

authority measures potential borrowing requirements from bank activity. It equals direct loan obligations less direct credit repayments, direct credit cancellations, and bank net income, plus redemption of debt and any change in the balance of unobligated authority available to the bank. Outlays are a measure of bank net borrowing, or gross disbursements less direct loan principal repayments and net income.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY (FUNCTION 250)

Activities in this function include general science, basic research, and civilian space programs.

NASA Research and Development (Space Flight)

The research and development (space flight) account primarily funds the space shuttle program. The baseline program level assumes production and operation of four shuttles. Projected program costs reflect CBO economic assumptions and adjustments for any anticipated delays.

ENERGY (FUNCTION 270)

The energy function includes four major areas of activity: energy supply, energy conservation, emergency energy preparedness, and energy information, policy, and regulation.

Uranium Enrichment

The baseline projection of budget authority is the difference between revenues and operating levels for uranium enrichment, as estimated by CBO. The revenue estimates are based on projected sales and unit price for enriched uranium. The operating levels are projected from the 1982 base and assume a constant level of production and other activities.

Sale of Minerals and Mineral Products

This is an offsetting receipt account, to which are credited the receipts from the sale of oil from the Naval Petroleum Reserves. The estimate of receipts is based on the estimated price of oil and rate of production from the reserves. It does not include revenues from the windfall profits tax, which appear on the revenue side of the budget.

Tennessee Valley Authority and Bonneville Power Administration

The baseline projection of budget authority for these accounts is an estimate of the borrowing authority required to finance their annual activities.

Strategic Petroleum Reserve

In the Interior Appropriation Act (Public Law 97-100), the Congress removed the appropriation for acquiring oil for the Strategic Petroleum Reserve (SPR) to an off-budget account. The only amounts that remain on-budget are those related to operation and construction of the SPR. The baseline reflects the Administration's latest spending plan for operation and construction.

The off-budget projection of current policy for oil acquisition is based on the Administration's latest fill schedule and on CBO's projected price for SPR oil. The fill schedule is adjusted if CBO estimates that the schedule cannot be met. The projected budget authority represents the obligational authority required to meet the Administration's fill schedule.

NATURAL RESOURCES AND ENVIRONMENT (FUNCTION 300)

This function is composed of programs for the development and management of water resources, for conservation and land management, for the development of recreational resources, and for pollution control and abatement.

Environmental Protection Agency Construction Grants

The Congress has not yet considered a fiscal year 1982 appropriation for this program, since it was not reauthorized until the very end of the last session. The program was authorized, however, at \$2.4 billion in 1982 and \$2.6 billion a year for 1983-1985. (The 1983-1985 authorization comprises \$2.4 billion for the basic program and an additional \$200 million for combined sewer outflows into marine bays and estuaries.)

In the light of this indication that the Congress does not intend to let this program expire, and in the absence of a current appropriation, budget authority is set at the \$2.4 billion authorization level in 1982. When inflated, this base number is limited by the \$2.6 billion authorization ceiling for 1983-1985. After 1985, when the authorization expires, the \$2.6 billion figure is adjusted for inflation.

AGRICULTURE (FUNCTION 350)

The largest part of spending in the agriculture function is devoted to farm income stabilization. The remainder is for agricultural research and marketing services.

Agriculture Credit Insurance Fund

The ACIF is a revolving fund that makes loans to farmers and sells the resulting loan assets to the Federal Financing Bank. Budget authority for a given year (for example, 1982) consists of appropriations to make up the fund's losses of two years ago (for instance, 1980), plus borrowing authority to cover the current year's loss. Outlays equal any loss to the fund, plus the change in the amount of asset transactions with the FFB.

The volume of farm operating and ownership loans is set at the dollar levels specified in the Reconciliation Act through 1984; it is held constant in real terms thereafter. Program levels for Indian tribe, soil and water, and irrigation and grazing loans are inflated from the 1982 base. Disaster loans in 1983-1987 are projected to equal the average volume in 1977-1981, adjusted for inflation.

All loans are assumed to be disbursed in the year of their commitment. Loan asset sales to the FFB are assumed to equal loan commitments but to lag the loan disbursement by a calendar quarter.

Losses of the fund result mostly from interest subsidies. The amount of the subsidy depends on the difference between projected market interest rates and the lending rates specified in the Reconciliation Act; the subsidy lags the loan disbursement by a year.

Federal Crop Insurance Corporation (FCIC)

Budget authority for the FCIC fund is projected to be the amount of appropriations necessary to cover a 30 percent premium subsidy, plus the difference between premiums for hail and fire coverage and indemnities for these losses. In projecting funding levels, liability for 100 percent participation is assumed to be \$30 billion. Participation in the program is assumed to increase 5 percent a year. Premium income is assumed to be \$7 for every \$100 of liability and indemnities are assumed to be 90 percent of premiums.

Budget authority for FCIC administration and operations is projected as a percentage of premiums (24 percent in 1983, declining by 1 percent each year thereafter).

Commodity Credit Corporation Price Support Programs

The baseline outlay estimates of Commodity Credit Corporation (CCC) price support activities are a best estimate of likely expenditures, based on the terms and conditions established in the Agriculture and Food Act of 1981 (Public Law 97-98) and expected Administration actions in implementing the legislation. The key assumptions used in developing the projections are shown in Table D-7.

The target price for each feed and food grain crop and the dairy support price are assumed to equal the minimum levels established by the farm act. A minimum loan rate for feed and food grains is also set by the act, but it is assumed that the Secretary of Agriculture will increase the loan rates to maintain producer participation in case an acreage adjustment program is needed. It is also assumed that the farmer-owned grain reserve wheat loan rate will be \$0.45 a bushel higher than the nine-month non-recourse loan rate. The corn reserve loan rate is assumed to be \$0.35 a bushel higher than the nine-month loan rate.

The projections are based on a target price for grain sorghum and barley equal to 95 percent of the target price for corn, based on the relative feed value of these commodities. It is also assumed that agricultural commodities will not be selectively embargoed and that the embargo protection program will not be implemented.

COMMERCE AND HOUSING CREDIT (FUNCTION 370)

In addition to funds for housing credit and thrift deposit insurance, this function includes funding for the Small Business Administration's loan programs and the Postal Service subsidy, and for parts of the Department of Commerce.

Revolving Funds

This function includes four major revolving funds: the Department of Agriculture's rural housing insurance fund (RHIF), the Department of Housing and Urban Development's housing for the elderly and handicapped program and special assistance functions fund, and the Small Business

TABLE D-7. ASSUMPTIONS USED FOR CCC PRICE SUPPORT
OUTLAY ESTIMATES (By crop year)

| | 1982 Base | Projections | | | | |
|--|--------------|-------------|--------|--------|--------|--------|
| | | 1983 | 1984 | 1985 | 1986 | 1987 |
| Wheat (\$/bu.) | | | | | | |
| Target price | 4.05 | 4.30 | 4.45 | 4.65 | 4.85 | 5.05 |
| Nine-month loan rate | 3.55 | 3.60 | 3.75 | 3.95 | 4.15 | 4.25 |
| Reserve loan rate | 4.00 | 4.05 | 4.20 | 4.40 | 4.60 | 4.80 |
| Corn (\$/bu.) | | | | | | |
| Target price | 2.70 | 2.86 | 3.03 | 3.18 | 3.34 | 3.50 |
| Nine-month loan rate | 2.55 | 2.65 | 2.75 | 2.85 | 2.95 | 3.05 |
| Reserve loan rate | 2.90 | 3.00 | 3.10 | 3.20 | 3.30 | 3.40 |
| Cotton (cts./lb.) | | | | | | |
| Target price | 71.00 | 76.00 | 81.00 | 86.00 | 91.00 | 96.00 |
| Loan rate | 57.08 | 55.00 | 55.80 | 60.00 | 62.00 | 65.00 |
| Rice (\$/cwt.) | | | | | | |
| Target price | 10.85 | 11.40 | 11.90 | 12.40 | 12.90 | 13.40 |
| Loan rate | 8.14 | 8.55 | 8.93 | 9.30 | 9.68 | 10.05 |
| Soybeans (\$/bu.) | | | | | | |
| Loan rate | 5.02 | 5.02 | 5.16 | 5.53 | 5.85 | 6.15 |
| Peanuts | | | | | | |
| National poundage quota | 1.200 | 1.1673 | 1.1347 | 1.1000 | 1.0664 | 1.0338 |
| Loan rate (\$/ton) | 550 | 583 | 618 | 655 | 694 | 737 |
| Sugar (cts./lb.) | | | | | | |
| Purchase agreements | 16.75 | none | none | none | none | none |
| Loan rate | none | 17.50 | 17.75 | 18.00 | 18.25 | 18.50 |
| Dairy (\$/cwt.) | | | | | | |
| Support price | 13.25 | 14.00 | 14.60 | 15.23 | 15.88 | 16.56 |
| Wool (support at 77.5 percent of statutory formula) | | | | | | |
| Support price | 1.38 | 1.54 | 1.70 | 1.84 | 2.00 | 2.18 |

Administration's business loan and investment fund. The baseline projections for these programs are calculated using the procedures for revolving funds described earlier in this appendix.

In addition to its direct loan program, the RHIF also includes the rural rental assistance program. The baseline assumes that budget authority for this program will be sufficient to assist the same number of additional units as is implicit in the base-year authorization.

Federal Housing Administration Fund

The Federal Housing Administration insures certain private mortgage loans. Budget authority is required when insurance claims exceed income in a given year. The current policy baseline for this account, therefore, is derived from estimates of insurance claims and fund income in each year, assuming continuation of the program in its current form.

Payment to the Postal Service

The payment to the United States Postal Service (USPS) includes three components, each of which is projected separately. Unfunded liabilities include liabilities for unfunded annual leave and workers' compensation that had accrued to the Post Office Department before it was reorganized in 1970. The unfunded annual leave is fixed at \$31 million annually through 1983, \$14.4 million in 1984, and zero thereafter. The workers' compensation liability is held constant in real terms. Consistent with the Reconciliation Act and the Continuing Resolution, the payment for unfunded liabilities in 1982-1984 is deferred until 1985; beyond 1985, the normal payment level is assumed.

The baseline projection for public service costs includes \$100 million in 1983 and zero in 1984, as authorized in the Reconciliation Act. No funding is assumed after 1984.

The payment for revenue forgone is the compensation for revenues lost when the Congress has specified reduced postage rates for certain classes of mailers. For 1983 and 1984, the payment is projected at the levels specified in the Reconciliation Act. For subsequent years, the payment is projected as the difference between revenues that would be obtained without the reduced rates and revenues with the reduced rates. The baseline assumes that postal rates are adjusted annually so that USPS revenues will be sufficient to cover expenses in each year, consistent with current law. The baseline also assumes that present service levels will be

continued, that increases in personnel compensation and benefits under the current labor contract will be continued in future years, and that the current rate of increase in productivity will remain approximately constant throughout the projection period.

Periodic Censuses and Programs

The baseline includes funds for the mid-decade census, because current law requires such a census.

TRANSPORTATION (FUNCTION 400)

This function comprises highway, railroad, air, and water transportation programs, including mass transit.

Federal-aid Highways

Budget authority for the interstate highway program is projected to remain constant (\$3,625 million) through the projection period, as specified in law. Budget authority for noninterstate highways is projected from the 1982 level. The obligation level for 1983, which determines the outlays for the federal-aid highways program, is at the obligation ceiling established by the Reconciliation Act--\$8.8 billion.

Washington Metropolitan Area Transit Authority (WMATA)

The interest payments for WMATA are projected to remain constant over the projection period at \$51.7 million. This represents the federal government's two-thirds share of interest payments due on WMATA's outstanding debt issue.

Northeast Corridor

At the beginning of fiscal year 1982, \$695 million in unappropriated authorizations remained available for the Northeast Corridor Improvement Project. The appropriation for 1982 is \$170 million, and the Reconciliation Act capped the annual appropriation for 1983 at \$185 million. CBO inflates the 1983 authorization ceiling by a price index for railroad equipment to derive the 1984 baseline budget authority, with the remainder of the current authorization assigned to 1985.

Conrail

Based on recent financial performance, CBO expects that Conrail will require no federal appropriations for operations during the projection period.

Settlements of Railroad Litigation

The baseline projection contains no funding for this account beyond 1982, because CBO expects all settlements and closings to be completed and federal payments made by the end of 1982.

Grants-in-Aid for Airports (ADAP)

In the absence of an airport and airways development reauthorization bill, CBO is using as a base the 1982 obligation ceiling established in the transportation appropriation conference agreement.

Ship Construction Subsidy

The Maritime Administration (MARAD) ship construction subsidy received no new funding for 1982 activities. MARAD's ship construction program is relying on existing unobligated balances of approximately \$67 million for 1982 activities. Budget authority for the ship construction subsidy is projected from the expected 1982 obligation level of \$67 million.

Operating Differential Subsidy

The operating differential subsidy is designed to offset the higher costs of operating U.S. flag vessels in foreign trade. The projection of budget authority represents the estimate of the federal government's liability under the contracts in force for the projection period, which depends on an assumed ship mix, trade routes, products carried, and number of ship-years.

COMMUNITY AND REGIONAL DEVELOPMENT (FUNCTION 450)

Function 450 contains programs designed to redevelop urban and rural areas, stimulate economic growth in certain regions, and aid Indian tribes. Several disaster assistance programs are also included.

Rural Development Insurance Fund

Budget authority and outlays for this fund are projected using the general procedures for projecting revolving funds.

Disaster Assistance Programs

Three major programs are aimed at mitigating the effects of natural disasters on individuals, local governments, and businesses: flood insurance, disaster relief grants, and Small Business Administration (SBA) disaster loans.

Because of the volatility of these programs, the baseline projections reflect historical averages rather than just the 1982 experience. For disaster relief grants and SBA disaster loans, the average is based on the experience of the last 10 years. For flood insurance, the average is based on the entire life of the program, which is only four years. The average base-year program levels are adjusted for legislative or administrative changes in eligibility criteria, premium levels, or interest rates, and for inflation in future years.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES (FUNCTION 500)

This function contains a wide variety of education, manpower, and social services programs that are primarily discretionary in nature. It also includes two major entitlement programs: guaranteed student loans and social services grants under Title XX of the Social Security Act.

Corporation for Public Broadcasting

The Corporation for Public Broadcasting is advance funded; the appropriation in 1982 provides funds for 1984. The baseline in 1982-1984 reflects the amount appropriated for those years. After 1984, the baseline is derived by inflating the 1984 appropriation by estimated price changes.

Employment and Training Assistance (CETA)

The total funds available in 1982 are assumed to include the 1982 appropriation, plus amounts deferred from 1981. This amount is held constant in real terms in future years.

HEALTH (FUNCTION 550)

The health function includes two major entitlement programs (Medicare and Medicaid) and a variety of health research, services, training, and regulation activities.

Government Payment for Annuitants' Health Benefits

For projection purposes, CBO treats this account as an entitlement. The budget authority depends on premiums for health insurance and numbers of qualifying annuitants.

INCOME SECURITY (FUNCTION 600)

The income security function includes both cash and in-kind benefit programs. Most of these programs are entitlements that are automatically indexed for inflation.

Subsidized Housing Programs

Funds appropriated annually for this account provide assistance to low-income households through various rent subsidy programs administered by the Department of Housing and Urban Development (HUD). The distribution of assistance among the various subsidy programs is derived from spending set-asides included in appropriations and authorizations bills and information furnished by HUD. From this distribution, CBO estimates the number of additional units for which assistance contracts can be executed within the base-year appropriation. The baseline projection is an estimate of the funding that would be required to maintain this level of newly assisted units in each of the following five years.

Public Housing Operating Subsidies

Each year the Congress provides appropriations to subsidize the operating expenses of public housing projects. The baseline projections represent estimates of the funds required in each year to maintain the real level of assistance for each housing unit that is implicit in the base-year funding level. The year-to-year estimates will grow, therefore, because of increases both in costs and in the number of units eligible for assistance. The estimated annual change in units assisted is consistent with program mix assumptions used for the subsidized housing program.

Social Security

The baseline projections assume that the authority for borrowing among the old-age and survivors insurance, disability insurance, and hospital insurance trust funds will be extended beyond its current expiration date. They also assume that current law Social Security benefits would be paid, presumably out of general revenues, even if the trust funds were to have cash flow problems. Finally, it is assumed that, if the trust funds were exhausted, they would neither pay nor receive interest.

Food Stamp Program

The food stamp program is treated as a fully funded entitlement in these estimates. Although projected program costs exceed the 1982 authorization ceilings contained in the Agriculture and Food Act, the Congress has adjusted these ceilings to allow full funding of the program in each of the past three fiscal years. It is assumed that this practice will continue.

VETERANS' BENEFITS AND SERVICES (FUNCTION 700)

Veterans' benefits and services consist of those federal programs designed for veterans, their dependents, and their survivors.

Veterans' Compensation

The veterans' and survivors' compensation program is not indexed for inflation by law, but the benefit levels have historically been adjusted through annual legislation to cover increases in the cost of living. The baseline for this account, therefore, assumes annual cost-of-living increases effective each October and equal to the percentage adjustment in Social Security and veterans' pension benefits.

Veterans' Readjustment Benefits

This program is not indexed for inflation by law and receives legislated increases in benefit levels only sporadically. Since the timing and amount of future legislated increases cannot be predicted with any degree of confidence, the baseline for this account assumes no change in the current benefit rates.

ADMINISTRATION OF JUSTICE (FUNCTION 750)

This function includes the costs of law enforcement, prosecution, the federal courts, prisons, and criminal justice assistance to state and local governments. It consists almost entirely of discretionary appropriations, which are projected to be held constant in real terms.

GENERAL GOVERNMENT (FUNCTION 800)

This function includes the activities of the Legislative Branch and the general overhead costs of the federal government.

Official Mail Costs

Congressional postage fees are paid out of this account. CBO's projection of mail costs is estimated at higher levels in election years than in nonelection years to reflect the historical pattern.

Claims, Judgments, and Relief Acts

Certain claims against the United States are paid through this account. The baseline projection reflects a best estimate of the amounts likely to be paid in each year, based on data from the Administration and on historical experience.

GENERAL PURPOSE FISCAL ASSISTANCE (FUNCTION 850)

The payments in this function provide undesignated, general financial assistance to state and local governments and U.S. territories.

Forest Service and Bureau of Land Management Miscellaneous Permanent Appropriations

Certain percentages of the federal government's receipts from leasing rights and logging on federal land are paid to local units of government. CBO projections for these permanent appropriations are therefore based on estimated timber and mineral receipts, which are recorded in function 300.

Payments in Lieu of Taxes

This program provides for payments to local governments that have certain federally owned land within their boundaries. Payments to local jurisdictions are based primarily on the acreage of such land and on the population of the jurisdiction. Estimated budget authority and outlays for this program are held constant over time because CBO assumes no significant change in the total acreage in the program and in the population of the jurisdictions involved.

General Revenue Sharing

Budget authority for payments to local governments under the general revenue sharing entitlement program is limited by the authorizing legislation to \$4.6 billion annually through fiscal year 1983. The CBO baseline projects budget authority in subsequent years by inflating the \$4.6 billion figure beginning in 1984.

INTEREST (FUNCTION 900)

The interest function is the sum of two components: interest on the public debt and other interest, which is composed almost entirely of offsetting receipts.

Interest on the Public Debt

Interest on the public debt is calculated as the product of the value of outstanding debt securities and appropriate interest rates. The growth each year in the total debt is the sum of the unified and off-budget deficits and the combined trust fund surplus. The assumed deficits are equal to the difference between projected baseline outlays and revenues.

Other Interest

Other interest costs or receipts are generally estimated as the product of projected borrowing or lending and an appropriate interest rate. The growth in lending to off-budget agencies is consistent with the baseline projection of the off-budget deficit. Projections of tax and loan account balances are those of the Department of the Treasury. The estimated volume of Internal Revenue Service tax refunds on which interest is paid is based on historical and projected baseline tax revenues. Interest on

advances to the states' unemployment insurance trust funds is determined by the volume of those advances, as appearing in subfunction 603 of the budget.

A portion of other interest includes Treasury receipts of interest payments from other on-budget government agencies. The major components of these intragovernmental interest receipts are set equal to the corresponding interest outlays implicit in other budget accounts.

ALLOWANCES (FUNCTION 920)

The baseline projection for this function contains all budget authority and outlay growth resulting from anticipated pay rate increases for employees of civilian agencies. It does not include the effects of any future legislative proposals or actions, as were included in the first budget resolution for fiscal year 1982 and in the Administration's September 1981 budget. Pay raises for civilian and military employees of the Department of Defense are contained in the national defense function.

The 1983-1987 baseline projections assume pay rate increases of 7 percent each year for all employees. The 7 percent figure is that assumed in the 1982 first concurrent resolution for October 1982 and October 1983. These increases are assumed to represent the current policy of the Congress and are therefore extended through 1987. The baseline also assumes that the pay ceilings approved in the latest continuing resolution for 1982 will be maintained throughout the projection period. (The ceiling is \$57,500 for General Schedule employees and \$58,500 for members of the Senior Executive Service.)

UNDISTRIBUTED OFFSETTING RECEIPTS (FUNCTION 950)

Three groups of offsetting receipts are classified as undistributed offsetting receipts rather than being included in any of the other functions.

Employer's Share, Employee Retirement

The government's contribution to federal employee retirement plans is assumed to grow in proportion to assumed pay rate increases and scheduled increases in contribution rates.

Interest Received by Certain Trust Funds

Interest is paid to trust funds on their investments in U.S. government securities. Interest received by certain trust funds is recorded as an intragovernmental receipt in budget subfunction 952. Trust fund balances grow or decline each year by the amount of trust fund surpluses or deficits, and the interest received is estimated by applying an appropriate interest rate to the value of outstanding securities. The projected trust fund surpluses or deficits are derived from the receipts and outlays of the respective trust funds, as appearing elsewhere in the baseline.

Outer Continental Shelf Receipts

The projection of Outer Continental Shelf receipts assumes continuation of the present leasing schedule (promulgated by then Secretary of the Interior Andrus in June 1980). A new proposed schedule is currently being formulated by the Department of the Interior, but the final form of that schedule and the date of its implementation are not known at present. OCS receipts consist of cash bonus bids from lease sales, annual rental payments, and royalties on oil and gas revenue. Bonus receipts for the current year and the following year are estimated on a sale-by-sale basis, reflecting bonus bids on previous offerings in the area in which a particular sale will occur, and the U.S. Geological Survey (USGS) estimate of oil and gas reserves in the sale area. Bonus receipts for subsequent years are projected by inflating the second-year figure. Rent and royalty receipt estimates are based on USGS projections of oil and gas production.



