400	43,300	42,100	44,000	41,800
Subtotal.....	1,882,300	1,877,600	1,867,300	1,886,600	1,853,100
Contingencies <u>3/</u>	---	2,000	1,000	2,000	1,000
Total.....	1,882,300	1,879,600	1,868,300	1,888,600	1,854,100

1/ Excludes developmental positions under the worker-trainee opportunity program (WTOP) as well as certain statutory exemptions.

2/ Entries for Department of Defense, military functions reflect a technical change in conversion to the FTE system that results in a decrease of 25,000.

3/ Subject to later distribution.

APPENDIX A

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

The Federal Government's greatest influence on States and localities is through its management -- or mismanagement -- of the overall economy. In recent years the relatively minimal benefits of increased grants have been more than offset by high unemployment, high interest rates, high inflation, and low productivity in the economy. The major responsibility of the Federal Government as a partner in federalism is to promote a stable and growing economy so that States and localities can plan and use their own resources effectively. The Administration's economic program -- described in more detail in the February 18 report: A Program for Economic Recovery -- provides for this stability and growth.

In the regulatory reform area, the Administration's proposals and actions already taken will significantly ease the burden on State and local governments and relieve them of thousands of hours of administrative requirements.

In addition, a substantial portion of the budget changes under the President's economic recovery program would affect both the form and the structure of Federal aid to State and local governments.

The table below shows current estimates of grants to States and localities. Budget authority for grants is estimated to be \$86.2 billion in 1982, \$14.8 billion below the 1981 estimate. Grant outlays for 1982 are estimated to be \$86.4 billion, \$8.0 billion below the 1981 estimate.

Table A-1.--GRANTS TO STATE AND LOCAL GOVERNMENTS
(in billions of dollars)

	Actual 1980	Estimates			
		1981		1982	
		January Budget	Revised Budget	January Budget	Revised Budget
Budget authority.....	105.0	110.6	101.1	116.9	86.2
Outlays.....	91.5	95.3	94.4	99.8	86.4

The distribution of Federal grants by budget function is shown in two tables at the end of this Appendix.

The revised budget focuses on the usefulness of the dollars sent to States and localities. Not so surprisingly, all Federal dollars are not equal. Those provided through broad-based grants, such as the social services program, are far more useful than the small categorical grants that are highly regulated and require excessive administrative attention.

The Administration also believes that too much authority now rests with the Federal Government, and that more decisions on the usefulness and funding of domestic programs should be made by State and local governments. The Federal Government does not know more than our partners in the federal system about State and local needs, and should not be regulating and controlling State and local activities.

Consistent with delegating more authority and making grant dollars more useful, the Administration is proposing several major grant consolidations that would return more authority to States and localities. The block grants would also generally eliminate requirements that recipients maintain a level of expenditures from their own funds, or that they match the Federal funds with their own. Burdensome planning, reporting, and recordkeeping requirements under various categorical programs would also be eliminated.

The Administration proposes to consolidate all or part of about 44 separate elementary and secondary education programs into two block grant programs -- one to the States and one to local education agencies (LEA's). These block grants will shift control over education policy away from the Federal Government and back to State and local authorities -- where it constitutionally and historically belongs.

The LEA block grant will include about 10 programs that are now targeted on students judged to have special educational needs: the economically disadvantaged, the physically or mentally handicapped, children in school districts undergoing racial desegregation, and illiterate adults.

The education block grant to the States combines about 34 separate programs that provide direct educational services for handicapped, neglected, and delinquent children; improve the staffing and services of the State educational agencies; and support improved school services in a variety of ways including assistance to school libraries, curriculum development, and technical assistance.

In the areas of health and social services the Administration proposes to consolidate the authorities for about 40 Federal categorical grants into four block grants to States. Currently, an uncoordinated array of programs provides services based on varying criteria including age, income, health status, disease, occupation, and residence. Most of the programs duplicate others serving the same type of beneficiary. Each program generally has its own separate planning process and other administrative requirements. The four block grants will be in the areas of

health services, preventive health services, social services, and hardship assistance.

The Administration's proposal will enable States to plan and coordinate their own service programs, establish their own priorities, and exercise effective program control over resources provided to localities and non-profit organizations. States would thus have greater flexibility in -- as well as greater responsibility for the results of -- providing needed services to their populations. The overall effect would be to strengthen State governments and provide publicly-financed services more effectively and at lower cost to those who need them.

In addition to these major block grants, the Administration supports smaller consolidations of Indian programs, environmental grants, employment and training programs, nutrition assistance for Puerto Rico, and airport programs.

Because the new block grants and grant consolidations will allow for significant savings in administration and result in more efficient management, the reductions in funding need not cause a comparable reduction in services to the public.

Table A-2.--GRANTS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION: BUDGET AUTHORITY
(in billions of dollars)

	Actual 1980	1981		1982	
		January Budget	Revised Budget	January Budget	Revised Budget
National defense.....	0.1	0.1	0.1	0.1	0.1
Energy.....	0.5	0.5	0.4	0.6	0.1
Natural resources and environment.....	4.6	4.3	2.4	4.8	0.6
Agriculture.....	0.6	0.8	0.8	0.6	0.6
Commerce and housing credit.....	*	*	*	*	*
Transportation.....	12.1	14.9	14.3	16.4	12.7
Community and regional development.....	6.3	5.8	5.2	5.8	4.5
Education, training, employment, and social services.....	21.5	21.4	19.6	25.0	15.2
Health.....	16.5	19.2	18.5	20.9	19.2
Income security.....	33.6	37.3 1/	33.4	35.6	26.7
Veterans benefits and services.....	*	0.1	0.1	0.2	0.1
Administration of justice.....	0.4	0.1	0.1	0.2	*
General government.....	0.2	0.2	0.2	0.2	0.1
General purpose fiscal assistance.....	8.5	6.1	6.1	6.7	6.3
Total.....	105.0	110.6 1/	101.1	116.9	86.2

1/ Excludes \$9.4 billion for housing programs erroneously classified as grants to State and local governments.

* \$50 million or less.

Table A-3.--GRANTS TO STATE AND LOCAL GOVERNMENTS BY FUNCTION: OUTLAYS
(in billions of dollars)

	Actual 1980	1981		1982	
		January Budget	Revised Budget	January Budget	Revised Budget
National defense.....	0.1	0.1	0.1	0.1	0.1
Energy.....	0.5	0.6	0.6	0.8	0.4
Natural resources and environment.....	5.4	5.3	5.2	5.3	4.7
Agriculture.....	0.6	0.8	0.8	0.6	0.6
Commerce and housing credit.....	*	*	*	*	*
Transportation.....	13.1	12.9	13.2	12.8	12.0
Community and regional development.....	6.5	6.2	6.2	6.4	6.0
Education, training, employment, and social services.....	21.9	21.7	21.0	23.5	16.4
Health.....	15.8	18.6	18.2	20.2	18.9
Income security.....	18.5	21.8	21.7	22.9	20.5
Veterans benefits and services.....	0.1	0.1	0.1	0.1	0.1
Administration of justice.....	0.5	0.4	0.4	0.3	0.2
General government.....	0.2	0.2	0.2	0.2	0.2
General purpose fiscal assistance.....	8.5	6.7	6.8	6.7	6.3
Total.....	91.5	95.3	94.4	99.8	86.4

* \$50 million or less.

APPENDIX B

SUMMARY OF PROGRAMMATIC INCREASES TO THE JANUARY BUDGET (in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Funds Appropriated to the President</u>												
International Security Assistance												
Military Assistance.....	—	—	105	40	100	65	100	95	100	100	100	100
International Military Education and Training.....	—	—	12	6	12	11	12	11	12	12	12	12
Foreign Military Sales Credit.....	—	—	632	309	632	551	632	713	632	713	632	713
Economic Support Fund.....	—	—	<u>150</u>	<u>52</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
Subtotal.....	—	—	899	407	894	777	894	969	894	975	894	975
<u>Department of Agriculture</u>												
Agricultural Research and Extension...	—	—	20	20	20	20	20	20	20	20	20	20
Commodity Credit Corporation: Polish debt rescheduling....	—	88	—	—	—	—	—	—	—	—	—	—
Subtotal.....	—	88	20	20	20	20	20	20	20	20	20	20

140-

	<u>1981</u>		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>		<u>1986</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Department of</u> <u>Energy</u>												
Clinch River Breeder Reactor.....	50	50	269	222	271	277	304	306	332	239	387	389
Strategic Petroleum Reserve.....	1,305	1,334	248	269	-114	10	-126	-42	-194	-114	-662	-279
Defense activities.....	—	15	296	148	391	366	473	398	488	391	445	288
Three mile island activities.....	—	—	27	27	—	—	—	—	—	—	—	—
Commercial waste.	<u>—</u>	<u>—</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>
Subtotal.....	1,355	1,399	882	708	590	695	693	704	668	558	212	440
<u>Department of</u> <u>the Interior</u>												
Payment in Lieu of Taxes.....	—	—	45	45	45	45	45	45	45	45	45	45
Mineral Leasing Acceleration....	—	—	-7	-7	138	138	86	86	110	110	106	106
Park Restoration and Improve- ment.....	—	—	105	60	105	114	105	114	105	111	105	108
Office of Water Policy.....	<u>—</u>	<u>—</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal.....	—	—	146	100	290	299	238	247	262	268	258	261

	1981		1982		1983		1984		1985		1986	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Department of</u> <u>Commerce</u>												
Tourism program.....	—	—	4	4	4	4	4	4	4	4	4	4
Secretary's Special Initi- atives Fund.....	—	—	1	1	1	1	1	1	1	1	1	1
Subtotal.....	—	—	5	5	5	5	5	5	5	5	5	5
<u>Department of</u> <u>Defense-Military</u>												
Military pay.....	420	420	1,857	1,857	1,988	1,988	1,924	1,924	1,658	1,658	1,287	1,287
Other programs...	<u>7,731</u>	<u>3,518</u>	<u>28,644</u>	<u>7,620</u>	<u>37,007</u>	<u>19,743</u>	<u>47,100</u>	<u>25,271</u>	<u>58,552</u>	<u>48,041</u>	<u>71,650</u>	<u>60,703</u>
Subtotal.....	8,151	3,938	30,501	9,477	38,995	21,731	49,024	27,195	60,210	49,699	72,937	61,990
<u>Corps of Engi-</u> <u>neers-Civil</u>												
Emergency supplemental for Mt. St. Helens and Hurricane Allen.....	64	64	—	—	—	—	—	—	—	—	—	—
<u>Department of</u> <u>Education</u>												
School Assist- ance in Federally affected Areas.....	82	73	7	1	—	—	—	—	—	—	—	—

	<u>1981</u>		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>		<u>1986</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Board for Inter-</u> <u>national Broad-</u> <u>casting</u>												
Increased grants to Radio Free Europe/Radio Liberty, Inc....	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total.....	<u>9,653</u>	<u>5,563</u>	<u>32,464</u>	<u>10,721</u>	<u>40,798</u>	<u>23,531</u>	<u>50,878</u>	<u>29,144</u>	<u>62,063</u>	<u>51,529</u>	<u>74,330</u>	<u>63,695</u>
<u>Memorandum</u>												
Department of Defense.....	8,151	3,938	30,501	9,477	38,995	21,731	49,024	27,195	60,210	49,699	72,937	61,990
Other.....	1,502	1,625	1,963	1,244	1,803	1,800	1,854	1,949	1,853	1,830	1,393	1,705

APPENDIX C

SUMMARY TABLE OF PROGRAMMATIC DECREASES TO THE JANUARY BUDGET
FY 1981 - 1986
(in millions of dollars)

Budget Authority and Outlay Savings

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
<u>Executive Office of the President</u>												
Staffing levels.....	6	7	6	7	5	7	8	9	11	9	13	12
<u>Funds Appropriated to the President</u>												
Appalachian Regional												
Development programs.	110	6	125	100	129	77	134	99	144	102	157	162
International develop- ment assistance (including Peace Corps and Inter- American Foundation).	542	10	1,511	147	-7	383	2,070	713	2,433	1,095	2,810	1,569
International com- modity agreements....	---	---	119	20	-39	-15	-15	---	-20	---	---	---
Special Defense Acquisition Fund*....	---	---	---	321	---	254	---	213	---	252	---	203
Administrative reduc- tions not included above.....	6	6	7	7	---	---	---	---	---	---	---	---
Subtotal.....	658	22	1,762	595	83	699	2,189	1,025	2,557	1,449	2,967	1,934
<u>Department of Agriculture</u>												
P.L. 480 Food aid.....	76	76	100	100	110	110	266	266	358	358	369	369
Conservation cost- sharing.....	---	---	56	16	56	30	56	39	56	47	56	55
Commodity Credit Corporation												
-Storage Facility loans*.....	---	25	---	100	---	110	---	120	---	130	---	150
-CCC loan interest rates.....	---	4	---	45	---	49	---	54	---	59	---	66
-Grain Reserve interest waivers*....	---	80	---	167	---	180	---	200	---	225	---	250
-Target prices*.....	---	---	---	---	---	---	---	58	---	108	---	119
Rural Electrification Administration.....	16	6	---	10	---	---	---	---	---	---	---	---
Farmers Home Admin....												
-Direct Loan Programs (Direct loan obligations).....	(565)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---
-Grant and Homeowner- ship Assistance.....	5	---	111	10	112	14	112	15	114	18	144	20

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-Alcohol Fuels/ Biomass Loans 1/ (non-add).....	(505)	(46)	---	(94)	---	---	---	---	---	---	---	---
Soil Conservation Service.....	---	---	10	5	16	13	17	16	19	18	16	18
Food Program												
Administration.....	4	4	5	5	5	5	5	5	5	5	5	5
Food Stamps* 2/.....	150	148	2,328	2,304	2,179	2,167	2,810	2,795	3,175	3,157	3,391	3,373
Special Milk*.....	---	---	95	90	98	92	102	96	108	101	113	107
Child Nutrition* 2/...	35	---	1,336	1,243	1,475	1,394	1,637	1,547	1,760	1,663	1,898	1,793
Special supplemental Food Program* (WIC)2/	---	---	343	287	344	270	344	270	344	270	344	270
Increased user charges for grain inspection.*	---	---	25	25	25	25	25	25	25	25	25	25
Forest Service.....	---	---	60	50	60	60	60	60	60	60	60	60
Employment freezes travel, equipment, consultant and other administrative reductions.....	61	67	66	66	66	66	66	66	66	66	66	66
Subtotal.....	347	440	4,535	4,628	4,576	4,764	5,605	5,887	6,269	6,641	6,742	7,153
<u>Department of Commerce</u>												
Economic Development												
Administration.....	345	11	624	374	694	532	759	621	823	754	889	844
Regional Development Programs.....	21	8	---	7	---	4	---	1	---	1	---	---
National Oceanic and Atmospheric Admin....	60	16	236	208	303	292	334	339	334	338	302	300
(Regulatory reduction)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
National Telecom- munications and Information Admin....	22	2	22	10	23	14	23	23	23	23	23	23
Maritime Admin.....	---	21	107	40	29	53	55	44	86	54	124	59
Administrative/program reductions not included above.....	18	18	12	25	24	27	37	38	49	49	59	59
Subtotal.....	466	76	1,001	664	1,073	922	1,208	1,066	1,315	1,219	1,397	1,285
<u>Department of Defense-Military</u>												
Civilian pay and withdrawal of retired pay legislation*.....	---	---	131	154	1,214	1,214	1,653	1,653	2,010	2,010	2,384	2,384
Program reductions....	319	60	1,735	792	1,646	1,336	2,498	2,018	3,209	2,749	3,939	3,379
Administrative reductions not included above.....	220	220	120	120	120	120	120	120	120	120	120	120
Subtotal.....	539	280	1,986	1,066	2,980	2,670	4,271	3,791	5,339	4,879	6,443	5,883

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Defense-Civil												
Corps of Engineers....	---	---	230	230	1,017	782	1,284	1,039	1,488	1,283	1,380	1,290
Cemeterial Expenses, Army.....	**	**	2	2	1	**	1	1	1	1	1	1
Department of Education												
Local education block grants.....	---	---	-3,647	-255	-3,829	-2,815	-4,021	-3,589	-4,222	-3,927	-4,433	-4,163
Title I basic local concentration, migrant.....	814	57	3,562	824	3,858	3,241	4,139	3,519	4,404	3,787	4,686	4,030
Education for the handicapped.....	237	5	1,060	238	1,161	715	1,247	1,182	1,326	1,266	1,410	1,349
Adult education.....	30	14	122	28	132	126	142	134	150	143	160	153
Emergency school aid. Basic skills improve- ment.....	53	5	224	55	242	174	260	228	277	254	294	272
	9	9	18	14	20	15	21	17	23	18	24	19
Subtotal, savings..	1,143	90	1,339	904	1,584	1,456	1,788	1,491	1,958	1,541	2,141	1,660
State education block grants.....	---	---	-715	-50	-750	-551	-788	-703	-827	-769	-869	-816
Title I Handicapped, neglected and delinquent.....	66	5	268	66	290	241	311	262	331	285	352	306
Special programs and populations....	11	2	120	31	130	126	139	131	148	139	156	147
Education for the handicapped.....	31	---	117	12	122	107	131	122	138	131	148	137
Emergency school aid.....	25	2	81	22	88	64	94	83	100	93	107	100
School improvement..	78	6	123	89	134	107	143	116	156	124	166	132
School libraries....	43	8	171	47	186	152	202	198	216	214	230	228
Other.....	1	**	23	1	23	24	24	24	24	24	24	24
Subtotal, savings..	255	23	188	218	223	270	256	233	286	241	314	258
Rehabilitation services and handi- capped, research 3/..	23	4	(1,011)	(842)	(1,102)	(1,031)	(1,192)	(1,174)	(1,279)	(1,262)	(1,361)	(1,344)
Student financial assistance.....	150	50	296	205	323	224	350	242	376	260	400	277
Student loan insur- ance (savings).....	25	24	25	25	27	27	30	30	32	32	34	34
Vocational and adult education.....	195	59	156	174	164	188	172	164	174	234	185	302
National Institute of Education.....	5	3	23	22	22	20	23	20	25	21	27	22
Institute of Museum Services.....	12	---	17	8	18	16	20	17	21	19	22	20
Indian Education.....	**	**	21	7	22	17	24	18	26	22	20	24
Higher and continuing education.....	8	3	49	15	46	43	50	47	53	50	57	54

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
College housing loans	15	18	13	4	12	30	12	75	12	86	12	85
Fund for improvement of postsecondary education.....	3	2	7	4	8	4	8	5	9	5	9	6
Libraries and learning technologies.....	---	---	31	3	33	10	40	33	48	43	50	52
Office of Civil Rights.....	1	1	2	1	2	2	2	2	2	2	2	2
Youth education and training.....	---	---	900	50	900	900	900	900	900	900	900	900
Bilingual and minority language education...	54	5	65	3	70	64	75	69	80	72	85	76
Other program reductions.....	4	---	13	3	14	10	16	13	17	15	18	18
Administrative reductions (not included above).....	3	1	11	10	11	11	13	11	13	13	13	13
Subtotal.....	1,896	283	3,156	1,656	3,479	3,292	3,779	3,370	4,032	3,556	4,289	3,803
Department of Energy												
Uranium enrichment....	843	---	405	393	-69	15	9	51	75	46	-1	35
Synthetic Fuels.....	547	263	772	789	1,060	840	356	730	128	214	5	241
Fossil Energy.....	50	121	360	321	498	404	661	503	614	595	517	519
Solar Energy.....	99	79	390	380	457	443	403	437	362	362	309	309
Other Energy Supply...	147	69	223	196	211	215	209	206	197	198	194	204
Energy Conservation...	207	42	677	442	631	645	461	623	408	467	407	407
Regional Storage.....	---	---	15	10	---	5	---	---	---	---	---	---
Energy Information....	14	12	47	49	61	61	67	67	73	73	78	78
Energy Regulation.....	111	68	159	179	143	145	136	138	133	129	123	123
Alcohol Fuels												
Subsidy 1/ (non-add).	(741)	(103)	(---)	(28)	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(---)
General Science.....	---	---	40	24	44	42	60	60	76	72	83	83
Department Admin.....	20	2	129	107	118	85	127	122	139	134	142	145
Administrative reductions not included above.....	269	-239	-59	390	222	208	197	353	456	415	663	1,321
Naval Petroleum												
Reserve Receipts.....	245	245	264	264	182	182	137	137	113	113	80	80
Energy Sciences.....	2	1	54	54	60	60	64	64	68	68	71	71
Magnetic Fusion.....	11	8	46	84	86	65	155	105	216	136	253	168
Subtotal.....	2,565	671	3,522	3,682	3,704	3,415	3,042	3,596	3,058	3,022	2,924	3,784
Department of Health and Human Services												
Health and Social												
Services grant consolidation* 4/....	---	---	2,315	1,836	2,619	3,129	2,847	3,330	3,031	3,316	3,112	3,397
National Health Service												
Corps Scholarships...	23	6	56	38	87	100	121	110	158	130	198	150
Health Professions												
Education.....	41	8	44	20	44	50	44	50	44	50	44	48

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Merchant Seamen (PHS)* 5/.....	39	39	82	82	150	150	160	160	160	160	160	160
PHS Commissioned Corps Physician Bonuses*...	---	---	3	3	3	3	3	3	3	3	3	3
Centers for Disease Control (excluding grant consolidation).	29	10	76	62	76	66	76	70	76	76	76	76
National Institutes of Health 6/.....	81	36	86	73	91	83	97	92	102	98	107	103
National Research Service Awards* (ADAMHA) 6/.....	4	1	5	4	---	4	---	---	---	---	---	---
Regulation of Health Care Industry												
-Health Planning.....	24	9	89	45	145	107	145	120	145	145	145	145
-PSRO's*.....	6	38	13	102	15	106	22	171	22	171	22	171
(PSRO obligations)..	(38)		(104)		(107)		(174)		(174)		(174)	
Health Maintenance Organizations*.....	28	10	40	22	48	32	48	42	48	48	48	48
Indian health programs	33	3	137	53	166	68	196	165	228	196	262	229
Alcohol, Drug Abuse and Mental Health programs (excluding grant consolidation).	77	21	48	65	167	116	187	148	208	142	230	164
Office of the Assistant Secretary for Health (excluding grant consolidation).	5	3	13	5	23	10	23	20	23	23	23	23
Food and Drug Administration.....	---	---	32	19	17	17	17	18	17	18	17	20
Medicaid*.....	589	339	1,185	944	2,608	2,365	3,969	3,682	5,164	4,898	6,535	6,206
Health Care Financing Administration program management*.....	2	3	16	16	16	16	16	16	16	16	16	16
Medicare payments timing*.....	---	-518	---	522	---	---	---	---	---	---	---	---
Medicare reimbursements changes*.....	---	20	---	105	---	130	---	155	---	180	---	205
Supplemental Security Income*.....	---	---	110	110	110	110	110	110	110	110	110	110
Aid to Families with Dependent Children and Child Support Enforcement*.....	---	---	636	636	802	802	884	884	975	975	1,003	1,003
Refugee Assistance....	50	31	69	54	57	53	24	39	14	22	14	15
Cuban/Haitians education assistance.	---	---	15	---	---	15	---	---	---	---	---	---
Immigrants Welfare Eligibility*.....	---	---	15	15	15	15	15	15	15	15	15	15
Social Security 7/....												
-Minimum benefits*...	---	50	---	1,000	---	1,100	---	1,100	---	1,100	---	1,100
-Disability insurance*	---	60	---	370	---	925	---	1,430	---	1,975	---	2,470
-Student benefits*...	---	35	---	1,000	---	1,625	---	2,000	---	2,125	---	2,250

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-OASDI Lump Sum Death Payment*.....	---	---	---	150	---	175	---	200	---	200	---	200
Administration on Aging.....	---	---	55	52	72	70	92	90	113	111	135	132
Administration for Native Americans.....	---	---	6	3	6	3	6	3	6	3	6	3
Administrative reductions not included above.....	17	17	42	18	45	41	48	44	51	47	53	50
Subtotal.....	1,046	221	5,188	7,424	7,382	11,486	9,150	14,267	10,729	16,353	12,334	18,512
Department of Housing and Urban Development												
Subsidized Housing:												
-program level.....	4,632	3	8,688	19	9,421	76	10,143	215	10,838	483	11,510	825
-rent contribution...	---	---	60	119	132	304	213	530	302	792	402	1,088
-rental assistance payments.....	---	---	149	5	163	10	180	15	198	21	217	28
-Indian housing.....	161	---	703	---	744	---	784	3	824	19	865	45
-eliminate outyear inflation.....	---	---	---	---	2,235	2	3,755	16	5,233	62	6,620	143
Payments for the operation of low income housing projects (public housing operating subsidies).....	100	43	---	57	258	142	305	285	175	234	239	211
Public Housing Modernization.....	300		500		800	7	800	27	800	60	800	100
FHA-Credit Limitation.....	(4,845)8/	5	(9,000)8/	-15	---	-36	---	-63	---	-100	---	-149
Cash sales.....	---	8	---	20	---	18	---	16	---	15	---	14
Rent contributions	---	---	---	2	---	3	---	3	---	4	---	6
GNMA Mortgage-Backed Securities.....	(8,000)8/	-1	(8,000)8/	-2	N/A	-3	N/A	-5	N/A	-6	N/A	-7
GNMA Special Assistance Functions.....	196	-3	-2,627	4	0	-258	0	-201	360	400	514	654
GNMA Mortgage Assistance Grants.....	---	---	490	---	490	---	490	490	490	490	490	490
Solar Energy and Conservation Bank....	121	47	125	134	125	125	125	125	125	125	125	125
Community Development Support Assistance...	---	---	469	-5	339	-16	359	118	257	369	92	317
Planning Assistance...	35	3	35	24	35	35	35	35	35	35	35	35
Rehabilitation Loan Fund.....	111	39	134	199	138	214	142	215	144	217	146	218
Neighborhood Self-Help Development.....	8	4	9	6	9	9	9	9	9	9	9	9
Research and Technology.....	---	2	15	5	17	15	17	17	17	17	17	17
Administrative reductions not included above.....	4	4	18	18	18	18	18	18	18	18	18	18

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Housing Counseling Assistance.....	6	3	6	5	6	6	6	6	6	6	6	6
Subtotal.....	5,674	157	8,775	595	14,930	671	17,381	1,874	19,831	3,270	22,105	4,193
<u>Department of the Interior</u>												
Water and Power Resources Service.....	---	---	64	60	43	41	204	202	201	201	111	111
Office of Water Research and Technology.....	35	7	32	26	37	43	38	40	41	40	42	40
Fish and Wildlife Service.....	6	3	60	53	60	60	60	60	60	60	60	60
Improved targeting of conservation expenditures.....	309	98	577	270	512	239	454	428	468	496	624	564
Surface mining.....	---	---	64	21	57	25	76	45	97	41	118	66
Youth Conservation Corps.....	38	33	60	60	60	60	60	60	60	60	60	60
Indian Affairs.....	---	---	56	49	56	49	56	49	56	49	56	49
Territorial Affairs.....	---	---	46	46	22	4	28	27	28	28	28	28
Bureau of Land Management.....	1	1	48	48	48	48	48	48	48	48	48	48
Geological Survey.....	---	---	34	34	34	34	34	34	34	34	34	34
Other program reductions	---	---	7	7	8	8	8	8	8	8	8	8
On-shore mineral leasing.....			200	200	80	80	150	150	135	135	145	145
Other offsetting receipts.....	---	---	154	154	90	90	163	163	150	150	162	162
Administrative reductions not included above.....	30	30	37	37	56	57	76	80	95	99	115	119
Subtotal.....	419	172	1,439	1,065	1,163	838	1,455	1,394	1,481	1,449	1,611	1,494
<u>Department of Justice</u>												
Legal Division*.....	---	1	6	6	8	8	13	13	19	19	24	24
FBI.....	6	**	4	4	6	6	17	17	28	28	39	39
Drug Enforcement Admin.	9	8	8	8	10	10	18	18	28	27	37	36
Federal Prison System..	5	9	8	7	6	6	10	10	15	15	19	19
Juvenile Justice and Delinquency Prevention 9/.....	---	---	138	19	133	98	146	187	156	186	167	198
Administrative reductions not included above.....	25	17	67	77	57	57	87	87	138	137	150	149
Subtotal.....	45	35	231	121	220	185	291	332	384	412	436	465

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Labor												
CETA:												
Eliminate Public Service Employment programs.....	149	535	4,558	3,545	4,222	4,073	4,561	4,408	4,931	4,762	5,341	5,143
Withdraw Youth Legislation.....	---	---	250	80	250	232	250	250	250	250	250	250
Consolidate youth programs into general employment and training grants.....	---	---	856	670	1,074	892	1,263	1,094	1,452	1,290	1,640	1,487
Reduce Job Corps capital improvements.....	---	---	15	15	48	48	48	48	48	48	48	48
Reduce CETA National Programs.....	---	---	108	100	110	110	110	110	110	110	110	110
Eliminate Welfare Reform Demos.....	---	38	216	155	---	61	---	---	---	---	---	---
Eliminate Positive Adjustment Initiative.....	---	---	50	31	---	19	---	---	---	---	---	---
All Other CETA Reductions.....	---	1	16	12	15	15	16	16	16	16	16	16
Reduce WIN to current services.....	---	---	20	20	20	20	20	20	20	20	20	20
Trade Adjustment Legislation*.....	---	---	1,150	1,150	760	760	380	380	380	380	380	380
Unemployment Benefits to Ex-Servicemen.....	60	60	225	225	237	237	245	245	247	247	248	248
Unemployment Insurance:*												
Eliminate National EB Trigger/State Rate Change.....	400	505	---	---	200	92	---	72	100	270	200	284
Enforce EB work test strictly.....	---	18	---	13	---	5	---	4	---	4	---	3
Strengthen regular work test.....	---	---	---	---	---	285	---	285	---	272	---	264
Extended benefits 20-week work base.....	---	---	---	---	---	11	---	10	---	4	---	2
Reduction in State UI administrative expenses												
-increase productivity.....	---	---	---	46	---	43	---	43	---	42	---	42
-related to UTF legislation.....	---	10	---	68	---	39	---	22	---	22	---	20
Reform Federal Employees Injury Compensation*.....	---	---	50	50	54	54	59	59	63	63	69	69
Reduce Employment Service state personnel.....	---	---	4	150	4	150	4	150	4	150	4	150

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Other policy changes in salaries and expenses.....	1	1	13	13	4	4	4	4	4	4	4	4
Travel reductions (not included above).	4	4	9	9	---	---	---	---	---	---	---	---
Consulting services (not included above).	3	2	7	7	---	---	---	---	---	---	---	---
Procurement reductions (not included above).	2	2	2	2	---	---	---	---	---	---	---	---
Personnel compensation (not included above).	15	16	42	45	105	104	133	135	162	167	190	197
Subtotal.....	634	1,192	7,591	6,406	7,103	7,254	7,093	7,355	7,787	8,121	8,520	8,737
Department of State												
Assessed contributions to international organizations.....	---	---	160	160	138	137	187	182	200	34	---	---
Refugee assistance.....	22	18	42	38	19	24	14	15	15	15	15	15
Asia Foundation.....	---	---	4	4	5	5	5	5	5	5	6	6
Foreign buildings and narcotics assistance..	3	2	17	8	15	17	3	9	3	3	3	3
Administrative reduc- tions, including employment, travel, etc.....	3	3	15	14	17	17	17	17	17	17	19	19
Subtotal.....	28	23	238	224	194	200	226	228	240	74	43	43
Department of Transportation												
Airport Construction*..	272	49	300	50	350	215	400	381	450	458	525	363
Other FAA reductions...	---	6	99	67	40	66	40	25	40	32	46	42
FAA regulatory reductions.....	---	---	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Federal Highway Construction*												
-Non-Interstate Highways.....	---	---	1,900	388	2,100	1,344	2,100	1,732	2,100	1,837	1,800	1,945
-Interstate Transfers.	---	---	100	16	200	154	165	187	285	158	405	185
-Other, Federal Highway Admin.....	---	7	7	17	7	22	7	22	7	15	7	6
Highway Safety Grants*.	---	---	167	47	125	112	138	138	162	150	178	163
NHTSA regulatory reduction.....	(**)	(**)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cooperative Automotive Research program.....	12	6	17	12	34	17	50	25	50	35	50	45
Railroad Restructuring Assistance.....	---	---	40	5	54	30	68	55	81	70	204	90

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Low Volume Railroad												
Branch Lines.....	80	8	80	32	87	57	94	75	101	98	108	106
Federal Railroad												
Admin. regulatory												
reduction.....	(**)	(**)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Northeast Corridor												
Improvement Program*..	---	25	288	155	-13	114	20	1	15	15	---	---
AMTRAK subsidies.....	25	25	380	304	550	497	700	689	900	858	987	1,037
Urban Mass Transportation-												
Capital Grants*.....	250	54	1,340	420	1,635	805	1,795	1,153	1,845	1,535	1,860	1,649
Operating Subsidies*..	---	---	---	---	370	208	740	512	1,105	899	1,105	1,088
Other UMTA programs..	25	3	35	5	45	26	55	46	60	41	70	55
Administrative												
reductions not												
included above.....	25	27	124	105	144	134	158	155	173	167	184	185
Boat and Yacht Fees												
(increases to												
proprietary receipts)	---	---	100	100	200	200	300	300	400	400	500	500
Subtotal.....	689	210	4,977	1,723	5,928	4,001	6,830	5,496	7,774	6,768	8,029	7,459
<u>Department of the Treasury</u>												
Biomass Energy												
Development.....	1,246	148	---	122	---	---	---	---	---	---	---	---
Payment in excess of												
business tax												
liabilities.....	227	227	3,493	3,493	4,704	4,704	5,390	5,390	6,030	6,030	6,657	6,657
Payment to non-profit												
institutions related												
to the 8% social												
security tax credit..	---	---	237	237	349	349	389	389	446	446	500	500
Payments to State and												
local governments												
related to the 8%												
social security tax												
credit.....	---	---	495	495	812	812	897	897	1,020	1,020	1,146	1,146
Payments where credit												
exceeds liability....	---	---	---	---	572	572	526	526	484	484	446	446
Internal Revenue												
Service												
-Personnel.....	23	39	84	94	148	163	240	288	329	373	414	457
Administrative												
reductions not												
included above.....	25	26	79	78	134	141	200	205	261	265	318	322
Subtotal.....	1,521	440	4,388	4,519	6,719	6,741	7,642	7,695	8,570	8,618	9,481	9,528

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Environmental Protection Agency												
Wastewater Treatment												
Grants.....	1,700	20	3,700	290	1,600	1,450	2,000	2,270	2,300	2,270	2,600	2,275
Superfund.....	10	5	50	30	49	50	28	38	-42	-7	-277	-69
Other Programmatic												
Reductions.....	---	---	181	102	210	157	236	195	262	230	285	251
(Reductions related to												
Regulatory Programs)..	(21)	(21)	(150)	(90)	(194)	(142)	(228)	(184)	(263)	(230)	(294)	(259)
Administrative												
reductions not												
included above.....	21	21	4	4	9	9	17	17	26	26	34	34
Subtotal.....	1,731	46	3,935	426	1,868	1,666	2,281	2,520	2,546	2,519	2,642	2,491
National Aeronautics and Space Administration												
Program reductions.....	5	2	580	447	765	686	913	795	645	804	419	664
Administrative												
reductions.....	10	10	24	22	20	20	20	20	20	20	20	20
Subtotal.....	15	12	604	469	785	706	933	815	665	824	439	684
Veterans Administration												
Interest rates on												
insurance loans.....	---	91	---	96	---	65	---	41	---	13	---	---
GI bill extension.....	---	---	63	63	67	67	16	16	14	14	13	13
GI bill flight and												
correspondence*.....	14	14	---	---	---	---	---	---	---	---	---	---
Consolidation of												
Benefit Processing												
Functions.....	---	---	36	36	73	73	74	74	75	75	78	78
Major construction												
projects.....	154	28	71	91	-52	74	-11	55	---	3	---	-36
Minor construction												
projects.....	---	---	32	8	34	25	36	36	39	39	40	40
Physician and Dentist												
Bonuses*.....	10	10	40	40	40	40	40	40	40	40	40	40
Personnel adjustments												
excluding regional												
offices.....	41	41	146	146	253	253	329	329	408	408	501	501
Administrative reduc-												
tions not included												
above.....	40	34	208	211	373	376	573	573	759	768	939	939
Subtotal.....	259	218	596	691	788	973	1,057	1,164	1,335	1,360	1,611	1,575
Other Independent Agencies												
ACTION.....	9	3	40	36	56	55	73	69	80	76	86	82
Administrative Confer-												
ence of the United												
States.....	---	---	---	---	**	**	**	**	**	**	1	1
Architectural and												
Transportation Barriers												
Compliance Board.....	---	---	2	2	3	2	3	3	3	3	3	3

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Arms Control and Disarmament Agency....	2	1	3	2	3	3	3	3	3	3	4	4
Civil Aeronautics Board												
Airline subsidy*.....	---	---	56	51	64	64	54	54	34	34	2	2
Administrative reduction.....	1	1	1	1	2	2	2	2	2	2	3	3
CAB regulatory reduction.....	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
Commission of Fine Arts	---	---	**	**	**	**	**	**	**	**	**	**
Commission on Civil Rights.....	**	**	1	1	1	1	2	1	2	2	3	3
Committee for Purchase from the Blind and Other Severely Handicapped.....	**	**	**	**	**	**	**	**	**	**	**	**
Commodity Futures Trading Commission....	---	---	1	1	2	2	2	2	2	2	3	3
Community Services Administration 3/.....	---	---	(542)	(299)	(542)	(542)	(542)	(542)	(542)	(542)	(542)	(542)
Consumer Product Safety Commission.....	2	2	12	14	12	12	12	12	12	12	12	12
Corporation for Public Broadcasting.....	---	---	43	43	52	52	73	73	98	98	110	110
Federal loans to the District of Columbia..	---	---	39	74	84	99	-14	141	-71	84	-85	70
Equal Employment Opportunity Commission	4	4	20	20	32	32	44	44	52	52	59	59
Export-Import Bank of the United States.....	748	70	571	236	891	523	1,266	782	1,690	1,026	2,117	1,248
Federal Communications Commission.....	1	1	5	5	15	11	22	18	30	27	39	35
Federal Election Commission.....	**	**	1	1	1	1	1	1	1	1	1	1
Federal Emergency Management Agency												
-Disaster relief.....	8	8	31	31	31	31	31	31	31	31	31	31
-Flood insurance.....	---	---	99	97	111	115	121	125	129	132	135	137
-Other.....	1	1	4	4	5	5	7	7	8	8	9	9
Federal Home Loan Bank Board.....	---	---	---	186	---	130	---	130	---	130	---	130
Federal Labor Relations Authority.....	1	1	1	1	1	1	2	2	2	2	2	2
Federal Maritime Commission (Regulatory restraint).....	*	*	1	1	1	1	1	1	1	1	2	2
Federal Mediation and Conciliation Service..	1	1	4	4	5	5	6	6	7	7	7	7
Federal Mine Safety and Health Review Commission.....	**	**	**	**	**	**	**	**	**	**	**	**
Federal Trade Commission	4	4	8	8	15	16	20	20	22	22	25	24

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
General Services Administration												
-Federal Buildings Construction.....	---	---	121	12	---	7	---	27	---	79	---	26
-Grants to the National Historical Publication and Records Commission	---	---	3	3	3	3	3	3	3	3	3	3
-National Defense Stockpile*.....	---	---	507	507	507	507	75	75	-206	-206	-206	-206
-Administrative reductions not included above.....	9	16	28	42	38	54	47	70	55	86	63	96
Intelligence Community Staff.....	**	**	---	---	---	---	---	---	---	---	---	---
Advisory Commission on Intergovernmental Relations.....	**	**	**	**	**	**	**	**	**	**	**	**
Appalachian Regional Commission.....	**	**	4	4	4	4	4	4	4	4	4	4
International Communication Agency.....	4	4	29	24	39	40	44	44	49	49	49	49
Interstate Commerce Commission.....	3	3	6	6	11	11	12	12	13	13	14	14
ICC regulatory reduction	(3)	(3)	(6)	(6)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)
Legal Services Corporation 9/.....	---	---	347	312	364	364	382	382	401	401	421	421
Marine Mammal Commission.....	**	**	**	**	**	**	**	**	**	**	**	**
Merit Systems Protection Board.....	**	**	1	1	1	1	2	2	2	2	2	2
National Consumer Cooperative Bank*.....	89	86	136	136	160	159	185	180	185	177	200	192
National Foundation on the Arts and the Humanities.....	---	---	172	87	183	146	199	187	216	207	232	221
National Labor Relations Board.....	3	3	4	4	9	8	16	15	24	22	32	30
National Mediation Board.....	**	**	**	**	**	**	**	**	**	**	1	**
National Science Foundation.....	83	36	320	209	360	324	406	369	454	417	496	462
National Transportation Safety Board.....	**	**	1	1	1	1	1	1	1	1	2	2
Nuclear Regulatory Commission.....	2	2	---	---	---	---	---	---	---	---	---	---
Occupational Safety and Health Review Commission	**	**	**	**	1	1	1	1	1	1	1	1
Office of the Federal Inspector for the Alaska Natural Gas Transportation System.	1	1	---	---	---	---	---	---	---	---	---	---

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Office of Personnel Management												
-Administrative early retirement.....	---	30	30	30	30	30	30	30	30	30	30	30
-Disability criteria*.	---	150	150	150	150	150	150	150	150	150	150	150
-Intergovernmental Personnel Act*.....	1	**	20	13	20	20	20	20	20	20	20	20
-Administrative reductions not included above.....	2	2	10	10	14	14	18	18	22	22	25	25
Panama Canal Commission	1	1	4	4	5	5	6	6	6	6	7	7
Pennsylvania Avenue Development Corporation	**	**	12	14	25	6	17	13	10	22	17	26
Postal Service (payment to the Postal Service Fund).....	---	---	250	250	150	150	237	237	226	226	258	258
Railroad Retirement Board.....												
-Ad hoc June 1981 Rail Pension Increase*	---	10	---	40	---	40	---	40	---	40	---	40
-Administrative reductions.....	---	---	---	2	---	3	---	4	---	5	---	6
Renegotiation Board....												
Securities and Exchange Commission.....	1	1	6	6	15	15	19	19	21	21	25	25
Selective Service System.....	3	3	2	2	1	1	1	1	1	1	1	1
Small Business Admin..												
-Business loans.....	---	49	149	81	22	197	60	226	75	240	82	248
-Disaster relief.....	780	780	---	-8	---	2	---	-11	---	-24	---	-36
-Technical assistance.	4	8	20	16	16	16	16	16	16	16	16	16
-Administrative reductions not included above.....	3	3	9	9	12	12	15	15	16	16	18	18
Smithsonian Institution (includes National Gallery and Wilson Center)	1	1	26	5	-22	11	2	-1	2	-6	3	3
President's Commission for the Study of Ethical Problems in Medicine.....	-**	-**	-**	-**	---	-**	---	---	---	---	---	---
Tennessee Valley Authority.....	1	1	10	10	---	---	---	---	---	---	---	---
United States Metric Board.....	**	**	1	1	1	1	1	1	1	1	1	1
United States Railway Association*.....	25	125	5	-95	102	102	---	---	---	---	---	---
Water Resources Council	5	---	39	33	42	43	43	43	44	45	45	47
Subtotal, Other Independent Agencies.	1,803	1,272	3,365	2,740	3,651	3,611	3,743	3,726	3,980	3,842	4,581	4,180

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Allowance for effect of changes in Davis-Bacon Act and Service Contract Act administrative procedures and Black Lung Trust fund Reform.....	30	30	528	528	624	624	753	753	932	932	1,119	1,119
Effects on civilian agency pay costs of revising the Federal Pay Comparability Standard*.....	---	---	159	149	635	616	1,132	1,161	1,540	1,597	2,022	2,131
Mineral Leasing on Outer Continental Shelf.....	250	250	700	700	2,000	2,000	3,000	3,000	3,500	3,500	3,500	3,500
TOTAL, On-Budget, Budget Authority and Outlay Savings	20,621	6,057	58,914	40,310	70,908	58,123	84,354	71,564	95,363	81,698	104,627	91,256
Off-budget Items												
-Federal Financing Bank.												
-Foreign Military Sales Credit.....	---	---	300	300	350	350	350	350	350	350	350	350
(Loan guarantee commitments).....			(300)		(350)		(350)		(350)		(350)	
-Rural Electrification and Telephone*.....	38	38	1,152	1,152	2,360	2,360	3,670	3,670	5,091	5,091	6,630	6,630
(Loan guarantee commitments).....	(187)		(5,545)		(6,045)		(6,580)		(7,170)		(7,800)	
-Farmers Home Admin....	361	360	1,699	1,698	1,505	1,705	1,572	1,571	4,773	1,585	2,707	1,910
(Direct loan obligations).....	(565)		(2,354)		(2,354)		(2,354)		(2,354)		(2,354)	
-Small Business Administration 10/....	67	64	65	59	65	35	65	15	65	20	65	20
(Loan guarantee commitments).....	(67)		(65)		(65)		(65)		(65)		(65)	
-HUD Community Development loans 11/.....	143	133	90	90	182	183	250	286	---	107	---	77
(Loan guarantee commitments).....	(250)		(250)		(250)		(250)		(250)		(250)	
-Student Loan Marketing Association.....	---	---	1,423	1,423	2,211	2,211	2,543	2,543	2,543	2,543	2,543	2,543
(Loan guarantee commitments).....			(1,423)		(2,211)		(2,543)		(2,543)		(2,543)	

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-Health Maintenance Organizations.....	---	---	---	---	10	10	15	15	90	90	90	90
(Loan guarantee commitments).....	(---)		(---)		(10)		(15)		(90)		(90)	
Subtotal, FFB reductions.....	609	595	4,729	4,722	6,683	6,854	8,465	8,450	12,912	9,786	12,385	11,620
Other off-budget entities:												
Rural Telephone Bank.	---	---	23	---	23	---	23	---	23	---	---	---
Subtotal, off-budget savings.....	609	595	4,752	4,722	6,706	6,854	8,488	8,450	12,935	9,786	12,385	11,620
Total, Budget Authority and Outlay Savings.....	21,230	6,652	63,666	45,032	77,614	64,977	92,842	80,014	108,298	91,484	117,012	102,876

* Involves proposed legislation to be submitted

** Less than \$500 thousand.

- 1/ The appropriations for the Alcohol Fuels and Biomass programs are in the Department of the Treasury.
- 2/ Savings partially offset by Nutrition Block Grant for Puerto Rico funded at \$.9 billion in each year 1982-86.
- 3/ Funding will be available beginning in 1982 for the purposes served by this program from the Health and Human Services, Social Services Block Grant. Displayed as a non-add entry because these savings are reflected in the HHS Social Services Block grant entry.
- 4/ Inclusive of savings derived from agencies other than the Department of Health and Human Services, including the Rehabilitation Services Administration (Department of Education) and the Community Services Administration.
- 5/ These savings to the Public Health Service will be partially offset by additional costs to the U.S. Coast Guard, the Merchant Marine and several other agencies.
- 6/ Elimination of National Research Service Awards is also included in National Institutes of Health reduction.
- 7/ The outlay savings would increase trust fund interest receipts (BA) by \$100 million in 1982, \$400 million in 1983, \$800 million in 1984, \$1,100 million in 1985 and \$1,400 million in 1986. Increased trust fund receipts decrease the deficit.
- 8/ Represents reduction in limitation on commitments.
- 9/ Authorized activities in programs encompassed in the proposed Social Services Block Grant.
- 10/ Includes Small Business Investment Companies and Development Company debentures.
- 11/ While loan guarantee commitments financed through FFB will be reduced by these amounts, loan guarantees will still be made, though not financed by the FFB.

NOTE: Administrative reductions involve decreases in personnel costs, consultants, travel, etc.