

The differences result from small and partially offsetting variances in the estimates of average benefits to veteran and survivor recipients. CBO assumes that the average compensation benefit to veterans will increase faster than estimated by the Veterans Administration (VA). This is expected to occur because of the worsening of the disabilities of these veterans as their average age increases. The effects of this phenomenon are partially offset by CBO's projection of slower growth in average benefits payable to survivor cases than assumed by the VA. The total number of dependent surviving children is falling, as many of them become too old to qualify as dependents. The number of new cases with dependent children is not sufficient to replace the age-related terminations, since the number of service-connected deaths during peacetime is low. This depresses the average number of dependents per case and, thus, the average benefit level. The differences in the estimates, however, are quite small; in 1985 the technical reestimate represents only slightly more than 1 percent of total anticipated program costs.

The President's 1983 budget also contains a legislative proposal to eliminate unemployability benefits to compensation recipients who also receive other federal disability or retirement benefits. The VA's estimate of the savings from this proposal, \$282.5 million in 1984, is considerably lower than CBO would expect, based on the description of the proposal in the budget. CBO will be unable to develop an alternative estimate, however, until legislative language is available for the proposed amendment.

Pensions. The large technical reestimate in pension outlays results primarily from the substantially slower growth rate in the CBO projection of average benefits to Public Law 95-588 pension recipients than the growth rate reflected in the Administration's projection.

Projections of Average Benefit Levels For Public Law 95-588 Pension (In dollars)

	1982	1983	1984	1985
Administration Projection				
Veterans	4,736	4,854	4,946	5,032
Survivors	3,254	3,286	3,330	3,366
CBO Projection				
Veterans	4,076	4,104	4,127	4,190
Survivors	2,899	3,009	3,139	3,304

Few data are available on the components of the Administration's estimates, particularly in the outyears. However, the disparity in the projections of average benefit amounts is believed to result from different assumptions about the types of cases that will be added to the Public Law 95-588 rolls in future years and about the impact these cases will have on overall benefit levels.

CBO expects average benefit levels in current dollars to increase very slowly because of a decline in real average benefits resulting from a recent change in the mix of Public Law 95-588 pension accessions. Before 1981, the majority of added cases were those transferring their entitlement from the Public Law 86-211 pension. Transfer cases have generally had very low non-pension incomes and, therefore, have received relatively high benefits under the new pension program. In 1981, the balance tipped and the largest number of cases added to the rolls were new cases who had never before received a VA pension. These new cases tend to have higher nonpension incomes and, thus, receive lower than average pension benefits. Since the Public Law 95-588 pension is a fairly new program with a rapidly growing caseload, the impact on real average benefit levels (calculated in constant 1980 dollars) of the cases added to the rolls in any year is quite significant, as can be seen in the following table.

Cases and Real Average Monthly Benefits Under Public Law 95-588 Pension (Number in thousands, benefits in dollars)

	Cases in Current Payment Status at Start of Year		Cases Added During Year			
			Cases Transferring From P.L. 86-211		Cases Not Previously Receiving Pension	
	Number	Average Monthly Benefits	Number	Average Monthly Benefits	Number	Average Monthly Benefits
1980	230	282	143	264	90	217
1981	427	265	66	275	102	218
1982 est.	525	270	47	255	125	216
1983 est.	598	253	18	240	163	214
1984 est.	659	241	10	228	185	211
1985 est.	714	234	7	215	203	207

NOTE: The effects of cost-of-living increases have been removed from actual and projected average benefit levels to show more clearly the trend in real average benefits.

The effect of this phenomenon is obvious in a comparison of actual average benefit levels in 1980 and 1981. Despite a 14.3 percent cost-of-living adjustment in June 1980 and an 11.2 percent adjustment in June 1981, the average benefit of Public Law 95-588 survivors increased by only 2.4 percent and the level for veterans by a mere 0.2 percent. The impact of new cases on the average benefit will diminish in the future as each year's new cases become a smaller proportion of the total caseload. However, the impact is unlikely to decline as fast as VA estimates would indicate.

National Service Life Insurance (NSLI). The CBO technical reestimate results from a lower CBO projection of outlays for new policy loans, as shown in the following table.

Outlays for NSLI Policy Loans (In millions of dollars)

	1982	1983	1984	1985
Administration	96.4	124.2	163.3	161.9
CBO	96.4	93.5	90.7	88.0

The Administration's estimate of outlays for policy loans reflects an increasing level of loan activity, despite the fact that the number of policies in force is expected to decline from 3,378,000 in 1982 to 3,101,000 in 1985. In addition, the decline in interest rates projected by both the Administration and CBO should exert further downward pressure on the loan level. As interest rates drop, the cost of borrowing elsewhere decreases relative to the loss of insurance coverage that results from borrowing against the policy.

Readjustment Benefits. The CBO estimate of outlays for these benefits is slightly higher than the Administration's estimate in 1982 but lower by a growing margin in 1983-1985. This is largely attributable to different projections of the number of veterans training under the G.I. Bill.

The number of veterans in training increased unexpectedly by 75,000 in the fall of 1981. This increase is believed to have resulted from the impact of the previous year's 10 percent increase in benefit rates, exaggerated by the sharp rise in the unemployment rate. Since no future increases are proposed by the President for education benefits, and since both CBO and the Administration are forecasting a steady decline in the unemployment rate, the CBO projection of outlays for readjustment benefits

reflects a reemergence of the normal downward program trend after 1982. The Administration's projection, however, shows a lasting decrease in the rate of program decline, which would be inconsistent with historical experience.

Medical Care. The CBO technical reestimate of medical care outlays results from different assumptions regarding the speed with which appropriated funds will be spent. CBO expects a somewhat slower expenditure of the 1982 appropriation for this account consistent with historical experience. The CBO reestimate, therefore, lowers 1982 outlays and raises 1983 outlays by the same amount.

FUNCTION 750: ADMINISTRATION OF JUSTICE

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	4,521	4,592	4,571	4,500
Preliminary CBO Reestimates				
Different economic assumptions	---	---	---	---
Technical reestimates	<u>-29</u>	<u>8</u>	<u>---</u>	<u>---</u>
Total Reestimates	<u>-29</u>	<u>8</u>	<u>---</u>	<u>---</u>
President's Budget Reestimated	4,492	4,600	4,600	4,500

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

This function has no reestimates resulting from different economic assumptions.

Technical Reestimates

CBO has a number of relatively minor technical reestimates in this function that result primarily from the use of different assumptions about spending rates, especially spending from obligated balances. The net effect of these reestimates is quite small.

FUNCTION 800: GENERAL GOVERNMENT

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	5,146	5,008	5,210	4,886
Preliminary CBO Reestimates				
Different economic assumptions	---	---	---	---
Technical reestimates				
Legislative Branch	-47	---	---	---
Federal Buildings Fund	-107	42	51	88
Other	-7	---	---	---
Total Reestimates	-161	42	51	88
President's Budget Reestimated	4,985	5,050	5,261	4,974

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

This function has no reestimates resulting from different economic assumptions.

Technical Reestimates

Legislative Branch. The CBO 1982 outlay estimate for the Legislative Branch is nearly \$50 million below the estimate contained in the Administration's budget. This difference is the result of different assumptions about how quickly funds appropriated in 1982 will be disbursed and the level of 1982 outlays from previous years' appropriations. CBO expects somewhat slower spending based on recent actual experience with these appropriations. Estimating differences are negligible in 1983 through 1985.

Federal Buildings Fund. The CBO outlay estimates for this revolving fund are based on the fund's past spending patterns. In 1982, the Administration estimates positive outlays of \$2.8 million; CBO's estimate is for negative outlays of -\$104 million. Over the past several years, this fund has

never shown positive outlays at the end of the fiscal year and CBO does not expect this spending pattern to change.

An examination of previous estimates for this account reveals the difficulty the Administration has experienced in developing outlay estimates. In each year but one between 1976 and 1981, net outlays were lower than initially estimated in the President's January budget submission for that year. In all but two years, actual outlays were also significantly lower than revised estimates contained in the President's budget submission released in January of the current year. The following table compares actual outlays with the Administration's original estimate for each year contained in the President's annual budget submission and the revised estimate contained in the budget submission of the following January. The final two lines show the difference between actual outlays and the estimates of the two relevant January budget submissions.

Federal Buildings Fund: Differences Between Administration Budget Estimates and Actual Outlays, 1976-1981 (In millions of dollars)

	1976	1977	1978	1979	1980	1981
Original Estimate	-98	-10	17	-5	-138	-14
Revised Estimate	35	6	1	-127	-146	-12
Actual Outlays	-105	-122	-165	-56	-54	-154
Difference A (actual outlays minus original estimate)	-7	-112	-182	-51	84	-140
Difference B (actual outlays minus revised estimate)	-140	-128	-166	71	92	-142

For 1983-1985, CBO estimates that net outlays from this fund will continue to be negative, but less so than projected in the President's February budget. Receipts and reimbursements received by the fund are expected to increase significantly as a result of planned increases in standard user charges beginning in 1983, but CBO expects that service costs will rise somewhat faster than projected by the Administration.

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	6,417	6,686	6,788	7,090
Preliminary CBO Reestimates				
Different economic assumptions	---	---	---	---
Technical reestimates				
BLM, Misc. Perm. Approp.	-123	-228	-224	-356
Forest Service, Perm. Approp.	---	-48	-123	-163
Other	-17	---	---	---
Total Reestimates	-140	-275	-347	-519
President's Budget Reestimated	6,277	6,410	6,441	6,571

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

This function has no reestimates resulting from different economic assumptions.

Technical Reestimates

Bureau of Land Management, Miscellaneous Permanent Appropriations. Payments are made to state and local units of government based on percentages of the federal government's receipts from revenue-producing activities on certain federal lands. More than 80 percent of the payments made through this account are for federal receipts from bonuses, royalties, and rentals under the Mineral Leasing Act. Under the provisions of this act, Alaska receives 90 percent of federal receipts from minerals activity on public lands in that state; the other states receive 50 percent. The balance of federal receipts for these activities are deposited in the Land and Water Resources Reclamation Fund and the miscellaneous receipts of the Treasury.

Approximately 20 percent of the payments made through this account are payments to counties in Oregon and California. These payments represent 50 percent reimbursement for federal receipts resulting from the sale of timber on grant lands located in the counties.

The CBO 1982 estimate of mineral leasing receipts is nearly \$200 million lower than the Administration's latest estimate. These receipts are recorded as offsetting outlays in function 300. In later years, CBO's estimates for mineral leasing receipts generally reflect a more moderate increase than that estimated for the February budget. The CBO estimates of mineral leasing payments to localities reflect the lower receipt estimates discussed in function 300. The 1982 estimate is approximately 35 percent lower than the President's.

The CBO estimates for the sale of timber are also lower than those of the Administration. CBO's estimated increases in timber prices in function 300 are more moderate in 1982 and 1983 than OMB's estimates. In 1984 through 1985, CBO's estimated rate of increase in timber receipts remains fairly constant, but OMB's diminishes. Therefore, the size of the difference between OMB and CBO receipt estimates, and the corresponding estimates for payments to counties, are smaller in 1984 and 1985, partially offsetting the larger differences for mineral leasing payments.

The balance of this account represents smaller payments to state and local governments for a variety of activities on federal lands within those jurisdictions. Overall, CBO estimates 1985 payments to state and local governments as increasing by more than 50 percent above the 1981 level. The Administration estimates a 235 percent increase.

Forest Service, Permanent Appropriations. Payments are made to state and local entities for reimbursement of revenues received by the federal government for activities on property owned by the Department of Agriculture that lies within the local jurisdiction. An annual payment is also made to the state of Minnesota for distribution to certain counties. This payment is equal to 0.75 percent of the appraised value of Superior National Forest lands located in those counties. Most of the payments, however, represent 25 percent of funds received from national forests for timber sales. Because the 1982 payment is based on actual 1981 receipts, CBO and OMB have the same estimates for this account in 1982. The CBO estimates for 1983 through 1985 are lower than those of the Administration. This is because CBO's timber receipt estimates in function 300 are lower than the Administration's as a result of different assumptions about the price and volume of timber sales. The estimate of payments to the states for Forest Service lands reflects CBO's assumptions regarding timber receipts, with a one-year lag.

FUNCTION 900: INTEREST
(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	99,095	112,536	116,185	119,726
Preliminary CBO Reestimates				
Different economic assumptions				
Interest on the public debt	1,143	1,749	9,418	6,543
IRS refunds	---	---	270	373
Interest from off-budget agencies	-50	-44	-63	-142
Tax and loan accounts	-141	-239	-281	-197
Technical reestimates				
Interest on the public debt	1,064	4,292	5,791	6,652
Interest from off-budget agencies	7	-208	662	555
Effects of higher deficits				
Different economic assumptions	287	928	2,530	4,661
Technical reestimates	439	2,833	6,197	9,864
Total Reestimates	<u>2,750</u>	<u>9,311</u>	<u>24,524</u>	<u>28,309</u>
President's Budget Reestimated	101,845	121,847	140,709	148,035

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

Interest on the Public Debt. CBO interest rate assumptions are higher than those of the Administration in all fiscal years. Higher rates cause higher interest outlays both for financing current deficits and for refinancing existing debt. Average interest rates can be estimated by making certain assumptions about the composition of new financing and refinancing among various marketable Treasury issues (bills, notes, and bonds). Assuming no difference in the composition of new financing, average rates for the Administration and CBO assumptions are shown in the table below.

Interest Rates on Net New Financing (Fiscal year averages)

	1982	1983	1984	1985
Administration	12.4	12.4	10.6	9.9
CBO	12.7	12.7	12.1	10.1

CBO isolates the impact of higher interest rates by incorporating Administration projections of the total public debt level. The CBO reestimate for interest on the public debt is highest in fiscal year 1984, when the difference between interest rates is most pronounced. Higher interest rates in one year also carry over into future years, since the government must continue to pay interest on longer-term securities issued during previous years.

IRS Refunds. CBO's assumed higher interest rates also lead to higher outlays for interest on IRS refunds. The statutory interest rate for accruals in a particular calendar year is equal to the average prime rate charged by commercial banks during the preceding September, rounded to the nearest whole percent. Interest payments are a function of the statutory rates for the current year and previous years. The Administration and CBO forecasts for September 1982 are sufficiently close that the rounded interest rates for calendar year 1983 are equal. By September 1983, the forecasts differ sufficiently to produce different statutory rates and different estimates of interest costs beginning in fiscal year 1984. The Administration projects the statutory rate to be 12 percent in calendar year 1985, while CBO projects it to be 14 percent. The outlay differences in 1984 are smaller than those in 1985, since the 1984 refunds accrue interest at the same statutory rates for a longer period than do the 1985 refunds.

Interest from Off-Budget Agencies. The higher interest rates assumed by CBO reduce outlays (increase offsetting receipts) for interest from off-budget agencies. This interest consists almost entirely of that received from the Federal Financing Bank (FFB). FFB borrowing from the Treasury primarily includes long-term notes and bonds. While the FFB has over \$100 billion of borrowings from the Treasury, most of the portfolio's interest rates were determined in past years. Differences in interest receipts because of different interest rate assumptions result only from net new borrowing from the Treasury and borrowing to refinance expiring securities.

CBO's average long-term rates are higher over the projection period, resulting in higher receipts from the FFB. The difference in estimated receipts increases in later years, as more net new borrowing and refinancing occur at CBO's assumed interest rates. In 1982, CBO projects \$50 million more in receipts, and this difference increases to \$142 million in 1985.

Tax and Loan Accounts. CBO's projected higher interest rates also lead to lower outlays (higher offsetting receipts) for interest on tax and loan accounts. The major portion of the government's cash operating balance is held in the tax and loan accounts at commercial banks throughout the country. The accounts earn interest at the federal funds rate, which is subject to daily fluctuation. Both the Administration and CBO forecasts of the federal funds rate depend on the projected 91-day Treasury bill rate. With higher projected Treasury bill rates, CBO estimates higher interest receipts from the tax and loan accounts.

Interest Rates on Tax and Loan Accounts (Fiscal year averages)

	1982	1983	1984	1985
Administration <u>a/</u>	11.4	11.1	9.6	8.8
CBO <u>b/</u>	13.5	14.8	14.0	11.7

a/ 91-day Treasury bill rate.

b/ Estimated federal funds rate based on 91-day Treasury bill rate.

Technical Reestimates

Interest on the Public Debt. Part of this technical reestimate results from making outlays for interest on the public debt consistent with the Administration's published unified budget deficit figures. The deficits assumed by the Administration in estimating interest costs were lower than those ultimately incorporated in the budget.

The other part of CBO's technical reestimate reflects a higher level of interest payments to trust funds that hold government securities. CBO's estimating methodology is based on an examination of historical patterns of

redemption of securities held by these trust funds. CBO assumes less refinancing of the long-term securities held by these trust funds, thus giving greater weight to current high interest rates and less weight to projected lower rates. Since this outlay is almost entirely an intragovernmental transaction, this portion of CBO's technical reestimate in function 900 is offset in subfunction 952 (interest received by certain trust funds).

Interest from Off-Budget Agencies. The Administration's interest calculation uses levels of lending and repayment activity that do not correspond to its published figures for off-budget accounts. The CBO reestimate corrects for this by using the published data. The reestimate also reflects consistency with CBO reestimates of FFB lending and repayment activity.

Effects of Higher Deficits

New financing requirements are projected to be higher because of CBO economic and technical reestimates of revenues and of other outlays (both on- and off-budget). This causes higher budget deficits and, therefore, higher outlays for interest on the public debt. The deficits resulting from the CBO reestimates (excluding the induced interest costs) exceed the Administration's estimates by about \$11.6 billion in 1982, \$24.6 billion in 1983, \$37.3 billion in 1984, and \$53.1 billion in 1985. The interest outlays resulting from these higher levels of deficit financing rise from about \$0.4 billion in 1982 to \$9.9 billion by 1985, as shown in the table presented at the start of this function.

FUNCTION 920: ALLOWANCES

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	-624	-1,257	-191	-369
Preliminary CBO Reestimates				
Different economic assumptions	---	---	---	---
Technical reestimates				
Civilian agency pay raises	---	71	556	564
Total Reestimates	---	71	556	564
Unevaluated Administration Estimates				
Fraud, waste, and abuse	(1,000)	(1,000)	(1,000)	(1,000)
Debt collection	(---	(1,000)	(1,000)	(2,000)
President's Budget Reestimated	-624	-1,186	365	195

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

This function has no reestimates resulting from different economic assumptions.

Technical Reestimates

Civilian Agency Pay Raises. The Administration's February budget estimates assume pay raises of 5 percent for all federal white- and blue-collar employees in each of the next three years. The estimates also assume a reduction in the federal civilian agency work force of approximately 75,000 full-time equivalent positions over the 1982-1984 period.

The pay raise cost figures provided by the Administration do not reflect the full cost of the anticipated pay adjustments for fiscal years 1983 through 1985. As can be seen in the table below, the Administration's estimate falls significantly short of CBO's full cost estimate, raising the possibility that the Administration is assuming partial absorption of pay

raise costs, or that the payroll savings associated with proposed work force reductions are being placed in function 920. If, in fact, the latter is true, the saving would be double counted, since it is already contained in various accounts throughout the budget. For the sake of comparison, the table also provides CBO pay raise cost estimates assuming absorption rates of 70 percent (the level proposed by the Administration for 1982) and 40 percent (the average of the absorption rates actually adopted by the Congress over the last 10 years). The CBO reestimate of the Administration's budget is based on the assumption of 40 percent absorption in 1983-1987. While CBO's work force and pay rate adjustment assumptions are consistent with those used by the Administration, its 1982 payroll figure is approximately \$2 billion higher than the Administration's. This results in an upward adjustment in the pay raise cost estimates of approximately \$60 million in 1983, \$160 million in 1984, and \$240 million in 1985.

A Comparison of Administration and CBO Pay Raise Cost Estimates (In millions of dollars)

Fiscal Year	Administration	CBO at Full Cost	CBO with 70 Percent Absorption	CBO with 40 Percent Absorption
1983	743	1,405	371	814
1984	1,809	2,986	1,899	2,365
1985	3,331	4,645	3,508	3,895

UNEVALUATED ADMINISTRATION ESTIMATES

Fraud, Waste, and Abuse

The Administration's allowance estimates for the 1982-1985 period also contain \$1 billion in annual savings from the elimination of fraud, waste, and abuse. According to the President's budget, these savings are expected to result from the vigorous program of the Inspectors General to uncover wrongdoing and inefficiency in various government activities. The Administration claims that savings will also result from increased cooperation between the Inspectors General and agency Assistant Secretaries for Management.

CBO has not reestimated the Administration's projections of the savings assumed to result from the reduction of fraud, waste, and abuse, but

believes they are optimistic for two reasons. First, while the Administration asserts that an additional savings of \$1 billion a year can be achieved through a more vigorous program of auditing and oversight, in most cases it has not provided for the additional personnel necessary to handle the increased workload. This can be seen in the following table, which provides a comparison of 1982 and 1983 staffing levels for a number of major Inspectors General offices. In each case, the Administration projects little or no change in the office's level of staffing for 1983. This raises serious doubts about the ability of the Inspectors General to perform the job asked of them by the Administration.

Offices of Inspectors General--Full-Time Staffing Levels

Department or Agency	1982	1983
Department of Agriculture	889	889
Department of Education (proposed Foundation for Educational Assistance)	292	292
Department of Health and Human Services	1,024	1,026
General Services Administration	509	499

A second reason CBO believes the allowance target is optimistic is that the Administration is already claiming savings from the elimination of fraud, waste, and abuse in various spending accounts throughout the budget--assistance payments, health care services, and Pell grants being notable examples. Since the budget estimates for these programs already reflect savings expected to result from the elimination of fraud, waste, and abuse, CBO believes that the additional savings estimated in function 920 will be difficult to achieve.

Debt Collection

The Administration has estimated savings of \$13 billion (excluding tax receipts) in the period 1983-1987 as a result of improved debt collection procedures. Of this amount, \$5 billion has been distributed to agency accounts within several functions of the budget. The undistributed balance is reflected in function 920.

The improved debt collection is to be achieved through both administrative and legislative initiatives. The administrative remedies planned by the Administration include examination and improved effectiveness of loan origination and servicing, better training for collections officials, faster and more effective litigation, and utilization of new tools and techniques--one of which is the contracting of certain debt collection functions to the private sector. Legislative proposals outlined in the Administration's budget include contracting for use of private-sector debt collection agencies, assessment of interest, penalties, and administrative charges on nontax debts, granting authority to refer credit information on delinquent debtors to credit bureaus, and requiring credit applicants to furnish their Social Security numbers to the government.

Both the General Accounting Office (GAO) and the Justice Department issued regulations in the Federal Claims Collection Standards in April 1979, which were soon followed by Treasury Department regulations, requiring agencies to charge interest and penalties on delinquent debt. According to the January 1981 report of the OMB Debt Collection Project, few agencies have adhered to these regulations. It is clear that the federal government has been lax in its debt collection efforts in the past.

The following table compares several debt collection estimates. The first column shows delinquent debt owed to the government as of September 30, 1981. The second column is CBO's estimate of the portion of that debt that was over 90 days delinquent on that date. The next column presents the Administration's 1983 estimates for those savings that have been distributed to agency accounts. (It does not include the additional \$1 billion in undistributed allowances that the Administration allocates to function 920.) Finally, the table shows GAO's estimates of savings that could be achieved over several years (generally covering at least a four-year period).

The Administration's 1983 and 1984 estimates are the same for each agency except those for the Department of Housing and Urban Development, which increase to \$150 million in 1984. The Administration estimate of \$5,050 million in collections over five years appears optimistic but feasible when compared with the GAO collection estimates. The GAO paper on debt collection stresses, however, the need for maximum availability of resources and management tools, and states that current resources are insufficient. If resources are diverted from other activities, as suggested by the Administration, agencies will incur opportunity costs as effort in other programs is diminished. CBO's cost estimate of S. 1249, the Debt Collections Act of 1981, estimated that collection costs of \$0.7 billion would be associated with the collection of \$1.9 billion in delinquent debt. Under the bill's provisions, this would result in a net savings of \$1.2 billion over a period of four and one-half years.

Debt Collection Estimates (In millions of dollars)

Department or Agency	Delinquent Debt <u>a/</u>	CBO Estimate of Delinquencies Aged 90 Days <u>b/</u>	Administration Estimate of Fiscal Year 1983 Savings	GAO Estimate of Savings Over Several Years <u>c/</u>
Department of Agriculture	1,976	1,646	250	675-1,150
Department of Commerce	244	237	30	N/A
Department of Defense	226	93	35	105-129
Department of Education	2,976	2,553	225	800-1,800
Department of Energy	115	60	35	N/A
Department of Health and Human Services	2,000	2,000	155	170-540
Department of Housing and Urban Development	1,293	1,293	125	362-633
Department of the Interior	59	43	25	N/A
Department of Labor	305	272	75	466-559
Department of State	12	12	5	N/A
Department of Transportation	141	138	5	N/A
National Aeronautics and Space Administration	*	*	25	N/A
Veterans Administration	1,042	913	150	340-640
Agency for International Development	77	53	35	N/A
Small Business Administration	1,698	1,499	175	900-1,300
All Other <u>d/</u>	255	193	---	N/A
Total	12,419	11,005	1,350	3,918-6,751

*Less than \$500 million.

N/A = Not available.

a/ As of September 30, 1981. Supplied by the Office of Management and Budget.

b/ This estimate is based on the percentage of each agency's debt that was over 90 days delinquent on September 30, 1979. Actual 1981 data are not yet available.

c/ Derived from Enclosure IV of a Memorandum prepared by the Office of the Comptroller General, General Accounting Office, to Chairman James R. Jones, House Committee on the Budget, "Improved Administrative Practices Can Result in Further Budget Reductions (PAD-81-69)," (March 1981). These estimates were based on September 30, 1979, delinquency levels, which totaled approximately \$10.9 billion for all departments and agencies other than the Department of the Treasury.

d/ Debts owed to the Treasury Department have been excluded because more than 90 percent of Treasury Department delinquencies are owed to the Internal Revenue Service, which has its own unique debt collection activities and programs.

Based on both the GAO and CBO estimates of debt collection activities, CBO believes that the Administration may be able to achieve the savings allocated to agencies, but that the additional \$4 billion in undistributed savings estimated by the Administration over the 1983-1985 period appears to be optimistic. Moreover, unless significant new resources are allocated to the debt collection effort, it is doubtful that agencies will be able to realize the savings estimated by the Administration.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	-31,502	-43,474	-48,245	-50,043
Preliminary CBO Reestimates				
Different economic assumptions				
Interest rates	-56	-372	-57	-466
Technical reestimates				
Employer's share, employee retirement	390	253	-57	-291
Interest received by certain trust funds	-637	-3,233	-4,446	-3,578
Outer Continental Shelf receipts	900	5,200	4,800	3,200
Total Reestimates	<u>597</u>	<u>1,847</u>	<u>240</u>	<u>-1,135</u>
Unevaluated Administration Estimates				
Federal surplus property disposition	(---)	(1,000)	(4,000)	(4,000)
President's Budget Reestimated	-30,904	-41,627	-48,005	-51,178

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

Interest Rates. Subfunction 952 consists of interest received on securities held by certain federal government trust funds. CBO projects higher interest rates than the Administration and, hence, larger offsetting receipts by these trust funds. The trust funds invest almost entirely in special issues of long-term securities, whose interest rates are typically linked to average rates on some defined portion of outstanding marketable long-term debt. These portfolios are largely fixed, but their composition changes over time as the trust funds purchase new securities and refinance expiring debt. Changes in trust fund interest receipts resulting from different interest rate assumptions occur with a lag of about one year, as the new purchases (and refinancing) gradually constitute a larger share of the portfolio. Different long-term interest rate assumptions in fiscal year 1982