800

General Government

Budget function 800 covers the central management and policy responsibilities of both the legislative and executive branches of the federal government. Among the agencies it funds are the General Services Administration and the Internal Revenue Service. CBO estimates that in 2001, total outlays for function 800 will be $16 billion—most of which is discretionary spending. In the past decade, spending for the function increased fairly steadily. It is expected to jump in 2001 for a number of reasons, including a projected drop in certain offsetting receipts and an increase in payments of some large claims and judgments against the government.

Federal Spending, Fiscal Years 1990-2001 (In billions of dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Estimate 2001
Budget Authority (Discretionary)	11.5	12.2	11.3	11.6	12.1	11.9	11.6	11.8	12.1	13.7	12.4	14.0
Outlays												
Discretionary	9.0	10.4	11.0	11.5	11.7	12.4	11.8	12.1	12.0	12.4	12.2	13.8
Mandatory	1.6	1.4	2.0	1.5	-0.3	1.6	0.2	0.8	3.7	3.3	1.0	2.3
Total	10.6	11.7	13.0	13.1	11.3	14.0	12.0	12.9	15.7	15.8	13.2	16.0
Memorandum:												
Annual Percentage Change in Discretionary Outlays		15.3	6.3	4.8	1.1	6.3	-5.1	2.7	-0.5	3.2	-1.6	12.6

800-01 Restrict Public-Purpose Transfers of Real Property by the General Services Administration

	Added Receipts (Millions of dollars)
2002	50
2003	50
2004	50
2005	50
2006	50
2002-2006	250
2002-2011	500

SPENDING CATEGORY:

Mandatory

The General Services Administration (GSA) makes surplus federal buildings, land, and other property available to state and local governments, nonprofit organizations, and others for use as parks, prisons, schools, and airports. The government makes the property available free or at deep discounts. In 2000, according to GSA's data, the government donated 51 pieces of property valued at $116 million. For the 1996-2000 period, the value of donations totaled about $500 million. If the government discontinued the program and instead sold surplus property at market value, it could increase offsetting receipts by a total of $500 million over 10 years. (That number represents the net of roughly $560 million in additional receipts minus about $60 million—resulting from GSA's authority to retain and spend 12 percent of such receipts.)

According to critics of GSA's program, selling surplus property, rather than giving it away, would raise revenue for the government and would ensure, through open competition for assets in the market, that property was put to its most highly valued use. Critics note that the government already provides abundant direct and indirect assistance to states and localities to support conservation, education, and other public services. They also point out that nonprofit organizations will receive about $30 billion in federal support in tax deductions for charitable contributions in 2000. In addition, GSA's program provides uneven assistance, favoring areas with a heavy federal presence, according to people who would restrict it.

Advocates of transferring surplus property argue that the program provides valuable support to localities, nonprofit organizations, and others who offer useful public services in areas such as education, conservation, and transportation. The program enables the government to support causes it deems worthy, without having to make appropriations. In addition, advocates argue that transferring surplus property to communities may offset some of the local impact of closing federal installations.

800-02 Eliminate General Fiscal Assistance to the District of Columbia

	Savings (Millions of dollars) Budget Authority	Outlays
Relative to Current Appropriations		
2002	59	59
2003	59	59
2004	59	59
2005	59	59
2006	59	59
2002-2006	295	295
2002-2011	590	590
Relative to Inflated Appropriations		
2002	60	60
2003	61	61
2004	63	63
2005	64	64
2006	65	65
2002-2006	313	313
2002-2011	658	658

SPENDING CATEGORY:

Discretionary

Under the National Capital Revitalization and Self-Government Improvement Act of 1997 (the Revitalization Act), the federal government assumed responsibility for providing certain services to the District of Columbia in exchange for eliminating the annual payment of general assistance to the District. Specifically, the federal government agreed to fund the operations of the District's criminal justice, court, and correctional systems. It also assumed responsibility for paying off more than $5 billion in unfunded liabilities owed by the city to several pension plans, increased the federal share of the city's Medicaid payments, and provided special borrowing authority to the District.

For fiscal year 1998, the Revitalization Act included slightly more than $200 million in assistance for the District that was not related to the obligations specifically assumed by the federal government. Such funding increased in fiscal year 1999, to $232 million, and then dropped to $28 million for fiscal year 2000 and $59 million for fiscal year 2001. The amount for 2001 includes funds for defraying out-of-state tuition costs, constructing a new Metrorail station, and reimbursing the city for expenses related to the Presidential inauguration. Eliminating such funds would save $590 million over the 2002-2011 period relative to current appropriations and $658 million relative to those appropriations adjusted for inflation.

One argument for eliminating such funding is that the federal government relieved the District of Columbia government of the cost of a substantial, and increasing, portion of its budget—criminal justice, Medicaid, and pensions. The proposed trade-off for assuming responsibility for those functions was ending other assistance, including the annual federal payment. Eliminating assistance would be consistent with that policy. Furthermore, the District of Columbia's financial situation may not warrant such assistance.

One argument against eliminating such funding is that the Constitution gives the Congress responsibility for overseeing the District of Columbia (which the Congress has largely delegated to the city government), and the city still has major problems with its public schools, roadways, and other essential city services. Therefore, opponents of this option argue, the need continues for funding assistance. Moreover, the Congress prevents the District of Columbia from imposing commuter taxes as other cities do. Such taxes are levied on nonresidents who work in a city and benefit from city services. Two of three dollars earned in the District of Columbia are earned by nonresidents. Finally, opponents note that continued assistance is justified because a large portion of city property is exempt from local taxes, including the property owned by the federal government or foreign nations, which accounts for over 40 percent of property in the city.

800-03 Eliminate Mandatory Grants to U.S. Territories

	Savings (Millions of dollars) Budget Authority	Outlays
2002	28	2
2003	28	8
2004	28	13
2005	28	18
2006	28	23
2002-2006	140	64
2002-2011	280	204

SPENDING CATEGORY:

Mandatory

As part of the Covenant to Establish a Commonwealth of the Northern Mariana Islands (CNMI), the federal government agreed to provide financial assistance to CNMI, a U.S. territory. During the 1978-1992 period, the federal government provided CNMI with $420 million for operations, economic development, and infrastructure.

After 1992, the financial assistance agreement between the United States and CNMI requires, in the absence of a new agreement, that grants to the Commonwealth continue indefinitely at the 1992 funding amount—$28 million (earmarked for capital projects). In 1996, Public Law 104-134 reallocated the $28 million in annual grants for fiscal years 1996 through 2002 among CNMI; the territories of Guam, American Samoa, and the Virgin Islands; and the freely associated states of Micronesia and the Marshall Islands. The reallocation was made, in part, because the federal government believed that the goals of the original agreement had been met in CNMI and that other areas had a greater need for assistance. Public Law 106-113 again reallocated the grants for fiscal years 2000 through 2003.

This option, which assumes a new agreement with CNMI, would eliminate the mandatory grants to the U.S. territories and freely associated states, which would save about $200 million over the 2002-2011 period. Because the territories spend new grants relatively slowly, eliminating the grants would not save much money in the first several years. The Department of the Interior could include additional funding for infrastructure and other purposes as part of its annual request for discretionary appropriations; however, the territories would no longer be entitled to the $28 million, and requests for additional appropriations for infrastructure grants would compete with all other appropriation requests. For instance, in fiscal year 2001, the Congress appropriated $48 million in discretionary funding for the territories.

Aside from reducing mandatory spending, eliminating the grants would put assistance for capital projects on an equal footing with other assistance to the territories and with similar grants to state and local governments. In addition, some people argue that the reason for providing mandatory assistance to CNMI has ended because its goals have been met. The 1996 reallocation of funds among the insular areas would seem to support that conclusion. In addition, CNMI has had considerable difficulty developing projects, raising matching funds, and receiving approval from the Department of the Interior.

Those who would continue the grants argue that CNMI and the other insular areas still have significant needs and that the mandatory grants ensure that funding is available. In addition, CNMI has a growing economy and increasing self-sufficiency, which supporters of this option cite as proof that the federal assistance works. Others argue that any further change in the funding should be part of a new financial arrangement between the United States and CNMI. Otherwise, CNMI could view the unilateral ending of the assistance as a breach of good faith on the part of the U.S. government, which could have political and legal repercussions.

800-04 Require the Internal Revenue Service to Deposit Fees from Installment Agreements in the Treasury as Miscellaneous Receipts

	Savings (Millions of dollars) Budget Authority	Outlays
2002	82	76
2003	81	81
2004	79	79
2005	80	80
2006	81	81
2002-2006	402	396
2002-2011	820	814

SPENDING CATEGORY:

Mandatory

The 1996 appropriation act for the Department of the Treasury, the Postal Service, the Executive Office of the President, and certain independent agencies authorizes the Internal Revenue Service (IRS) to establish new fees and increase existing fees. The act also allows the IRS to retain and spend receipts collected from those fees, up to an annual limit of $119 million. The IRS has used that authority mainly to charge taxpayers a fee for entering into payment plans with the agency. In fiscal year 1999, the IRS collected $88 million in fee receipts. In fiscal year 2000, however, it collected only $76 million in fees. The IRS attributes the smaller amount to a lower demand for payment plans that arose because the agency began allowing taxpayers to pay their remaining tax bills with credit cards.

Requiring the IRS to deposit those receipts in the Treasury would eliminate the agency's ability to spend them. That would reduce the IRS's direct spending by $814 million over the 2002-2011 period. That estimate assumes that removing the spending authority would not substantially reduce the amount the IRS collects each year in such fees.

An argument for eliminating the IRS's authority to spend the receipts is that processing payment plans with the taxpayers is an administrative function directly related to the IRS's mission—getting citizens to pay the taxes they owe—and for which the agency already receives annual appropriations. For fiscal year 2001, for instance, the IRS received $8.85 billion in direct appropriations (not counting transfers). That argument may have particular merit because the IRS does not directly use the receipts collected from fees on installment agreements to fund the processing of those agreements. A second argument is that the spending authority could create the incentive for the IRS to unnecessarily encourage taxpayers to pay their taxes in installments. Similarly, it could encourage the agency to seek new and unnecessary fees.

According to a contrary argument, allowing the IRS to generate and use fee receipts helps ensure that the federal government's main revenue collector has sufficient funding to fulfill its mission. Some people would argue that even an annual decrease of roughly $80 million could negatively affect revenue collection. In addition, eliminating the spending authority could reduce the IRS's incentive to allow, or its ability to provide for, installment payments, thus hurting those taxpayers who would benefit from such arrangements.

800-05 Eliminate Federal Antidrug Advertising

	Savings (Millions of dollars) Budget Authority	Outlays
Relative to Current Appropriations		
2002	185	56
2003	185	148
2004	185	185
2005	185	185
2006	185	185
2002-2006	925	759
2002-2011	1,850	1,684
Relative to Inflated Appropriations		
2002	189	57
2003	193	152
2004	196	193
2005	200	197
2006	204	200
2002-2006	982	799
2002-2011	2,062	1,861

SPENDING CATEGORY:

Discretionary

RELATED OPTIONS:

750-01 and 750-02

The 1998 appropriation act for the Department of the Treasury, the Postal Service, the Executive Office of the President, and certain independent agencies authorized and provided funding of $195 million to the Office of National Drug Control Policy (ONDCP) for a national antidrug media campaign. The Omnibus Consolidated and Emergency Supplemental Appropriations Act provided $185 million for the program in fiscal year 1999 and authorized $195 million for each of fiscal years 2000 through 2002. Funds provided to ONDCP can be used to test and evaluate advertising, purchase media time, and evaluate the effects. In addition, the agency must try to get donations from nonfederal sources to finance part of the costs.

For fiscal year 2001, the Treasury and General Government Appropriations Act provided $185 million for the antidrug media program. Eliminating it would save $1.7 billion over the 2002-2011 period, under the assumption that the Congress would otherwise continue to provide the same level of funding for the program that it provided for fiscal year 2001. Compared with that funding level adjusted for inflation, this option would save $1.9 billion over 10 years.

Arguments for terminating funding of the advertising campaign are many. One is that solid empirical evidence of media campaigns' effectiveness in either preventing or reducing drug use is lacking. Some analysts claim that media spots do not reduce drug use by minors as effectively as treatment or interdiction. Furthermore, since nonprofit organizations, such as the Partnership for a Drug-Free America, already conduct educational programs about the dangers of drug use, ONDCP's campaign may duplicate private and local efforts. In any event, with more than $350 million in available balances at the start of this year and the authority to solicit and use public donations, ONDCP could continue the media campaign, on a much smaller scale, without an annual appropriation.

Proponents of the program argue that educating the young about the hazards of drug use is a national responsibility. Some point to the "Just Say No" campaign begun by former First Lady Nancy Reagan in the 1980s as an example of the successful use of the national media to raise young people's awareness of the dangers of drugs. Supporters also argue that the cost of drug abuse to the country is so high that it is worthwhile to maintain a program that reduces drug use even slightly.

800-06 Eliminate the Presidential Election Campaign Fund

	Savings (Millions of dollars) Budget Authority	Outlays
2002	60	0
2003	60	29
2004	60	225
2005	60	15
2006	60	0
2002-2006	300	269
2002-2011	600	632

SPENDING CATEGORY:

Mandatory

During each Presidential election cycle, the federal government distributes money from the Presidential Election Campaign Fund to candidates and political parties who agree to limit their campaign expenditures. All candidates —even those who do not accept public funds—are also bound by federal limits on campaign contributions, established in 1974, that restrict donations by individuals to $1,000.

This option would eliminate the fund and stop the flow of public funds to Presidential candidates and political parties. (Policymakers might, in conjunction with this option, wish to change the rules limiting contributions by individuals, but such changes would not directly affect the budget.) The first savings from this option would not appear until 2003, so total savings over the first five years would be only $269 million, but the total savings through 2011 would be $632 million.

Critics of the Presidential Election Campaign Fund argue that the current system of public funding is unjustified and inefficient. Many critics feel that federal funding has done little to reduce the time or effort that candidates spend raising money from private sources. They also charge that candidates have found numerous indirect means of circumventing limits on expenditures, such as “issue advertisements” paid for by political parties or special interest groups. They dispute the need to give public funds either to major parties and candidates, which are already well financed, or to minor parties and candidates, which have little chance of success. Finally, the proportion of taxpayers who choose (on their income tax return) to earmark a portion of their taxes for the fund has declined steadily over the past two decades to less than 15 percent, which suggests that the program has little public support.

Advocates of the program believe that the current system limits the influence of special interests and wealthy contributors and allows poorly funded candidates to positively influence the national debate. Specifically, they argue that public funding has reduced candidates’ and parties’ dependence on contributions from special interest groups, corporations, and the wealthy. They note that the funds given to candidates from a minor party constitute only a small portion of total public spending on Presidential elections (for the five elections between 1976 and 1992, the amount was less than 2 percent) and allow such candidates to bring public attention to issues that might otherwise be ignored.