

There are also a few minor legislative initiatives affecting tax receipts in the budget. These proposals involve requiring employees to pay the full share of payroll taxes for employee's tips and requiring a flat 10 percent of compensation be withheld for services performed by independent contractors for social security purposes. They are expected to generate \$241 million in revenues in 1982. An additional \$6 million in added interest payments will accrue from the added trust fund balances resulting from these revenue and savings provisions.

The CBO estimate of total social security outlays in 1982 is \$0.7 billion lower than the Administration's. If only CBO's assumed rates of inflation and unemployment were taken into account, then outlays would be reestimated downward by a total of \$1.3 billion. Other estimating differences offset this reestimate by \$0.6 billion. The other estimating difference results from a slightly higher estimate of the number of disabled and retired worker beneficiaries joining the rolls.

RAILROAD RETIREMENT

The President has again proposed legislation designed to improve the future financial solvency of the system. One proposal would remove the ceiling on earnings subject to railroad retirement taxes. The President's budget estimates that this will increase revenues by \$268 million in 1982. Later Administration estimates revise this to \$341 million. The President's budget also proposed legislation to limit the federal contribution for the windfall subsidy to \$350 million. Finally, a number of proposed benefit changes would reduce outlays by \$36 million in fiscal year 1982.

In the railroad retirement program, CBO's 1981 estimate of budget authority is \$85 million less than the Administration's as a result of lower estimates of interest earnings and tax receipts, the latter resulting from lower projected estimated railroad employment. The same phenomena recur in 1982 but are offset by a higher CBO estimate of tax receipts under the Administration's proposed legislation. CBO anticipates that outlays in 1982 will exceed the President's request by about \$195 million. This is the result of two factors. First, a recent appeals court decision required the Railroad Retirement Board to pay additional windfall benefits, some retroactively; these payments (\$230 million) are not anticipated in the President's budget. Second, CBO economic assumptions result in a July 1981 increase that is \$35 million less in the indexed portion of railroad retirement benefits than the Administration estimate.

CIVIL SERVICE RETIREMENT

Retirement and disability benefits for federal civilian workers are paid from the Civil Service Retirement and Disability trust fund. Under current law, these benefits are adjusted for cost-of-living increases twice each year--in April and October. The President proposes that these adjustments be made once each year in April. The October 1981 adjustment would be eliminated, and the April 1982 benefit increase would reflect a full year's rise in the cost-of-living. A similar proposal was included in the Carter Administration's March revisions for the 1981 budget.

CBO estimates that this proposal would save \$442 million in budget authority and \$452 million in outlays for 1982. These estimates are \$257 million lower in budget authority and \$182 million lower in outlays than the Administration's estimates. The reduced saving in outlays are due to CBO's lower assumed cost-of-living adjustment. The lower budget authority estimates results from the lower amortization payments of these cost-of-living adjustments.

For 1982, CBO's estimate of the budget authority under current law is a net \$400 million lower than the Administration estimate. CBO's estimate is \$880 million higher due to incorporating the effects of the President's proposed 5.5 percent 1982 payraise. The Administration budget does not include an allotment for this payraise in the Civil Service trust funds until the payraise is effective. CBO's estimates are lower by \$190 million for lower earned interest on trust fund investments. A further \$90 million reduction was made for CBO's lower covered payroll assumption. The remaining \$200 million difference results from the lower amortization payment due to CBO's lower cost-of-living assumptions.

CBO's estimate of 1982 outlays under current law is below the Administration estimate by roughly \$500 million. About \$415 million of this is due to CBO's lower cost-of-living adjustments for beneficiaries, and the remainder is primarily for lower assumed annuitant retirement levels for 1982.

UNEMPLOYMENT INSURANCE

In fiscal year 1982, the President has proposed two legislative initiatives designed to curb costs in both the regular and extended benefit programs. One legislative proposal would redefine the insured unemployment rate (IUR), the statistic which triggers on the extended benefit program. Currently, the IUR is defined as the ratio of the number of persons presently claiming either state or extended benefits divided by

the number of persons in covered employment in the first four of the last six completed calendar quarters. The President's proposed legislation seeks to alter the definition such that extended benefit claimants would not be counted among those receiving unemployment compensation. The Administration attempted to implement this legislation by regulation last year, but a federal court decision ruled that legislation was required.

If such legislation were implemented, it would lower program costs in two ways. First, it would reduce several states' IURs to levels beneath the prescribed state trigger standard and thereby eliminate extended benefits for those states. Second, it would, in some instances, lower the national IUR enough to turn off the national trigger, thereby doing away with extended benefits in those states with individual IURs below the state trigger standard. The Administration projects \$2.1 billion in savings from this proposal in 1982. The savings are critically dependent upon the unemployment rate. Under CBO's preliminary working economic assumptions, the estimated savings are \$1.4 billion.

A second legislative proposal would eliminate the requirement that former public service employees be eligible for state unemployment compensation benefits and would prohibit the use of federal public service employment funds to make such payments. Both CBO and the Administration estimate the outlay savings of such legislation to be \$122 million in fiscal year 1982.

ASSISTANCE PAYMENTS

Legislation has been proposed in AFDC to establish a minimum amount that could be issued to a recipient (\$10 per month); and to modify income tests by adjusting earning disregards and standardizing work expenses, revising treatment of the earned income tax credit, requiring monthly reporting of beneficiaries' earned income, and counting a portion of the income of a child's stepparent. In addition, legislation has been proposed to modify the child support enforcement program to include spousal support obligations, to charge a fee for child support enforcement applicants who are non-AFDC, and to have the federal government and the states share the cost of incentive payments to states and localities. Together these proposals are estimated by the Administration to save \$541 million in 1982.

CBO's current law estimates of outlays for aid to families with dependent children (AFDC) exceed the Carter budget by \$250 million in fiscal year 1981 and \$550 million in fiscal year 1982. The differences result primarily from the larger number of recipients anticipated by CBO.

Projections of the Number of AFDC Recipients (Average Monthly Number in Millions)

	<u>Fiscal Year</u>		
	<u>1980 a/</u>	<u>1981</u>	<u>1982</u>
President's Estimates	10.5	10.9	10.8
CBO Estimates	10.5	11.2	11.4

a/ Actual.

CBO projects that continued high levels of unemployment, anticipated by both CBO and the Carter Administration, will result in a growing number of AFDC recipients through fiscal year 1982.

FOOD STAMPS

The Administration is requesting a supplemental appropriation of approximately \$1.4 billion for fiscal year 1981. CBO estimates indicate that a smaller supplemental (\$1.1 billion) would be needed, based on CBO's economic assumptions and a CBO's estimate of the impact of the adjustment in income deductions that took place on January 1, 1981. Current appropriations in the program are capped by statutory language. Unless this authorization is raised, food stamps will run out of funds in August. Faced with a similar situation in 1979 and 1980, Congress raised the authorization level and provided supplemental appropriations to fully fund the program.

The Administration's fiscal year 1982 request assumes enactment of legislation that would repeal provisions in the Food Stamp Act Amendments of 1980. One provision would implement a more generous statutory formula for computing cost-of-living adjustments by projecting price changes for three additional months. Other provisions would liberalize both a dependent care and medical deduction for the elderly and disabled. The CBO reestimate of the Administration's request is approximately \$490 million

lower in budget authority and \$390 million lower in outlays. The differences derive from technical estimating differences in modeling the annual deduction updates in the current law program.

CBO estimates participation will average about 22.7 million persons monthly and cost nearly \$11.9 billion in fiscal year 1982 assuming the Administration's legislative proposals are enacted.

SUPPLEMENTAL SECURITY INCOME

The Administration has proposed legislation to end hold harmless payments. These payments were started with the SSI program in 1974 and are currently paid to only three states. The Administration argues that because SSI benefit levels have doubled as a result of cost-of-living adjustments, the payments are no longer necessary. Fiscal year 1982 savings from this proposal are estimated to be \$45 million.

Relatively minor estimating differences exist on the current law SSI program. In 1982, CBO estimates are above the Administration's by \$182 million in budget authority and \$169 million in outlays.

CHILD NUTRITION

The President's 1982 budget proposes to permanently extend the one-time reconciliation provisions enacted in 1981. These provisions limited meal and special milk subsidies in 1981 and allowed for annual rather than semi-annual price indexing of these subsidies. In addition, the Administration proposes to reduce the income eligibility index for reduced price meals from 195 to 185 percent of poverty and exclude Title XX for-profit day care centers from participation in the federal feeding programs. The Administration estimates that these proposals will save \$452 million in 1982.

In fiscal year 1981, CBO's estimates of the President's request for child nutrition programs are higher than the Administration by \$113 million in budget authority and \$100 million in outlays. The Department of Agriculture is currently considering a supplemental request of approximately this size, but the request has not been included in the budget.

LOW INCOME ENERGY ASSISTANCE

The fiscal year 1982 budget proposes to reauthorize the low income energy assistance program, which expires at the end of fiscal year 1981. Under this proposal, budget authority would remain at the fiscal year 1981 level of \$1.85 billion. The President's request, which does not reflect projected energy price increases, is \$447 million lower than the CBO current policy projection for fiscal year 1982.

HOUSING ASSISTANCE

The fiscal year 1982 budget proposal includes about \$31.4 billion in net budget authority for low-income housing assistance. Most of this authority is intended for HUD's Section 8 and public housing programs. HUD estimates that this authority will be sufficient to subsidize an additional 260,000 low-income housing units. This is about the same number of additional units currently being estimated for 1981 and somewhat higher than the 206,000 units actually reserved in 1980.

The Administration's request assumes that half of the total units assisted with 1982 authority will be in already existing structures--up from the 45 percent currently estimated for 1981. This reflects last year's Congressional mandate to emphasize less costly existing housing in an effort to control program costs.

HUD is also proposing to continue financing a portion of its public housing activity through taxable rather than tax-exempt bonds. Because HUD pays the entire debt service on public housing bonds, its costs are somewhat higher under this arrangement because of the higher taxable interest payments. An appropriation of \$1.1 billion is requested for 1982 to cover these higher financing costs. The taxable bonds will be sold to the Federal Financing Bank--an off-budget federal agency and the increase in financing costs will be reflected as a budget outlay. These additional outlays will, however, be offset by increased tax revenue.

In addition to paying the full development costs of public housing projects, the federal government subsidizes operating expenses. Chiefly because of rapidly increasing utility costs, the need for this operating subsidy has increased substantially. For fiscal year 1982, the Administration is requesting \$1.265 billion up 18 percent from the \$1.071 billion (including a proposed supplemental of \$100 million) provided for 1981 and up 68 percent from the \$755 million appropriated for 1980.

VETERANS' BENEFITS AND SERVICES (FUNCTION 700)

This function includes funding for a variety of benefits and services to veterans, their families and survivors. These benefits include compensation to veterans for service-incurred disabilities and to the survivors of veterans dying in service, income assistance for needy veterans disabled from causes not related to military service, educational benefits for recently discharged veterans, medical care for disabled and elderly veterans, and loan guarantees for veterans wishing to purchase homes. Nearly all the programs in function 700 are administered by the Veterans Administration (VA).

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	22.1	22.9	23.2	24.5	25.0	25.1
Outlays	21.7	22.3	22.8	24.1	24.5	24.6

a/ Preliminary, subject to change.

For fiscal year 1981, the President is requesting a supplemental appropriation of \$1.3 billion. Of this amount, \$1.0 billion is needed to cover the cost of the increase in compensation benefits effected by P.L. 96-385, \$0.2 billion for the increase in readjustment benefits enacted by P.L. 96-466, and \$0.1 billion for the increase in the special pay of VA physicians and dentists contained in P.L. 96-330.

The President's fiscal year 1982 budget requests an increase of \$2.1 billion in budget authority and \$2.2 billion in outlays from fiscal year 1981 levels. Of this increase, \$1.0 billion in budget authority and outlays is requested to fund a 12.3 percent cost-of-living increase in the rates of

disability compensation and dependency and indemnity compensation. The President is also requesting an additional \$0.1 billion and \$0.2 billion in budget authority and outlays, respectively, for construction and renovation of certain VA medical facilities. The bulk of the construction projects planned are outpatient and extended care facilities, which will help VA control acute care costs in the future. Normal increases for inflation and growth in patient-load, as well as the recently enacted increase in special pay for VA physicians and dentists, account for increases of \$0.9 billion in budget authority and outlays in the other veterans' medical programs. Increasing costs from rising average benefit levels in the compensation and pensions programs, partially offset by declining costs in readjustment benefits from a decreasing number of trainees, account for the remaining \$0.1 billion increase in 1982 budget authority and outlays.

Differences Between Administration and CBO Spending Estimates: In Billions of Dollars

Item	1981		1982	
	BA	Outlays	BA	Outlays
President's Budget	22.9	22.3	25.0	24.5
CBO Reestimates:				
Readjustment Benefits	0.3	0.3	0.1	0.1
Loan Guaranty Revolving Fund	0.0	0.2	0.0	*
CBO Estimate of Pres. Budget	23.2	22.8	25.1	24.6

* Less than \$50 million.

The CBO estimate of the President's request is nearly \$0.3 billion and \$0.5 billion over the Administration's estimates of 1981 budget authority and outlays, respectively. In 1982 the CBO estimate exceeds the President's request by only \$0.1 billion for both budget authority and outlays. The primary cause of the differences in both years is a substantially higher CBO estimate of GI Bill trainees.

Estimated Number of Veterans Training Under the GI Bill: In Thousands

	1980 <u>a/</u>	1981	1982
President's Estimate	1,017	769	577
CBO Estimate	1,017	895	650

a/ Actual.

Several factors contribute to CBO's higher estimate of trainees:

- o Extrapolations of actual fall 1980 enrollment figures project a much higher number of trainees than indicated by the Administration.
- o The phased-in 10 percent increase in GI Bill benefit levels enacted in 1980 should result in more trainees in the spring of 1981 and beyond than are included in the Administration's estimates.
- o Both the Administration and CBO are assuming increases in the unemployment rate in 1981. These higher unemployment rates are expected to increase school enrollments above the level otherwise anticipated as veterans substitute subsidized training for lost opportunities in the workforce.

With the differential in estimated trainees as the primary factor, CBO's estimate of outlays for readjustment benefits exceeds the Administration's estimate by \$262 million in 1981 and by \$121 million in 1982.

In addition, CBO estimates that outlays from the loan guaranty revolving fund in 1981 will be \$197 million higher than the estimate in the President's budget. This reestimate results from a substantially lower CBO estimate of loan asset sales and a higher CBO estimate of discounts paid on such sales. In 1982, the CBO estimate of outlays from the fund is only \$15 million above the Administration's estimate because of a higher CBO estimate of discounts on loan sales.

The President's 1982 budget includes several legislative proposals. A 12.3 percent cost-of-living increase is proposed in the rates of disability compensation and dependency and indemnity compensation. This level of increase is based on the President's assumption of the increase in the

Consumer Price Index (CPI) from the first calendar quarter of 1980 to the first quarter of 1981. CBO's economic assumptions indicate that the rise in the CPI over this time period will only be 12.0 percent. The CBO estimate of the President's request for 1982 reflects the CBO estimate of the President's proposal for a 12.3 percent increase. Should Congress choose to enact a 12.0 percent increase, however, 1982 budget authority would be reduced by an estimated \$27 million and outlays by \$25 million.

In addition to the compensation rate increase, the President is proposing legislation to eliminate flight and correspondence training and to extend by two years the delimiting period for certain educationally disadvantaged Vietnam veterans. A one-year extension in the post-Vietnam era veterans education program is also proposed. In the area of medical care for veterans, the President is proposing to eliminate Class II dental benefits and the payment for beneficiary travel in the case of veterans without service-connected disabilities. The net impact of the President's legislative proposals, excluding the compensation rate increase, is estimated to raise 1982 budget authority by \$15 million but decrease outlays by \$15 million.

Summary of Major Programs--Function 700: In Billions of Dollars

		FY 1981	FY 1982	
		President's Latest Request	CBO Baseline Projection	President's Budget Request
Compensation	BA	8.6	9.5	9.7
	O	8.5	9.4	9.6
Pensions	BA	3.9	4.1	4.1
	O	3.8	4.1	4.1
Readjustment Benefits	BA	2.0	1.9	1.7
	O	2.1	1.9	1.7
Medical Care and All Other	BA	8.4	9.0	9.5
	O	7.9	8.7	9.1
Total Function 700	BA	22.9	24.5	25.0
	O	22.3	24.1	24.5

ADMINISTRATION OF JUSTICE (FUNCTION 750)

Function 750 includes the activities of the Judiciary , the Department of Justice, and the law enforcement activities of the Treasury Department.

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	4.1	4.3	4.3	4.6	4.8	4.8
Outlays	4.45	4.6	4.6	4.6	4.9	4.8

a/ Preliminary, subject to change.

The President's 1982 budget authority request of \$4.8 billion is \$0.5 billion (13 percent) above his 1981 request, with projected outlays of \$4.9 billion (up almost 6 percent). The President's latest 1981 budget request includes \$72 million in program supplementals.

Approximately half (\$260 million) of the increase between the President's 1981 and 1982 request is in the law enforcement area which would increase by 11 percent. This reflects real growth of about 4 percent. The Federal Bureau of Investigation (FBI) would receive \$101 million of this increase. The increase in the FBI budget (up 16 percent) would fund an additional 115 positions and allow the expansion of data processing, telecommunications, and field support capabilities, and increase the FBI's efforts at combating white collar and organized crime. Increases of \$21 million (10 percent) for the Drug Enforcement Agency (DEA), \$38 million (8 percent) for the Customs Service, and \$21 million (6 percent) for the Immigration and Naturalization Service (INS) are also being proposed for 1982.

The proposed funding level for federal litigative and judicial activities is 13 percent (\$194 million) above the President's 1981 request. The increase would be 4 percent above CBO's baseline projection. Funding for activities of the Judiciary would increase by 17 percent (\$109 million). This would finance the additional supporting personnel for the courts, staffing required under the Bankruptcy Reform Act, and for additional space and facilities. Funding for legal activities of the Department of Justice would rise by 18 percent (\$20 million) and would increase the resources available for environmental, energy-related, and civil rights activities.

Federal correctional spending in 1982 would increase \$35 million (10 percent), with new constructions proposed.

In the area of criminal justice assistance, the President proposes a \$52 million (29 percent) increase from his 1981 request. The President's proposal, however, is 37 percent above CBO's baseline projection which is based on appropriations to date. Major increases include an additional \$32 million (25 percent) for law enforcement assistance for juvenile justice programs and an increase of \$18 million (39 percent) in research and statistics programs.

The President's latest 1981 budget request includes \$72 million in program supplementals. Of this amount, \$34 million will go to the FBI, INS, and DEA to cover unanticipated increases in fuel and services costs. The Secret Service would receive an additional \$10.6 million to fund the costs associated with the transition of the Presidency. Also, \$26 million is requested for research and statistics programs of the National Institute of Justice and Bureau of Justice Statistics. The supplemental would restore funding for research and statistics programs back to 1980 levels and would allow continued funding of current projects through 1981.

Responsibility for law enforcement assistance grants funded through the Federal Financing Bank was transferred to the Department of Education in 1980.

GENERAL GOVERNMENT (FUNCTION 800)

The programs in the general government function are designed to carry out the legislative and administrative responsibilities of the federal government. The function includes the Legislative Branch, the White House and the Executive Office of the President, and the agencies responsible for personnel management, fiscal operations, and property control.

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	4.6	5.2	5.2	5.0	5.4	5.4
Outlays	4.4	5.0	5.0	4.8	5.2	5.2

a/ Preliminary, subject to change.

The President has requested \$5.4 billion in budget authority for fiscal year 1982, a net increase of \$254 million, or 4.9 percent, over his latest request for fiscal year 1981. Most of the increase is in the central fiscal operations area; the Administration's fiscal year 1982 request for this activity is \$320 million, or 12.0 percent, higher than its most recent request for fiscal year 1981. The large increase in central fiscal operations programs is partially offset by net reductions in budget authority requested for some other general government programs. \$278 million, or 86.9 percent of the increase in central fiscal operations, would be targeted to the Internal Revenue Service (IRS). The proposed 12.6 percent growth rate in the IRS's examinations and appeals and investigations and collections budgets reflects the additional effort required by the Crude Oil Windfall Profit Tax Act of 1980 and to implement the collection of taxes in the Northern Mariana Islands. Another reason for increases in the IRS accounts is the Administration's continuing effort to improve IRS's collections activities and compliance.

Summary of Major Programs--Function 800: In Billions of Dollars

	FY 1981		FY 1982	
		President's Latest Request	CBO Baseline Projection	President's Request
General Government, Offsetting Receipts	BA	-0.3	-0.1	-0.2
	O	-0.3	-0.1	-0.2
Legislative Functions	BA	1.1	1.1	1.2
	O	1.1	1.1	1.2
Executive Direction and Management	BA	0.1	0.1	0.1
	O	0.1	0.1	0.1
Central Fiscal Operations	BA	2.7	2.9	3.0
	O	2.7	2.9	3.0
General Property and Records Managements	BA	0.8	0.4	0.6
	O	0.5	0.4	0.5
Central Personnel Management	BA	0.2	0.2	0.2
	O	0.2	0.2	0.2
Other General Government	BA	0.6	0.4	0.6
	O	<u>0.6</u>	<u>0.3</u>	<u>0.5</u>
Total--Function 800	BA	5.2	5.0	5.4
	O	5.0	4.8	5.2

COMPARISON OF BASELINE WITH PRESIDENT'S REQUEST

The President's request for general property and records management programs and other general government programs is \$324 million above CBO's baseline projection for fiscal year 1982. In the area of general property and records management, the Administration is requesting \$121 million in budget authority for the federal buildings fund that is not reflected in CBO's baseline projection. In addition, the Administration is requesting \$24 million more for the salaries and expense account for the

general management and administration of the General Services Administration (GSA) than CBO's \$120 million baseline projection for the same program.

The additional activity anticipated by the President in the claims, judgements, and relief acts account is a major reason for the difference in the other general government program area. The President's estimates of net budget authority needed for Indian claims is \$126 million higher than the CBO projection. The remaining differences are distributed among many small accounts in the other general government category.

The differences between the Administration's estimates of general government offsetting receipts and the CBO baseline projections for both fiscal year 1981 and 1982 are almost entirely because of differences in the estimates of offsetting receipts to the General Services Administration for real and personal property activities. CBO's 1981 baseline is \$135 million less than the President's; the 1982 baseline is \$50 million less than the President's estimate.

GENERAL PROPERTY AND RECORDS MANAGEMENT

Budget authority for fiscal year 1982 is estimated to be more than \$250 million less than in fiscal year 1981, a reduction of 29.9 percent, for general property and records management activities. The most significant factors contributing to this reduction involve the General Services Administration's general supply fund and federal building fund. A supplemental appropriation of \$425.2 million has been requested for the general supply fund in fiscal year 1981. Most of this appropriation will be retained by GSA to cover obligations under provisions of the Anti-Deficiency Act; the balance is to finance the purchase of motorpool vehicles, to return retained earnings to the Treasury, and to pay back advances from customer agencies.

No additional budget authority is requested for the general supply fund in fiscal year 1982. The reduction in estimated budget authority between 1981 and 1982 for the fund is partially offset by an increase for the federal buildings fund. No need for budget authority is anticipated in fiscal year 1981 for the federal buildings fund; the Administration estimates \$121 million in budget authority for 1982, however. This amount is intended to support the sale of obligations to the Treasury to finance the construction of a new federal building in Maryland. The total cost of this project and other new commitments for direct federally financed construction and acquisition of facilities is estimated at \$196 million for fiscal year 1982, compared with \$16 million for 1981.

OTHER GENERAL GOVERNMENT PROGRAMS

Budget authority for other general government programs included in this function is estimated to be 6.6 percent, or \$39 million, less in fiscal year 1981 than in 1982. Payment of \$112 million in Indian claims settlements is expected in fiscal year 1981. Most of this sum represents a one-time payment to settle the land claims of Indians in the states of Maine and Rhode Island. The balance is for the final \$30 million payment into the Alaska Native Fund required by the Alaska Native Claims Settlement Act. The net decrease in the estimate for this group of programs is also affected by the President's increased estimate of offsetting receipts to these programs. Offsetting receipts are estimated to increase by \$37 million; most of this increase is attributable to funds associated with Indian claims.

The estimated reductions are partially offset by anticipated increases in budget authority for other programs. The largest increase in this group of programs is estimated to be \$75 million for claims, judgements, and relief acts. This increase reflects the increasing level of activity in this area. The 1982 estimate for the Administration of Territories reflects an increase of \$27 million; a growth rate of 34.8 percent. Most of this increase is to provide incentive payments to Guam and the Virgin Islands, to encourage and assist them in the elimination of general fund deficits and the development of financial management systems.

The Legislative Branch estimate for fiscal year 1982 is \$140 million higher than the 1981 estimate, an increase of more than 13 percent. The largest increases are for the General Accounting Office salaries and expense account and for the Architect of the Capitol to begin renovations of two Library of Congress buildings. The Administration's fiscal year 1982 estimates reflect growth of only 2.0 percent in the executive direction and management programs and of 4.5 percent in central personnel management programs.

The supplementals included in the President's request for fiscal year 1981 total \$1.0 billion in budget authority and \$0.7 billion in outlays. The largest of these is in the central personnel management program area for payment to the civil service retirement and disability fund. This supplemental will have no budget impact in this function, however, because it is offset by offsetting receipts to the Office of Personnel Management.

GENERAL PURPOSE FISCAL ASSISTANCE (FUNCTION 850)

The general purpose fiscal assistance function includes general revenue sharing programs, broad-purposed shared revenues, and payments and loans to the District of Columbia.

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	6.5	6.2	6.2	6.5	6.9	6.8
Outlays	7.05	6.9	6.8	6.4	6.9	6.8

a/ Preliminary, subject to change.

President Carter is requesting \$6.9 billion in 1982 budget authority for this function. This represents an increase of \$0.7 billion (11 percent) over his 1981 estimate. The major growth occurs as a result of the proposed refundable social security tax credit for state and local governments (\$495 million) and additional funding for payments and loans to the District of Columbia (\$116 million).

The social security tax credit is a portion of the President's proposed economic revitalization program. The tax credit would be available to all employers, but would be refundable to state and local governments, non-profit organizations, and businesses. Beginning in January 1982, state and local governments would be paid an amount equal to 8 percent of their social security taxes. The Administration projects that these payments would total over \$800 million in 1983 and \$1.1 billion by 1986.

The President is requesting \$415 million in budget authority for the 1982 federal payment to the District of Columbia--a \$55 million rise over 1981. This figure includes the federal contribution of \$52 million for payments to District of Columbia retirement funds for police officers,

firefighters, teachers, and judges. The budget also includes \$194 million in budget authority for loans to the District of Columbia for capital outlays--a \$63 million rise over the 1981 level. This represents more-than-doubled expenditures for the rapid rail transit system program, as well as an additional \$58 million in other District projects. In total, the 1982 funding request for the District is 25 percent above the 1981 level, with outlays projected to increase by \$138 million, or 29 percent.

The largest program in this function, general revenue sharing, shows no change between 1981 and 1982, with budget authority targeted at \$4.6 billion in both years. The revenue sharing program has been reauthorized through 1983 with mandatory entitlements of \$4.6 billion for local governments and authorization for discretionary appropriations for state governments (\$2.3 billion annually in fiscal years 1982 and 1983). The President is requesting no revenue sharing funds for states in 1982. If such funding is provided, current law (Public Law 96-604) requires the states to relinquish categorical grant funds in an amount equal to their revenue sharing payments.

The 1982 funding request for the remainder of the function is 5.8 percent above the 1981 level. The largest increase is in the Bureau of Land Management, miscellaneous permanent appropriations, which is \$122 million, or 27 percent, over the 1981 estimate. The Administration has requested no new funds for payments in lieu of taxes. This represents a decrease of \$103 million--the largest reduction within the function.

INTEREST (FUNCTION 900)

The interest function has two major components: interest on the public debt and other interest. Interest on the public debt is the cost of borrowing to finance the public debt. Other interest is mostly composed of offsetting receipts that reflect on- and off-budget agency interest payments to the Treasury for loans outstanding.

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	71.9	80.4	80.9	94.1	89.9	91.9
Outlays	71.9	80.4	80.9	94.1	89.9	91.9

a/ Preliminary, subject to change.

The President estimates that interest payments on the public debt will grow from \$94.1 billion in 1981 to \$106.5 billion in 1982, with gross federal debt rising to \$1,058 billion by the end of 1982. This growth in interest on the public debt is caused primarily by increases in the amount of debt outstanding, which is determined chiefly by the size of the on- and off-budget deficits. (President Carter is projecting an aggregate deficit of \$78.4 billion in 1981 and \$45.8 billion in 1982.) The Administration estimates are based on an assumption that interest rates will peak in the middle of fiscal year 1981, and then decline thereafter. Other interest is estimated to increase from a net receipt of \$13.7 billion in 1981 to \$16.6 billion in 1982, as a result of increased agency borrowing (primarily by the Federal Financing Bank) from the Treasury.

The CBO estimate of interest on the public debt for 1982 is \$2.0 billion higher than that of the Administration, primarily because of different assumptions about the level of interest rates and the size of the

debt. The CBO 91-day Treasury bill interest rate assumption is 40 basis points higher than that of the Administration for 1982 as a whole. In addition, the deficit projected by CBO is higher than that of the Administration in both 1981 and 1982.