

The President's budget contains no legislative initiatives for 1984 through 1988. In 1983, however, the President is proposing a six-month extension and modification of the Federal Supplemental Compensation program.

Under the proposal, those in states with insured unemployment rates (IUR) of 6 percent and above could receive up to 16 weeks of jobless benefits; those in states with IURs between 4.5 percent and 6 percent could receive up to 12 weeks of added benefits; those in the remaining states could receive up to 8 weeks of added benefits.

Eligible persons could opt for a voucher, in place of the federal supplemental benefit, to use as a wage subsidy equal to one-half the weekly benefit amount for twice the number of weeks. Such a subsidy would take the form of a credit to the employer's federal unemployment tax or federal income tax. The Administration's preliminary estimate is that this proposal would add \$1.85 billion to outlays in fiscal year 1983. A more complete discussion of this proposal is contained in Chapter III.

Farm Price Supports

Agricultural price supports provide price and income protection to farmers. Expenditures are made through a number of agricultural commodity programs designed to support and stabilize farm prices and incomes. The programs use several tools, including commodity loans and purchases, direct payments, and supply controls. The principal commodities covered by these programs are wheat, corn and other feed grains, rice, upland cotton, tobacco, peanuts, milk, and wool.

The President's primary legislative initiative is to freeze target prices at the 1983 crop year levels mandated in the 1981 Agriculture Act. It is the difference between target prices and market prices that determines the rate at which deficiency payments will be made on each eligible farmer's crop production. Freezing these levels is estimated to save \$0.4 billion in fiscal year 1984, and \$10.0 billion during the 1984-1988 period (see Table V-10). In addition, the President proposes to make the honey price support program discretionary, modify the price support mechanism and eliminate the allotment and quota system for extra-long-staple cotton, and expand the commodities in the Commodity Credit Corporation inventory eligible for donation.

This proposal comes at a time of rapidly rising farm support payments. Outlays for agricultural price support programs rose sharply in 1982 to a record \$11.6 billion, nearly three times the 1981 level. This dramatic rise in

TABLE V-10. PROPOSED FUNDING CHANGES FOR FARM PRICE SUPPORT PROGRAMS (By fiscal year, in billions dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	10.4	9.9	10.8	11.2	11.7	
Proposed Changes						
Freeze target prices at 1983 crop year levels	-0.4	-1.6	-2.2	-2.8	-3.0	-10.0
President's Budget as Estimated by CBO	10.0	8.4	8.6	8.4	8.7	

spending reflected a sharp decline in farm prices resulting from large U.S. crops and weak export demand.

Further increases in outlays, to \$18.2 billion, are estimated for fiscal year 1983 because of a continued growth in supplies relative to demand. Large crop inventories were carried into the 1982 crop year. Then, despite acreage reduction programs, feed grain production reached a record high and wheat production fell only slightly from 1981. These large supplies combined with declining exports are causing low crop prices. At the end of the 1982 crop year, grain stocks will be about one-half of total annual use, far in excess of adequate stock levels. Few of these stocks will be held free of government control--about two-thirds of them will be in the farmer-owned reserve and about one-fifth will be government-owned. Upland cotton stocks at the end of crop year 1982 will also be excessive: about 70 percent of annual use, despite a 23 percent drop in cotton production. Also included in 1983 outlays is \$1.7 billion of interest paid to the Treasury deferred from fiscal year 1982.

While remaining above past levels, 1984 outlays are projected to decline by \$8 billion. This decline will result from smaller harvests and fewer commodities under price support loans, and may be attributed to the reduced acreage programs required in the 1982 reconciliation act and the President's payment-in-kind (PIK) program. The PIK program gives farmers

government-owned crops instead of cash to reduce planting more than required under the 1982 reconciliation act. Also contributing to the decline in 1984 outlays will be an \$0.8 billion decrease in dairy program costs caused by declining milk production and increased revenues from assessments collected on milk marketings. The authorities to levy these assessments were also provided in the 1982 reconciliation act.

Other Entitlement and Mandatory Spending

This residual category includes a variety of programs providing educational assistance, nutrition assistance, aid to state and local governments, and aid to certain businesses. The President's budget contains a number of proposals to reduce spending from the baseline in this area (see Table V-11).

In three programs, the Administration's request holds funding at the fiscal year 1983 level. The CBO baseline projections include increases in funding to keep pace with inflation unless funding is constrained by authorization levels.

General Revenue Sharing. The President's budget proposes funding general revenue sharing at its 1983 level throughout the 1984-1988 period, whereas the CBO baseline is increased each year for inflation. Holding funding at the 1983 level would result in a 20 percent reduction in real spending by 1988.

Foster Care and Other Family Services. The President's budget is proposing to remove the entitlement status of foster care. Foster care and other family services programs would be funded at 1983 levels throughout the projection period.

Rehabilitation Services. The Administration is proposing to provide greater state flexibility in the use of the funds. The funding is held constant at 1983 levels throughout the five-year period.

In addition, the President's budget proposes legislation to reduce spending below baseline in a variety of other programs.

Child Nutrition. The Administration is proposing changes that would reduce spending by \$0.3 billion in 1984. These savings would grow to \$0.6 billion in 1988. Two-thirds of the savings result from creation of a General Nutrition Assistance Grant to states, similar to one proposed last year, that would replace the school breakfast, child care, and summer feeding programs. Other proposals include a six-month delay in the cost-of-living adjustment to reimbursement rates in the school lunch program, changing

TABLE V-11. PROPOSED FUNDING CHANGES FOR OTHER ENTITLEMENTS AND MANDATORY PROGRAMS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	21.0	20.4	20.8	21.2	22.4	
Proposed Changes						
Funding held at 1983 levels						
General revenue sharing	-0.2	-0.5	-0.7	-0.9	-1.2	-3.6
Rehabilitation services	*	-0.1	-0.2	-0.2	-0.3	-0.8
Foster care and family services	*	-0.1	-0.1	-0.2	-0.2	-0.6
Other reductions						
Child nutrition	-0.3	-0.4	-0.4	-0.5	-0.6	-2.2
Government contributions to employee health insurance	-0.1	-0.2	-0.5	-0.7	-0.9	-2.4
Guaranteed student loans	-0.1	-0.3	-0.3	-0.3	-0.3	-1.2
Pension benefits guaranty corporation	-0.1	-0.2	-0.2	-0.2	-0.3	-1.0
Other	<u>0.4</u>	<u>-0.9</u>	<u>-1.3</u>	<u>-0.7</u>	<u>-0.7</u>	<u>-3.2</u>
Total Changes	-0.4	-2.7	-3.7	-3.8	-4.5	-15.1
President's Budget as Estimated by CBO	20.6	17.7	17.1	17.4	17.9	

* Less than \$50 million.

the indexing procedure for reimbursement rates for meals served to children from households with incomes between 130 percent and 185 percent of the poverty line, and requiring applications for free and reduced-price meals to be processed by local food stamp offices.

Government Contributions to Employee Health Insurance. The President's budget proposal would require some current federal employees and annuitants to pay an increasing share of the cost of their health insurance. The proposal would calculate future government contributions to employee health insurance by indexing the average contribution in 1983. Individuals selecting less expensive plans would receive a rebate, while individuals selecting more expensive plans would pay a larger share of their premiums.

Guaranteed Student Loans. The President proposes two programmatic changes in the guaranteed student loan (GSL) program effective July 1983. Again this year, the President proposes eliminating the \$30,000 family income cap and limiting loan eligibility to assessed financial need. Second, the President proposes increasing the 5 percent origination fee to 10 percent for all graduate and professional students. In addition to these programmatic changes, the Administration proposes that certain loan advances to state agencies be returned to the federal government. The President's request for similar changes last year was not considered by the Congress.

Pension Benefit Guaranty Corporation. The severe recession of 1982 resulted in a large number of private pension plans terminating with assets insufficient to cover their liabilities. Such plans are taken over by the corporation, which assumes control of their assets, administers them through a trust fund held by a private bank, and takes responsibility for paying plan benefits. The large number of 1982 plan terminations caused the corporation's deficit to grow from \$130.5 million at the end of fiscal year 1981 to \$320 million at the end of 1982. Without an increase in the premiums paid by ongoing covered plans, it is expected that the deficit could reach \$550 million by the end of 1984. The Administration is, therefore, requesting Congressional approval of an increase in the single-employer plan premium, as well as certain revisions in the single-employer plan insurance program. The changes have been estimated by the Administration to reduce 1984 outlays by \$132 million. The specifics of the Administration's proposal are not yet available.

Other. The other savings are spread across several programs. The category also includes some savings that are offset in other spending categories. Finally, the changes in the Government National Mortgage Association's Management and Liquidation Functions Fund are discussed in the assistance to business and commerce section on discretionary spending.

NONDEFENSE DISCRETIONARY SPENDING

This category includes the programs in the unified budget for which no entitlement to benefits is established by law, thus enabling the Congress to set spending levels at its discretion. All such programs are subject to control through the appropriations process, either by the appropriation of budget authority, the establishment of loan limitations or obligation ceilings, or the provision of liquidating cash.

Unlike entitlement spending, outlays for discretionary programs increased only slightly as a proportion of total outlays during the 1970s, rising from about 22 percent in 1970 to about 24 percent in 1980. Since then, spending growth in this category has been sharply restrained, with outlays increasing a total of less than 4 percent over a three-year period. As a result, discretionary programs represent only 18 percent of 1983 outlays, and real spending for such programs has declined by 16 percent since 1980. The Administration's 1984 budget continues the policy of little growth in this category, with outlays estimated to increase from \$145 billion in 1983 to \$147 billion in 1984 and to \$163 billion by 1988 (see Table V-12). These represent increases of only 1.5 percent in 1984, and about 2.5 percent annually from 1984 through 1988. If fully implemented, the budget would result in a savings of \$5 billion in 1984, and a total deficit reduction of \$61 billion between 1984 and 1988, relative to the CBO baseline projections for discretionary programs. As a consequence, spending for these programs would be 3.4 percent below the baseline in 1984, and more than 11 percent below by 1988. Outlays would fall to less than 15 percent of the budget by 1988.

This pattern of spending restraint has not been applied uniformly to all types of discretionary spending. The President's budget includes proposed increases in a number of areas, and decreases in others. As shown in Table V-13, nondefense discretionary spending can be divided into six general program subcategories. Of these, the Administration is proposing real 1984 increases for two--federal government operations, and aid to foreign governments and international organizations. The deepest cuts are targeted for assistance to business and commerce, and real reductions are also proposed for research and development, infrastructure, and benefits and services to individuals. Relative to CBO's baseline projections, which allow spending to keep pace with inflation, the Administration's 1984 budget plan would cut the projected growth of nondefense discretionary outlays by 50 percent over the next five years.

TABLE V-12. PROPOSED OUTLAYS FOR NONDEFENSE DISCRETIONARY SPENDING PROGRAMS AS ESTIMATED BY CBO
(By fiscal year, in billions of dollars)

	1983	1984	1985	1986	1987	1988
Federal Government Operations	22.1	23.4	23.8	24.2	24.5	24.9
Aid to Foreign Governments and International Organizations	9.4	10.2	10.3	10.4	10.6	10.7
Transportation, Natural Resources, and Other Infrastructure	41.7	43.0	44.3	45.1	45.5	46.0
Research and Development	17.2	17.6	17.7	17.4	17.4	16.9
Benefits and Services to Individuals	47.5	46.5	46.7	47.5	48.0	48.8
Assistance to Business and Commerce	7.4	5.8	5.7	5.4	4.7	4.4
Civilian Agency Pay Raises and Increases in Retirement Contributions	<u>---</u>	<u>0.9</u>	<u>4.0</u>	<u>6.3</u>	<u>8.7</u>	<u>11.1</u>
Total	145.3	147.5	152.4	156.2	159.5	162.8

Federal Government Operations

These basic activities of the federal government, which account for about 15 percent of nondefense discretionary spending, encompass primarily the conduct of foreign affairs; the Coast Guard; the administration of Social Security and Medicare; law enforcement, judicial, and regulatory activities; the legislative branch; and the Internal Revenue Service. After an outlay

TABLE V-13. CBO ESTIMATE OF THE ADMINISTRATION'S PROPOSED REDUCTIONS IN NONDEFENSE DISCRETIONARY SPENDING (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays- Nondefense Discretionary Programs	152.7	159.6	167.0	176.2	183.7	
Proposed Changes						
Federal Government Operations	0.7	0.7	0.6	0.5	0.3	2.7
Aid to Foreign Governments and International Organizations	0.1	-0.1	-0.3	-0.5	-0.6	-1.5
Transportation, Natural Resources, and other Infrastructure	-1.8	-2.9	-3.5	-4.3	-5.1	-17.5
Research and Development	-0.1	-0.3	-1.2	-1.8	-3.1	-6.6
Benefits and Services to Individuals	-0.9	-3.4	-5.3	-7.5	-9.3	-26.5
Assistance to Business and Commerce	-2.6	-1.6	-2.2	-4.5	-5.1	-16.0
Federal Pay Raises and Retirement Contributions	<u>-0.8</u>	<u>0.5</u>	<u>1.1</u>	<u>1.5</u>	<u>1.9</u>	<u>4.2</u>
Total Changes	-5.3	-7.2	-10.8	-16.7	-21.0	-61.2
President's Budget as Estimated by CBO	147.5	152.4	156.2	159.5	162.8	

increase of 14 percent in 1983, the President is proposing to continue real growth in these programs. For 1984, the budget proposes a 7 percent increase in budget authority, resulting in an estimated outlay increase of \$1.3 billion, or 5.8 percent. This represents an increase of over \$0.7 billion above the baseline level, with the largest increases targeted for the Federal Bureau of Investigation, the Internal Revenue Service, the State Department, and the United States Information Agency (see Table V-14). Coast Guard programs are maintained at about the baseline level, while proposed funding for energy information, policy, and regulation activities is below the 1983 level.

TABLE V-14. PROPOSED FUNDING CHANGES FOR FEDERAL GOVERNMENT OPERATIONS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	22.7	23.1	23.6	24.1	24.6	
Proposed Changes						
Federal Bureau of Investigation	0.2	0.1	0.1	0.1	0.1	0.6
Internal Revenue Service	0.2	0.3	0.3	0.3	0.3	1.4
Department of State	0.1	0.1	0.2	0.2	0.2	0.8
United States Infor- mation Agency	0.1	0.2	0.3	0.3	0.3	1.2
Energy information, policy and regulation	-0.1	-0.1	-0.2	-0.2	-0.2	-0.8
Other	<u>0.2</u>	<u>0.1</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.4</u>	<u>-0.4</u>
Total Changes	0.7	0.7	0.6	0.5	0.3	2.7
President's Budget as Estimated by CBO	23.4	23.8	24.2	24.5	24.9	

Aid to Foreign Governments and International Organizations

This category includes programs for development and security assistance, contributions to international organizations, and international monetary programs. Outlays for these activities have increased from \$7.6 billion in 1980 to a current estimate of \$9.2 billion for 1983, with the largest growth occurring in the economic support fund and foreign military sales financing. Outlays for economic and financial assistance also increased during this period, reflecting increased funding for these programs in the late seventies.

The President's budget allows increased funding for foreign aid in 1984, with decreases in subsequent years, relative to the CBO baseline. The 1984 budget authority request for economic and financial assistance is slightly above the CBO baseline projection, primarily because of the substantial increase proposed for the International Development Association. This increase is offset by reductions in a number of other aid programs, so that 1984 outlays are \$0.1 billion below the baseline projection. Additional savings of \$1.4 billion are projected for 1985 through 1988, largely because the Administration's budget plan provides no increases in budget authority for those years (see Table V-15).

The largest 1984 increases are in funding for security assistance, for which the President is also seeking \$0.4 billion in 1983 supplemental appropriations and \$0.5 billion in additional 1983 off-budget direct loans for financing foreign military sales. The supplementals include \$250 million for Lebanon, as well as funds previously requested but not provided in the Continuing Appropriations Resolution. Military assistance programs administered by the Department of Defense represent the bulk of the security assistance request. The largest single program is \$4.4 billion requested in 1984 for foreign military sales guaranteed loans, provided off-budget by the Federal Financing Bank; this represents an increase of \$0.8 billion above the \$3.6 billion currently available for 1983 and \$0.3 billion above the \$4.1 billion level the President is now requesting for 1983. On-budget funding for military assistance is also increased, by \$0.4 billion over the CBO baseline in 1984. For 1984 through 1988, total security assistance outlays are projected to match the baseline levels, with the increases in military assistance offset by cuts in forgiven direct loans to Israel. The percentage of military assistance provided as guaranteed loans is the same as in 1983, approximately 70 percent.

Current law for foreign military guaranteed sales does not require the appropriation of reserves for new loans, and none is requested for 1984, even though a substantial proportion of the loans should be considered risky. The proposed 1983 supplemental and 1984 guaranteed loan programs include over

TABLE V-15. PROPOSED FUNDING CHANGES FOR AID TO FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	10.1	10.4	10.7	11.1	11.4	
Proposed Changes						
Economic and financial assistance	-0.1	-0.2	-0.3	-0.5	-0.4	-1.5
Security assistance and other	<u>0.2</u>	<u>0.1</u>	<u>*</u>	<u>-0.1</u>	<u>-0.2</u>	<u>*</u>
Total Changes	0.1	-0.1	-0.3	-0.5	-0.6	-1.5
President's Budget as Estimated by CBO	10.2	10.3	10.4	10.6	10.7	

* Less than \$50 million.

\$1 billion in loans to 14 countries that are receiving balance-of-payments assistance from the International Monetary Fund (IMF). Payments to the Federal Financing Bank on rescheduled loans and defaults (late payments) are made by the Guarantee Reserve Fund. Net payments by the Guarantee Reserve Fund have been over \$100 million per year since it was created in 1981, and are estimated to increase over the next five years. The Administration's projections show the fund's balance falling below \$750 million in 1984 and being exhausted in 1987, requiring new appropriations to make payments on bad loans in 1988.

An agreement by the Interim Committee of the International Monetary Fund for an increase in the resources of the IMF was recently announced. The agreement calls for an increase in quota subscriptions of 47.4 percent and an increase in the General Arrangements to Borrow (GAB) to \$19 billion. The U.S. share is estimated at \$5.8 billion of the increased

quota subscription and \$2.6 billion for the GAB. The increase in both the quota and the GAB will require authorization and appropriation action. The last subscription increase required the United States to pay 25 percent of the quota subscription in Special Drawing Rights (SDRs), a monetary reserve asset, and 75 percent in the form of a letter of credit. Dollars are transferred to the IMF by drawing down the letter of credit or as loans through the GAB. As the letter of credit is drawn down or funds loaned through the GAB, the U.S. reserve position in the IMF, a liquid interest-earning asset, is increased. Dollar transfers to the IMF are not treated as net budget outlays, but they do affect the Treasury's cash position and borrowing requirements.

Transportation, Natural Resources, and Other Infrastructure

About 30 percent of discretionary spending is devoted to the construction, operation, management, or maintenance of the physical resources that make up the nation's infrastructure--including the major transportation systems, pollution control facilities, forests, parks, public lands, water, mineral and other natural resources, and community development projects. Spending for these programs has been reduced significantly since 1981, and 1983 outlays will be about 5 percent below the 1981 level, a real reduction of about 15 percent. The President is proposing to increase aggregate infrastructure spending by about 2 percent per year between 1983 and 1988, with the increase being focused almost entirely on two major areas--the federal-aid highways program, and Federal Aviation Administration (FAA) operations, facilities, and development activities (see Table V-16). Highway spending is governed largely by the recently enacted Surface Transportation Assistance Act of 1982 (Public Law 97-424), which sharply increased spending authority from the Highway Trust Fund, to be supported by increased gasoline taxes. Although the President is proposing slightly lower obligation ceilings than provided in the act, outlays for grants to states under the federal-aid highways program are estimated to increase from \$8.4 billion in 1983 to \$11.5 billion in 1984, and to \$14.2 billion by 1988.^{2/} FAA spending is also projected to rise rapidly under the Administration's proposal, from \$3.6 billion in 1983 to \$4.1 billion in 1984, and to \$5.4 billion by 1988. FAA spending authority from the Airport and Airways Development Trust Fund was increased substantially by the 1982 tax bill (TEFRA), with

-
2. Since the baseline incorporates the spending levels in the Surface Transportation Act of 1982, these do not appear as outlay increases in Table V-16. The savings shown in the table reflect the Administration's proposal to reduce the annual obligation ceilings established in the act.

TABLE V-16. PROPOSED FUNDING CHANGES FOR TRANSPORTATION, NATURAL RESOURCES, AND OTHER INFRASTRUCTURE (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	44.8	47.2	48.5	49.8	51.0	
Proposed Changes						
Federal Aviation						
Administration	0.1	0.3	0.5	0.7	0.8	2.4
Federal-aid highways	-0.3	-0.2	-0.2	-0.5	-1.0	-2.2
Mass transit programs	-0.5	-1.0	-1.1	-1.3	-1.2	-5.1
Corps of Engineers construction	-0.4	-0.6	-0.6	-0.7	-0.7	-3.0
Community & regional development	-0.2	-0.2	-0.6	-1.0	-1.3	-3.3
Energy programs	-0.1	-0.3	-0.3	-0.3	-0.3	-1.3
Forest Service	-0.3	-0.2	-0.2	-0.2	-0.3	-1.2
Other	<u>-0.2</u>	<u>-0.7</u>	<u>-0.9</u>	<u>-1.0</u>	<u>-1.0</u>	<u>-3.8</u>
Total Changes	-1.8	-2.9	-3.5	-4.3	-5.1	-17.5
President's Budget as Estimated by CBO	43.0	44.3	45.1	45.5	46.0	

large increases for grants-in-aid to airports and for development, procurement, and installation of improved air traffic control systems.

Under the President's budget plan, all other infrastructure spending would decline from \$29.7 billion in 1983 to \$27.4 billion in 1984 and to \$26.4 billion by 1988. These spending levels represent a reduction in spending of 5 percent in 1984 and 15 percent by 1988, relative to the CBO baseline projection. The largest reduction relative to the baseline is for mass transit programs, with outlay savings of about \$5 billion over the five-year period. This reflects primarily a 75 percent reduction in operating subsidies in 1984,

and elimination of such subsidies thereafter. Corps of Engineers construction activities are also held below the baseline level, with budget authority reduced \$0.6 billion in 1984 and \$3.2 billion over the five-year period. In addition, spending reductions are proposed for community and regional development activities, with budget authority below the baseline by \$0.9 billion in 1984 and by \$5.9 billion between 1984 and 1988; resulting outlay savings on the unified budget are estimated to be \$3.3 billion over the five-year period, with additional off-budget savings of \$1.2 billion from the rural development insurance fund (RDIF). Appalachian regional development programs, the rehabilitation loan fund, the Economic Development Administration, and RDIF business loan guarantees would all be terminated, while rural water and waste disposal grants and loans would be sharply reduced. Funding for community development block grants and urban development action grants (UDAG) would be held at about the 1983 level through 1988.

The President proposes to reduce 1984 spending below the 1983 level for a wide array of other infrastructure programs including:

- o Energy conservation grants;
- o Forest Service activities;
- o Land acquisition for parks, wilderness, and wildlife areas;
- o Rail transportation;
- o Environmental Protection Agency abatement control and compliance activities;
- o National Oceanic and Atmospheric Administration programs.

These and other programs account for outlay savings totaling \$0.7 billion in 1984 and \$6.4 billion between 1984 and 1988, relative to the baseline projections.

Research and Development

The largest programs in this area include aeronautical and space activities of the National Aeronautics and Space Administration (NASA), totaling almost \$7 billion in 1983; health research (over \$4 billion in 1983, mostly at the National Institutes of Health); and energy research by the Department of Energy (over \$3 billion in 1983). Programs of the National Science Foundation (NSF) and the Departments of Agriculture and Education

also fall in this group. In aggregate, outlays for these programs have declined in real terms from 1981 to 1983, and the Administration is proposing to continue this trend over the next several years (see Table V-17). The President's budget includes \$17.5 billion in budget authority for 1984, 2.6 percent above the 1983 level, but 1.2 percent below the baseline projection. Proposed funding for both NASA and NSF in 1984 is above the baseline level, by 3 percent and 12 percent respectively, while all other major research programs are reduced in real terms. The reduction in energy research is concentrated in fossil and solar energy, while nuclear-related research and development is increased in real terms. Funding for health research is frozen at about the 1984 level through 1988, with total outlays \$2.4 billion, or 10 percent, below the baseline over the five-year period. Beginning in 1986, NASA outlays under the President's budget plan

TABLE V-17. PROPOSED FUNDING CHANGES FOR RESEARCH AND DEVELOPMENT (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	17.7	18.0	18.6	19.2	20.1	
Proposed Changes						
National Science Foundation	0.1	0.1	0.1	*	-0.1	0.2
NASA	0.1	0.1	-0.4	-0.7	-1.6	-2.5
Department of Energy	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0
Health	-0.1	-0.2	-0.5	-0.7	-0.9	-2.4
Education, Agriculture, and other	<u>*</u>	<u>-0.1</u>	<u>-0.2</u>	<u>-0.2</u>	<u>-0.3</u>	<u>-0.8</u>
Total Changes	-0.1	-0.3	-1.2	-1.8	-3.1	-6.6
President's Budget as Estimated by CBO	17.6	17.7	17.4	17.4	16.9	

* Less than \$50 million.

are below the baseline level, by a total of \$2.7 billion through 1988, primarily reflecting proposed reductions in spending for space-shuttle operations.

Benefits and Services to Individuals

Over 30 percent of nondefense discretionary spending is currently devoted to providing benefits and services to individuals--including housing, education, employment and job training, health services, legal aid, veterans' hospitals, and assistance in paying energy costs. Spending for these programs has been reduced since 1981, with 1983 outlays estimated to be \$0.5 billion, or 1.0 percent, below the 1981 level. The President is proposing to hold spending in this category about 2 percent below the baseline level in 1984, and about 10 percent below the baseline for 1984 through 1988 in total. This would produce a savings of \$0.9 billion in 1984 and \$26.5 billion over the five-year period, the largest amount (and the second largest percentage) of savings among the categories of discretionary spending used in this analysis (see Table V-18).

Education Programs. More than one-third of the five-year savings are projected in education programs. The President is proposing over \$0.3 billion in rescissions for 1983, and 1984 budget authority \$0.5 billion below the 1983 request, a combined reduction of over 7 percent below the current funding level. These savings would be obtained by sharply reducing funding for bilingual and vocational education, terminating the Indian education grant program, and eliminating certain grants to postsecondary institutions that provide education support services to low-income students. Increasing savings are projected in subsequent years, because funding for most programs is held at the 1984 level through 1988. As a result, the President's 1988 budget authority estimate is \$4.0 billion, or 28 percent, below the baseline projection for that year, with outlays \$3.3 billion below the baseline.

Employment and Training Programs are also targeted for significant reductions from the 1983 program levels, with outlays in 1984 estimated to be \$0.8 billion, or 17 percent, below the baseline, and \$0.4 billion below the 1983 level. The President is proposing to fund the Job Training Partnership Act at \$3.6 billion in 1984, \$0.2 billion below the 1983 appropriation. He would also eliminate the work incentive program. Funding for 1985 through 1988 is maintained at the 1984 level, resulting in 1988 outlays \$1.6 billion, or 30 percent, below the CBO baseline.

Housing Programs are also a significant source of projected savings in the budget, reflecting the Administration's continuing efforts to restrain the

TABLE V-18. PROPOSED FUNDING CHANGES FOR BENEFITS AND SERVICES TO INDIVIDUALS (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	47.4	50.1	52.8	55.5	58.1	
Proposed Changes						
Education programs	-0.3	-1.3	-2.0	-2.7	-3.3	-9.6
Employment and training programs	-0.7	-0.9	-1.2	-1.4	-1.6	-5.8
Housing programs	0.5	-0.3	-0.8	-1.8	-2.6	-5.1
Health programs	-0.1	-0.5	-0.6	-0.8	-1.0	-3.0
Social services	-0.4	-0.4	-0.6	-0.7	-0.8	-2.9
Legal Services Corporation	-0.2	-0.3	-0.3	-0.3	-0.3	-1.4
Food and nutrition programs	-0.1	-0.1	-0.2	-0.2	-0.3	-0.8
Veterans' hospitals and administration	0.2	0.4	0.6	0.8	1.1	3.1
Low-income energy assistance and other	<u>0.2</u>	<u>0.1</u>	<u>-0.3</u>	<u>-0.4</u>	<u>-0.4</u>	<u>-0.8</u>
Total Changes	-0.9	-3.4	-5.3	-7.5	-9.3	-26.5
President's Budget as Estimated by CBO	46.5	46.7	47.5	48.0	48.8	

growth of federal housing subsidies. In addition to reducing the number of additional units coming under payment, major structural changes are proposed for programs administered by both the Department of Housing and Urban Development (HUD) and the Farmers Home Administration (FmHA). Under these proposals, low-income rental assistance provided by HUD's Section 8 program would be in the form of five-year certificates (vouchers) rather than the 15-to-40-year contracts currently typical of the program. Other proposals would increase tenant contributions to rent by requiring

that food stamps be counted as income and increasing the current 10 percent cap on annual tenant rent increases to 20 percent. As a result, outlay savings would total \$5 billion by 1988, with additional savings in later years. The budget request would also virtually end FmHA's low- and moderate-income direct mortgage loan programs. State block grants are proposed in their place. Projected rural housing insurance fund (RHIF) loan activity in 1984, plus the proposed block grants, would result in obligations of \$1.2 billion, compared with \$3.4 billion in 1983. The President's rural housing proposals would produce net outlay savings of \$12 billion from 1984 through 1988. Most of these would occur off budget, relative to the CBO baseline projections, because the Administration is proposing to change accounting procedures to eliminate the budgetary impact of RHIF asset transactions with the Federal Financing Bank.

Health Programs. The President is also seeking savings in health programs. The 1984 budget authority request is more than \$0.2 billion below the 1983 level, and 11 percent below the CBO baseline. The largest reductions are sought in health education and training programs and in activities of the Indian Health Service. Most other programs are held at about the 1983 level for 1984 through 1988, resulting in outlay savings of \$3 billion over the five-year period, relative to the CBO baseline. As a result, 1988 budget authority and outlays would be about \$1 billion, or more than 25 percent, below the baseline projection.

Social Services Programs. The budget includes additional outlay reductions of \$2.9 billion from 1984 through 1988 for social services programs, largely by eliminating community services block grants that were funded at \$359 million in 1983. Most other social services programs are maintained at about the 1983 level through 1988.

Legal Services Corporation. No 1984 funds are requested for the Legal Services Corporation, which received \$241 million in 1983, despite the Administration's attempt to eliminate its funding last year. Termination of the legal services program would save close to \$300 million per year in outlays, and a total of \$1.4 billion between 1984 and 1988, relative to the CBO baseline.

Food and Nutrition Programs. Another source of savings in this category is food and nutrition programs, primarily the special supplemental food program for women, infants, and children (WIC) and the commodity supplemental food program. The budget estimates for these programs for 1984 through 1988 are maintained at the 1983 level, resulting in outlay reductions of \$50 million in 1984 and \$0.8 billion in total through 1988, relative to the CBO baseline.

Low-Income Home Energy Assistance. The remaining source of savings is in low income home energy assistance. Almost \$2.0 billion was appropriated for these grants to states in 1983. The President is proposing to reduce funding to \$1.3 billion in 1984, and to target the assistance to states with the greatest need. With budget authority frozen at the 1984 level through 1988, real spending would be reduced by 47 percent in 1988.

Veterans' Programs. The one general area in this category budgeted for overall funding increases is the veterans' programs. The budget authority request for 1984 is \$9.8 billion, compared with \$9.1 billion in 1983. The largest increases are for medical care (up \$0.4 billion) and for construction activities (up \$0.3 billion), which are largely for increased geriatric research and care and for construction of additional Veterans Administration nursing homes, respectively. Construction spending between 1984 and 1988 is estimated to be \$0.9 billion above the CBO baseline, while medical care outlays under the President's budget would be \$2.1 billion above the baseline over the five-year period.

Assistance to Business and Commerce

The major federal activities in this area include the on-budget payment to the Postal Service and programs of the Departments of Agriculture and Commerce, the Government National Mortgage Association (GNMA), the Small Business Administration (SBA), and the Export-Import Bank. The Administration's proposed changes in these activities are the source of the largest 1984 outlay reductions in the nondefense discretionary category. However, the net savings from these program reductions are not as large as the figures that appear in Table V-19. In particular, the outlay decrease for the GNMA special assistance functions fund mortgage purchase program is estimated to be \$1.4 billion in 1984 and \$4.7 billion in total by 1988. These figures reflect not only the proposed termination of the program, and transfer of its assets and liabilities to HUD's management and liquidating functions fund, but also the proposed forgiveness of the large debt owed to the Treasury.^{3/} The latter action would eliminate substantial intragovernmental interest payments from GNMA to the Treasury, which do not affect the unified budget totals. Actual savings from termination of this program are not significant until 1986, and are estimated to total about \$0.3 billion by 1988.

-
3. The management and liquidating functions fund is classified as nondiscretionary, and the impact on that fund of this change is included in the "other" proposed changes category in Table V-11.

TABLE V-19. PROPOSED FUNDING CHANGES FOR ASSISTANCE TO BUSINESS AND COMMERCE (By fiscal year, in billions of dollars)

	1984	1985	1986	1987	1988	Cumulative Five-Year Changes
CBO Baseline Outlays	8.4	7.3	7.6	9.3	9.5	
Proposed Changes						
GNMA mortgage purchase program	-1.4	*	-0.1	-1.5	-1.7	-4.7
Payment to the Postal Service	-0.4	-0.6	-0.5	-0.5	-0.5	-2.5
Small Business Administration	-0.5	-0.7	-0.8	-0.8	-0.9	-3.7
Export-Import Bank	-0.1	-0.3	-0.5	-0.6	-0.7	-2.2
Agriculture programs	-0.2	-0.3	-0.4	-0.6	-0.8	-2.3
Other	<u>*</u>	<u>0.3</u>	<u>0.1</u>	<u>-0.5</u>	<u>-0.5</u>	<u>-0.6</u>
Total Changes	-2.6	-1.6	-2.2	-4.5	-5.1	-16.0
President's Budget as Estimated by CBO	5.8	5.7	5.4	4.7	4.4	

* Less than \$50 million.

The Administration is proposing to obtain further savings by reducing the payment to the Postal Service to \$400 million per year, beginning in 1984--which would result in savings relative to the baseline of \$0.4 billion in 1984 and \$2.5 billion between 1984 and 1988. This would require elimination of the public service subsidy, and a reduction in revenue forgone subsidies for nonprofit mailers. Program cuts are also proposed for the Small Business Administration, including the elimination of most direct business loans and a reduction in the amount of loan guarantees. These are estimated to result in outlay savings of \$0.2 billion in 1984 and \$1.5 billion in total by 1988. In addition, the budget projections for SBA disaster loan