

Summary of Major Programs--Function: In Billions of Dollars

	FY 1981		FY 1982	
		President's Latest Request	CBO Baseline Projection	President's Request
CCC Price Supports	BA	3.3	2.6	2.3
	O	-0.2	2.7	2.1
Agriculture Credit Insurance Fund	BA	0.3	0.5	0.8
	O	-0.7	0.6	0.6
Federal Crop Insurance Corporation	BA	0.2	0.3	0.5
	O	0.3	0.2	0.2
Other Agriculture Programs	BA	1.8	1.9	1.9
	O	<u>1.8</u>	<u>1.8</u>	<u>1.9</u>
Total--Function 350	BA	5.6	5.2	5.6
		1.1	5.3	4.8

The \$3.8 billion increase in total outlays projected by the President is largely attributable to a \$2.3 billion increase in CCC expenditures and a \$1.4 billion increase in ACIF outlays. FCIC outlays are expected to decline by \$82 million in 1982 (reflecting an assumption of a more normal level of crop disasters), while outlays for all other agriculture programs are projected to rise by \$160 million, or 9 percent above the estimated 1981 level.

The CCC estimate reflects an assumption of normal weather in 1982, after the increased commodity prices caused by the 1980 drought resulted in substantial loan repayments in 1981. While total CCC outlays are expected to increase substantially, direct storage facility loans are projected to decline by \$60 million, and disaster payments by almost \$400 million. The President's outlay estimate assumes that dairy prices will not be supported above 75 percent of parity during fiscal year 1982. This would represent a change from the current 80 percent level in CBO's base projection and accounts for an outlay reduction of approximately \$300 million. CCC use of credit through direct loans is projected to increase by \$1 billion, mostly for commodity loans. Loan guarantee levels are continued at \$2 billion for

export credit, but no request is made for the agricultural fuels pilot project, for which \$34 million was authorized in 1981.

Congress will consider new farm legislation in this session, of which CCC programs will be the centerpiece. CBO estimates that continuation of current programs under new authority would result in CCC outlays of \$2.7 billion in 1982. Substantial changes could occur in projected 1982 outlays, as a result of the farm legislation, as well as of weather and export conditions.

The ACIF outlay increase in 1982 reflects very large asset sales expected in 1981, which the President projects will reduce 1981 outlays by \$1.5 billion. These sales are reflected in off-budget outlays of the Federal Financing Bank. Outlays for ACIF program operations, excluding asset transactions, are expected to increase by about \$100 million in 1982.

The President's budget includes outlay reductions assuming implementation of proposed legislation. Authority to forego the April adjustment of dairy support prices, if enacted in time, will save \$138 million in 1981 and \$86 million in 1982 by Administration estimates. In addition, the proposed collection of user fees for the Agricultural Marketing Service's cotton and tobacco grading and classification program is estimated to reduce both budget authority and outlays \$25 million in fiscal year 1982.

OFF-BUDGET SPENDING

A significant portion of federal spending for agriculture programs is off-budget, as a result of ACIF sales of assets to the Federal Financing Bank (FFB). Net ACIF outlays, both on and off-budget, are projected to decline by \$3.2 billion from 1981 to 1982, more than offsetting the \$2.4 billion increase in other agriculture spending (primarily CCC).

Two and one-half billion dollars of this decrease reflects the President's projection of reduced ACIF direct loans. A \$2.2 billion decrease is estimated for disaster loans, and a \$1.85 billion decrease for economic emergency loans will result from the expiration of authority at the end of fiscal year 1981. Partially offsetting these decreases is a proposed increase of \$1.2 billion in farm operating and ownership loans, to a total of \$3 billion in 1982. Loan guarantee authority in ACIF programs is estimated to increase from \$336 million to \$359 million.

Total Function 350 Outlays (In Billions of Dollars)

	Actual	Administration Estimates	
	1980	1981	1982
ACIF			
On-budget	0.5	-0.7	0.6
Off-budget	4.0	6.1	1.6
Net ACIF	4.5	5.4	2.2
CCC	2.7	-0.2	2.1
All Other Unified Budget	1.6	2.0	2.1
Total	8.7	7.2	6.4
Off-Budget Outlays as Percent of Total Outlays	45	85	25

Off-budget outlays in ACIF arise from the sale of assets from disbursements of loans to farmers offset by repayments of previous loans. These net outlays are therefore less than the level of off-budget credit activity in the fund. Particularly high outlays result in certain years (1981, for example) from high levels of natural disaster and economic emergency loans which depend on weather and economic conditions. In the past, both unified budget and off-budget outlay levels have also been affected by Administration decisions to hold the sale of assets to the Federal Financing Bank until a later year. The 1980 appropriations bill now requires that 75 percent of assets acquired through loan be sold to the FFB in that fiscal year.

COMMERCE AND HOUSING CREDIT (FUNCTION 370)

Most of the programs in this function are designed to ensure an adequate supply of funds to meet the nation's housing and credit needs. These programs include the mortgage insurance and purchase activities of the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA); the federal government's thrift deposit insurance programs; and the business loan programs of the Small Business Administration (SBA), the National Consumer Cooperative Bank (NCCB), and the Chrysler Guarantee Loan Program. The function also includes funding for the United States Postal Service, for parts of the Department of Commerce, and for a number of independent agencies. As part of the Administration's proposed economic revitalization program, this function would include payments for several business tax credits.

Function Totals: In Billions of Dollars

	1981 Estimates			1982 Estimates		
	2nd Bud. Res.	Pres. Latest Request	CBO Estimate of Pres. Request <u>a/</u>	CBO Baseline Projection <u>a/</u>	Pres. Budget Request	CBO Estimate of Pres. Request <u>a/</u>
Budget Authority	5.25	6.9	6.9	7.4	10.7	10.4
Outlays	0.95	3.4	3.4	4.6	8.1	7.8

a/ Preliminary, subject to change.

For fiscal year 1982 the President has requested \$10.7 billion in new budget authority, an increase of \$3.8 billion or nearly 55 percent from the \$6.9 billion currently estimated for 1981. Outlays are estimated to increase from \$3.4 billion to \$8.1 billion, or over 135 percent. The major activity responsible for this growth is the President's proposed tax credit to businesses for payments in excess of business tax liability. These payments are estimated to be \$0.2 billion in 1981 and \$3.5 billion in 1982. (If implemented, CBO estimates that \$0.3 billion less would be required in 1982 because of different assumptions regarding wages and salaries as well as unemployment levels). These payments would provide a 30 percent tax

credit for business investments and an 8 percent tax credit for social security payments when these credits exceed a business's tax liability. Other differences in budget authority and outlays are largely due to financial management decisions (primarily asset sales) by the Administration rather than real growth in program levels.

FARMERS HOME ADMINISTRATION

For fiscal year 1982, the Administration is proposing the use of about \$2,218 million in budget authority for the various rural housing programs of the Farmers Home Administration (FmHA). Virtually all of this authority would be used to support the direct loan and other very-low-to-moderate-income housing activities financed from the Rural Housing Insurance Fund (RHIF). The FmHA estimates that the authority earmarked for the RHIF (\$2,212 million) will be sufficient to allow the obligation of \$4,371 million of new direct loans. In addition, \$398 million is expected to be committed to provide rental assistance payments to low-income households living in FmHA financed rental units. The Administration is also proposing to use \$100 million of RHIF authority to implement the homeownership assistance program (HOAP). HOAP has been authorized for several years but has yet to be funded by the Congress. Overall, FmHA expects to finance about 117,000 residential units in 1982, 113,000 of which would involve mortgages carrying subsidized interest rates. (The bulk of RHIF's new loans are written with interest rates of 2 to 3 percent per year). In addition to RHIF's direct loan assistance, the agency proposes rental assistance payments for about 14,000 units and HOAP payments for 830 households. Total loan levels proposed for 1982 are about 6 percent higher than for 1981. Units assisted, however, drop slightly, reflecting anticipated cost increases.

The RHIF generally finances a large portion of its new activity through the sale of loan assets. These loans are sold to the Federal Financing Bank (FFB)--an off-budget federal agency--in the form of certificates of beneficial ownership (CBO). Since the CBOs bear rates of interest approaching market rates and the underlying loan pools yield far less, annual appropriations are required to cover this interest differential. This appropriation request totals \$654 million for 1982, up almost 30 percent from 1981 and more than double the 1980 level.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

The 1982 request for the Government National Mortgage Association (GNMA) proposes authority that, in GNMA's estimation, would be sufficient to support \$2.0 billion of new mortgage loans. This is the same level

currently estimated for 1981 (including a \$200 million supplemental loan authority request). However, the mechanism by which GNMA proposes to provide this assistance would change. Currently, GNMA buys loans bearing below-market interest rates and resells them at whatever discount from face value is necessary to make the yield attractive to private investors. The value of these discounts represents the net cost to the government of this program. As is the case with the RHIF, these loan sales provide GNMA with a substantial portion of the budget resources necessary to support new activity. The proposed change would eliminate the purchase/sale tandem arrangement for most of GNMA's loan assistance activity. It would substitute, instead, direct, up-front grants of sufficient size to entice lenders to make below-market rate loans. The budget anticipates that \$1.7 billion of loans will be assisted with the proposed grant program. GNMA estimates that \$490 million in budget authority will be needed. The remaining \$300 million of total loan assistance will be provided through the traditional tandem programs. A much smaller direct grant program was proposed last year on a demonstration basis by the administration but was rejected by the Congress.

Since loan asset sales offset both outlays and new budget authority requirements for GNMA's tandem programs, budget estimates for these programs are highly dependent upon sales assumptions. Because of the uncertain economic conditions that have prevailed over the past several years, these sales assumptions have rarely been accurate. The 1982 budget includes GNMA loan sales of \$2.5 billion in 1982 and \$2.0 billion in 1981. These levels are much higher than the \$833 million actually sold in 1980 and probably should be viewed as optimistic. Since the proposed grant program would eliminate the purchase/sale tandem arrangement, the uncertainties in budget estimates associated with asset sales would be reduced.

Adoption of the new program would have an effect on direct federal credit activities by substituting grants for direct loans. Thus, GNMA's 1982 request for new direct loan authority of \$300 million, down from \$2.0 billion in 1981 does not reflect a program reduction, but rather the change in the method of providing assistance.

GNMA's budget for 1982 also includes a request for \$72 billion in loan guarantee authority to support its mortgage-backed securities guarantee program. This is the same level currently requested for 1981. Guarantees of these securities are, in effect, secondary guarantees since the securities are backed by mortgage loans already guaranteed by federal agencies.

Summary of Major Programs--Function 370: In Billions of Dollars

		FY 1981		FY 1982	
			President's Latest Request	CBO Baseline Projection	President's Request
Farmers Home Administration	BA		0.6	1.8	2.2
	O		-0.7	1.5	1.6
HUD - FHA	BA		0.3	0.3	0.3
	O		0.1	-0.1	-0.1
Housing for Elderly and Handicapped	BA		0.8	0.9	0.8
	O		0.8	0.8	0.8
GNMA	BA		1.4	0.5	0.5
	O		0.5	0.8	1.0
Thrift Insurance Activities	BA		0.2	---	0.3
	O		-0.8	-2.2	-1.9
Postal Service	BA		1.3	1.8	1.1
	O		1.3	1.8	1.1
Small Business Administration	BA		0.9	0.9	0.8
	O		0.8	0.9	0.9
Other Commerce and Regulatory Activities	BA		1.2	1.2	1.2
	O		1.2	1.2	1.2
Payments in Excess of Business Tax liabilities	BA		0.2	---	3.5
	O		<u>0.2</u>	<u>---</u>	<u>3.5</u>
Total--Function 370	BA		6.9	7.4	10.7
	O		3.4	4.6	8.1

FEDERAL HOUSING ADMINISTRATION

The 1982 budget authority request for the Federal Housing Administration's (FHA) loan insurance programs is about the same as that for 1981. Because of lower expected claims and increased income, however, outlays in 1982 are projected by FHA at -\$104 million, down from 1981's level of \$61 million. Loan guarantee authority of \$44 billion is also requested for 1982, up from \$39 billion in 1981 (including a proposed supplemental). FHA has also requested direct loan authority in such amounts as may be necessary for 1982. FHA's direct loan activity comprises payments for loan insurance claims and temporary assistance payments on behalf of certain insured borrowers. FHA estimates this activity to total about \$250 million in 1982.

HOUSING FOR ELDERLY AND HANDICAPPED

Direct gross loan obligations of \$851 million are proposed for 1982 to finance housing for elderly and handicapped persons under Section 202 of the Housing Act of 1959. When adjusted for estimated recoveries of unfunded prior obligations, this is the same loan level provided for 1981. Because of increasing costs, units assisted are projected to drop to 17,200 from 1981's 18,600.

THRIFT INSURANCE ACTIVITIES

No budget authority has been requested for 1982 to support the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC). Outlay estimates for 1982 make no provision for losses, although both the FSLIC and FDIC were required to purchase assets from member institutions in 1980 at levels above those projected in the President's 1981 budget.

In 1982 the President has requested a limitation on borrowing authority of \$600 million for the Central Liquidity Facility, which is also the current limitation. It is expected that this funding would support an obligation level of \$3.7 billion in 1982, as short term loans are rolled over.

POSTAL SERVICE

The President has requested a 1982 payment to the Postal Service of \$1.1 billion, a reduction of \$0.4 billion in the public service payment as provided in Public Law 91-375. This payment, scheduled to decline 10 percent annually through 1984 when it would level off at \$460 million, has been eliminated entirely in the administration's projections for fiscal years 1983 through 1986. In addition, the President's budget proposes a rescission

of \$250 million from the 1981 appropriations level of \$1,593. This appropriation exceeds the recommendation in the Omnibus Reconciliation Act by \$0.4 billion. Furthermore, the Postal Service will likely request a 1981 supplemental as well as amend their 1982 budget submission when a final decision, expected around March 1981, is reached regarding proposed rate increases. The new rates will likely entitle the Postal Service to a larger payment for revenue forgone as a result of free or reduced rates as authorized by the Congress.

SMALL BUSINESS ADMINISTRATION

Budget authority requested for 1982 in the area of other advancement and regulation of commerce (excluding the proposed tax credit program and the Small Business Administration) is consistent with the current estimates of \$1.2 billion in both budget authority and outlays. A supplemental of \$24 million is requested in 1981 to cover additional data collection costs for the Bureau of the Census. While activities for the decennial census in 1982 will be slowing down, increases of over \$20 million are requested to upgrade the computer facilities at the Bureau of the Census as well as the Bureau of Standards. Other smaller increases would promote industrial innovation, domestic productivity, and international trade.

The Administration has proposed restructuring the business loan program of the Small Business Administration (SBA) in 1982 but would maintain the current loan program ceilings of \$4.2 billion for guaranteed loans and \$346 million for direct loans. Disbursements for guarantee claims is estimated to be over \$480 million in 1982. Similar to the recommendation in the 1981 budget request, the President has proposed legislation which would allow targeting loans by recipient rather than by loan type in order to allow SBA more flexibility to use funds for priority markets or groups, including minorities and women. The proposed legislation would also eliminate the interest differential between direct and guarantee loans, which has created excessive demand for direct loans, while the guarantee loan ceiling has never been reached. The Congress, in authorizing activities for the SBA (Public Law 96-302), failed to adopt either of these proposals.

OTHER

Funding for the NCCB, whose authorization is scheduled to expire September 30, 1981, would increase by 11 percent over 1981 levels, although the ceiling on direct loans would be lowered from \$169 million in 1981 to \$114 million in 1982. The 1981 budget includes \$56 million to purchase from

banks existing loans with maturities of less than one year, which account for most of the higher level of activity in 1981.

The Chrysler Corporation Loan Guarantee Act of 1979 authorized the Secretary of the Treasury to guarantee up to \$1.5 billion of Chrysler Corporation debt. The Administration assumes that the remaining \$700 million in guarantee authority will be obligated during 1981, but has not projected any reserve for defaults through 1986.

OFF-BUDGET SPENDING

In the course of its activities, the Rural Housing Insurance Fund (RHIF) provides a large number of mortgage loans to rural residents. Virtually all of these loans are then sold to the FFB. These loan sales greatly reduce the impact of RHIF's programs on the federal budget. The 1982 budget projects net RHIF sales to the FFB at \$3.4 billion, down from \$5.3 billion in 1981.

It is estimated that the FFB will purchase approximately \$0.3 billion SBA Investment Company loans in both 1981 and 1982. The Postal Service, an off-budget agency whose obligations are expected to exceed \$24 billion by 1982, is supported primarily by revenues from the mailers, receipts from investments, and Congressional appropriations. The on-budget activities of the Postal Service reflect the Congressional appropriation for public service costs, revenue forgone and unfunded liabilities of the old Post Office Department. The off-budget outlay estimated in each fiscal year represents the net of revenues and expenditures for the entire Postal Service operations. In 1982 expenditures are expected to exceed revenues by approximately \$0.1 billion.

Off-Budget Outlays: (In Billions of Dollars)

	Actual	Administration Estimates	
	1980	1981	1982
Off-Budget Outlays			
Rural housing insurance (FmHA)	1.9	5.3	3.4
Small Business Administration	0.1	0.3	0.3
Postal Service	-0.4	0.2	-0.1
Subtotal	<u>1.6</u>	<u>5.9</u>	<u>3.7</u>
Unified Budget Outlays	7.8	3.4	8.1
Total Outlays	<u>9.4</u>	<u>9.3</u>	<u>11.7</u>
Off-Budget Outlays as Percent of Total Outlays	17.1	63.4	31.3

TRANSPORTATION (FUNCTION 400)

Function 400 includes surface, water and air transportation activities administered by the Department of Transportation, the Department of Commerce's Maritime Administration, the Panama Canal Commission and several independent agencies.

Function Totals: In Billions of Dollars

	1981 Estimates			1982 Estimates		
	2nd Bud. Res.	Pres. Latest Request	CBO Estimate of Pres. Request <u>a/</u>	CBO Baseline Projection <u>a/</u>	Pres. Budget Request	CBO Estimate of Pres. Request <u>a/</u>
Budget Authority	21.3	26.1	26.1	23.1	25.5	25.5
Outlays	19.7	23.9	23.9	22.2	21.6	21.8

a/ Preliminary, subject to change.

The budget for this function includes six major policy proposals:

- o Significant changes in the financing of air transportation activities. The President proposes to reduce the growing airport and airway trust fund surplus by using a greater amount of the fund for Federal Aviation Administration operating expenses. For equity purposes, he proposes to increase general aviation user taxes.
- o An increase in federal excise taxes on gasoline and diesel fuel, from four cents to fourteen cents a gallon with two of the additional ten cents going to the highway trust fund (starting in fiscal year 1982). Combined with proposed increases in other taxes that support the trust fund, the President estimates that the new tax rates will raise an additional \$3.5 billion in fiscal year 1981 and will yield total revenues of \$14.6 billion in 1982, with \$3.4 billion of the additional revenues targeted for the highway trust fund.

- o A \$1.3 billion increase in the highway obligation ceiling in fiscal year 1982 to \$10.05 billion and consolidation of the current 44 categorical highway programs into 9 new categories. The budget also includes \$1.4 billion, all within the obligation limit, for projects under a new "4-R" program. The budget includes a fiscal year 1981 liquidating cash supplemental request of \$1.25 billion to meet higher-than-anticipated outlays in the federal-aid highway program.
- o An increase in federal funds for urban mass transportation, specifically for capital improvement grants. Proposed funding for buses is up 23 percent and grants for rail modernization, new starts and extensions is up 15 percent.
- o No additional federal subsidy for Conrail in 1982, pending completion of studies examining alternatives to the current system.
- o An increased operating subsidy for Amtrak but one that is less than the amount needed to maintain the current system.

Excluding two extraordinary, one-time payments (\$2.32 billion for the Penn Central settlement and \$0.4 billion for repayment of Panama Canal Commission tolls and revenues), the 1982 request represents a \$2.1 billion budget authority increase (up 9 percent) and a \$0.3 billion outlay increase (1.5 percent) over the latest 1981 request.

The 1982 budget authority increases are spread across several programs, with funding for highway programs up 14 percent (from \$9.5 billion to \$10.9 billion), mass transit budget authority up 5 percent (from \$4.9 billion to \$5.2 billion), Federal Aviation Administration funding up almost 11 percent (from \$3.5 billion to \$3.8 billion) and Coast Guard budget authority up 11 percent (from \$2.0 billion to \$2.2 billion). The budget proposes a 10 percent funding decrease for rail programs (\$2.1 billion to \$1.9 billion).

The President expects outlays to increase 1.4 percent, from \$21.2 billion in 1981 to \$21.5 billion in 1982, excluding the one-time payments for Penn Central and the Panama Canal Commission. He estimates virtually the same outlays in 1981 and 1982 for the Maritime Administration, the Panama Canal and several smaller programs, and small increases for mass transit (up 2.7 percent, from \$3.7 billion to \$3.8 billion). Estimated outlay increases for Federal Aviation Administration programs (up 13 percent, from \$3.1 billion to \$3.5 billion) and for the Coast Guard (up almost 11 percent, from \$1.9 billion to \$2.1 billion) are offset by projected decreases for highway programs (down approximately 2 percent, from \$9.0 billion to \$8.8 billion) and rail.

Off-budget credit programs supplying direct and guaranteed loans for transportation activities would increase their loan levels 42 percent under the President's budget. This \$1.6 billion increment comes mostly in the ship financing program where the budget proposes to increase loan guarantees outstanding from \$6.6 billion to \$7.6 billion. This program guarantees construction loans and mortgages on U.S.-flag vessels built in the United States and has an overall program obligation limitation of \$10 billion. The 1982 budget submission includes an additional \$350 million in aircraft purchase loan guarantees, of which at least \$100 million is targeted for commuter carriers serving small communities. This raises the outstanding loan balance for this program to \$1.1 billion. Rail projects would receive \$320 million in loan guarantees, much of which would fund projects involving properties of the bankrupt Rock Island and Milwaukee Railroads.

HIGHWAYS

The President requests a 14 percent increase in budget authority for 1982 and asks for changes in the structure of both the federal highway programs themselves and the taxes that fund them. The major spending increase would come in the federal-aid highway program that supports interstate construction, the bridge replacement program, safety construction and rehabilitation activities. The budget would raise the federal-aid obligation ceiling from \$8.75 billion to \$10.05 billion, not including emergency relief programs. The President wants to add a fourth "R", reconstruction, to the current resurfacing, restoration and rehabilitation (3-R) program in order to give the states greater flexibility in handling their interstate highway problems. The budget also proposes funding the interstate transfer grant--highway program with \$300 million in trust fund revenue. Interstate transfer grants for both highway and mass transit projects were funded previously with general funds under Urban Mass Transportation Administration (UMTA) authority.

Partly to support these new demands on the highway trust fund, the budget proposes to raise the federal excise tax for gasoline and diesel fuel from 4 cents to 14 cents per gallon, with the increase being added to the price of fuel at the pump. Two cents of the ten cent increase would go to the trust fund and the balance to the general fund. The President also proposes other excise tax changes (largely affecting trucks) to allocate costs among highway users in a more equitable manner.

The Administration expects highway outlays to decline by \$0.2 billion, primarily because of reduced federal-aid highway program spending (dropping from \$8.4 billion in 1981 to \$8.2 billion in 1982). The lower estimate is attributed to the fact that federal-aid highway outlays are

restricted by legislative action that reduced the fiscal 1980 obligation ceiling to \$7.8 billion. CBO's preliminary estimate of 1982 highway outlays is \$0.4 billion higher than the President's. While the obligation ceiling will restrain spending somewhat, two other factors lead to the higher CBO estimate: the obligation process has been running at a faster-than-anticipated rate this year and the rapid pace should continue through fiscal year 1982, and CBO expects many states to change their project mix to traditionally faster spending projects (safety and 4 "R" work).

RAILROADS

Amtrak and Conrail funding issues highlight the 1982 railroad budget. The President requests an additional \$25 million for Amtrak operating subsidies in 1981 and proposes to give Amtrak \$743 million in operating subsidies in 1982. Amtrak says that both the 1981 supplemental and the 1982 request are well below the amounts that Amtrak says are necessary to maintain current operations. The President indicates that Amtrak will have to adjust to these budgets by reducing service and cutting costs. The full request for Amtrak in 1982, including operating, capital and labor protection payments, is \$993 million, 10 percent above the 1981 level.

Pending completion of studies covering alternatives to Conrail's current organization and route structure, the President requests no subsidy for Conrail in 1982. His \$300 million supplemental request would raise the 1981 subsidy to \$485 million. CBO estimates that the current system would require \$560 million in federal funds in 1982. In an effort to reduce Conrail's costs, the budget contains \$50 million for both 1981 and 1982 to induce retirements and resignations by Conrail employees that would result in permanent work-force reductions. Supplemental funds for 1981 (\$60 million) have been requested in budget function 600 for unemployment and supplementary pay benefits to persons covered by Conrail's current labor protection agreements.

The budget contains \$2.32 billion in 1981, \$207 million of which requires a direct appropriation, for costs attributable to a property settlement between the government and the Penn Central Corporation, its subsidiaries and affiliates. With this settlement, the government assumes ownership of approximately 80 percent of the Conrail stock. Settlements with other railroads, expected to total less than \$1 billion, are expected in 1981 or 1982. Completion of the Penn Central settlement reduces the United States Railway Association's (USRA) responsibilities significantly and the budget reflects this fact by lowering USRA's budget from \$29 million in 1981 to \$19 million in 1982.

The President requests substantial budget increases for two other major railroad programs: the railroad rehabilitation program and the north-east corridor improvement project (NECIP). The Congress appropriated \$25 million for rail rehabilitation projects in 1981 and the budget asks for \$50 million more in 1981 and for \$100 million in 1982. NECIP funding would rise from 1981's \$350 million to \$488 million in 1982, leaving \$207 million of the total \$2.5 billion authorization for later appropriation. The Department of Transportation and the General Accounting Office indicate that NECIP plans have been trimmed considerably to fit the \$2.5 billion ceiling, leaving out many projects contained in earlier plans. Future requests for funds to complete these improvements may come in Amtrak capital budget proposals. The President's expectations for completing currently planned projects, as indicated in his outlay estimates, appear optimistic. CBO estimates 1982 NECIP outlays of \$360 million, compared with the budget's \$465 million, and expects completion in fiscal year 1986 or later. The President projects completion in fiscal 1985.

Overall, the 1982 railroad budget is 10 percent below the 1981 spending level (excluding the \$2.32 billion Penn Central settlement), principally because the President requests no operating or capital subsidy for Conrail.

MASS TRANSIT

The Administration requests a 5 percent budget increase for Urban Mass Transportation Administration (UMTA) programs in 1982 and a 1981 supplemental appropriation of \$250 million for UMTA's interstate transfer grants program. This would allow overall transit funding to keep pace with inflation. However, all of the additional funding would go to capital grants while operating subsidies would be held at their fiscal 1981 levels. The President would increase the funding for bus purchases by 23 percent (from \$930 million to \$1.145 billion) and would add approximately \$270 million more for discretionary capital grants funding.

AIR TRANSPORTATION

The Administration's Airport and Airway Improvement Act of 1979, introduced in the first session of the 96th Congress, forms the basis for this year's budget proposals for the Federal Aviation Administration (FAA). The budget would increase airport and airway trust fund contributions to FAA operations from 1981's \$525 million to \$1.45 billion in 1982, and would lower general fund contributions from \$1.7 billion to \$1.1 billion. The President would draw on the trust fund more in order to reduce the fund's large

uncommitted surplus, estimated at \$2.8 billion by the end of fiscal 1981. Overall, the 1982 budget request would raise FAA funding \$400 million above the 1981 level, roughly 1 percent above the CBO baseline projection.

OTHER PROGRAMS

The Administration would raise the Coast Guard's 1982 budget more than \$200 million, 11 percent above the 1981 request. \$123 million of the increase would go for Coast Guard operations and \$39 million for acquisition, construction and improvement activities. The Administration expects Coast Guard outlays to rise to \$2.1 billion, 13 percent above the 1981 level.

The budget request for the Maritime Administration (MARAD) is also up, nearly \$35 million over the 1981 request. The President wants to increase operating differential subsidies by \$62 million and would offset this increase somewhat with a \$28 million decrease in construction differential subsidies. The full budget authority request for MARAD exceeds CBO's baseline projection by approximately 1 percent, with outlays virtually the same at \$640 million. The President would raise funding for the National Aeronautics and Space Administration's (NASA) aeronautic research programs 13 percent, \$66 million above the 1981 budget.

Finally, the 1981 budget request includes a \$350 million reimbursement from the Panama Canal Commission to the general fund to restore federal funds that covered Canal operations during the transition to the new operating structure. This is in addition to appropriated budget authority of \$402 million. The Commission's fiscal 1982 outlays are estimated at approximately \$430 million, with toll receipts of \$440 million.

Summary of Major Programs--Function 400: In Billions of Dollars

		FY 1981		FY 1982	
			President's Latest Request	CBO Baseline Projection	President's Request
Highways	BA	9.5	8.3	10.9	
	O	9.0	9.3	8.8	
Mass Transit	BA	4.9	5.2	5.2	
	O	3.7	3.8	3.8	
Federal Aviation Administration	BA	3.5	3.8	3.8	
	O	3.1	3.5	3.5	
Maritime Administration	BA	0.5	0.5	0.5	
	O	0.6	0.6	0.6	
Coast Guard	BA	2.0	2.1	2.2	
	O	1.9	2.0	2.1	
Rail Programs	BA	2.1	2.3	1.9	
	O	2.0	2.2	1.8	
Penn Central Settlement	BA	2.3	---	---	
	O	2.3	---	---	
Panama Canal	BA	0.8	0.4	0.4	
	O	0.8	0.4	0.4	
Other Transportation	BA	0.4	0.4	0.5	
	O	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	
Total--Function 400	BA	26.1	23.1	25.5	
	O	23.9	22.2	21.6	

COMMUNITY AND REGIONAL DEVELOPMENT (FUNCTION 450)

This function includes programs for community and regional development and disaster mitigation and relief administered by the Departments of Housing and Urban Development (HUD), Commerce, Interior, and Agriculture, as well as the Small Business Administration (SBA) and the Federal Emergency Management Agency (FEMA).

Function Totals: In Billions of Dollars

	1981 Estimates			1982 Estimates		
	2nd Bud. Res.	Pres. Latest Request	CBO Estimate of Pres. Request <u>a/</u>	CBO Baseline Projection <u>a/</u>	Pres. Budget Request	CBO Estimate of Pres. Request <u>a/</u>
Budget Authority	9.25	10.2	10.2	9.9	9.2	9.2
Outlays	10.45	11.1	11.2	10.6	9.1	10.3

a/ Preliminary, subject to change.

The President's fiscal year 1982 budget proposes a \$1.0 billion decrease in budget authority and \$2.0 billion decrease in outlays from his current request for fiscal year 1981. The proposed budget includes changes to urban and rural development programs that would increase budget authority by 10 percent and outlays 5 percent for these programs between 1981 and 1982. Funding for disaster assistance would be substantially reduced in 1982 to \$739 million from \$2,518 million in 1981. The 1981 request for disaster assistance also includes the only program supplemental proposed for fiscal year 1981, \$780 million for Small Business Administration disaster loans for farmers affected by the 1980 drought.

The President's fiscal year 1982 request for this function nearly equals the administration's estimate of the level of funding needed to continue 1981 program levels into fiscal year 1982. However, the request does not provide enough funds for all programs to maintain 1981 program levels in 1982. The \$9.2 billion requested for fiscal year 1982 is 11 percent less than the \$10.3 billion estimated by CBO to be needed to maintain 1981 program levels in 1982.

The proposed budget for Community Development is 6 percent higher than 1981 appropriations and approximately equal to CBO's baseline estimate for fiscal year 1982. Funding requested by the President for area and regional development would result in an 9 percent increase in total funding for these programs in 1982 over funds appropriated in 1981, but proposed program changes in 1981 and 1982 would significantly reduce obligation levels for several programs in this subfunction. The funds requested for disaster assistance and insurance programs are substantially below the levels required in recent years for these programs. The \$739 million requested for 1982 is less than 30 percent of the funds the administration expects to need in 1981 and only 50 percent of CBO's estimate of resources needed in 1982.

The President proposes no significant program initiatives for function 450 in the fiscal year 1982 budget. Most discretionary programs are held near or below fiscal year 1981 funding levels while a \$177 million rescission for TVA and several program reforms are proposed to eliminate activities that the President argues are funded adequately elsewhere in the budget or are not appropriate activities for the federal government.

COMMUNITY DEVELOPMENT PROGRAMS

In fiscal year 1982 the President proposes to increase community development funding to \$5.2 billion--\$291 million or 6 percent more than the \$4.9 billion appropriated for fiscal year 1981. This request is 3 percent less than the administration's estimate of funding needed to maintain 1981 program levels in 1982 and approximately equal to CBO's estimate of current policy funding for 1982, an estimate that includes the effect of existing authorization limits on several programs in this area. Virtually all of the \$291 million increase is allotted to the Community Development Block Grant program (CDBG) where the President's request is \$3.96 billion, or \$265 million more than the amount appropriated for fiscal year 1981.

The proposed budget would hold urban development action grants (UDAG) and the rehabilitation loan program to their 1981 funding levels (\$809 million in total for both programs in fiscal year 1982 versus \$805 million in fiscal year 1981). Total funds requested for CDBGs, UDAGs and rehabilitation loans are 6 percent above actual 1981 appropriations. This increase compares with the 13 percent average annual growth for these programs between 1978 and 1980.

The funding requested for other community development programs, such as comprehensive planning, neighborhood self-help development, HUD research and technology and the Neighborhood Reinvestment Corporation, varies little from 1980 and 1981 levels. Overall, the President's community