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Data and Materials for the

Fiscal Year 1980 Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

The Congressional Budget Act of 1974 (titles I–IX of Public Law 93–344), provides the mechanisms and procedures for Congress to establish its own annual Federal budget and to consider spending, revenue, and debt limit legislation in the context of that budget. The provisions of the act have a number of effects on the consideration of legislation handled by the Committee on Finance.

The major provisions affecting the Finance Committee are the following:

1. By March 15 of each year, the Finance Committee must submit a report to the Budget Committee estimating the effect that Finance Committee legislation will have on expenditures, revenues, and the debt limit during the next fiscal year, and presenting the committee's views and estimates with respect to revenues and the debt limit. (Last year's report appears in appendix A of this pamphlet.)

2. Certain kinds of legislation have to be handled before specific dates. Revenue and debt limit legislation for the upcoming fiscal year, and legislation increasing expenditures in such areas as social security and welfare, cannot be considered by the Senate before May 15. However, procedures are provided for waiving these restrictions, ordinarily by obtaining Budget Committee approval of a resolution permitting immediate Senate consideration.

3. If the Finance Committee reports legislation affecting welfare, medicaid, social services, and other non-trust-fund entitlement programs, and it exceeds the amount budgeted in the most recent concurrent budget resolution, the legislation is to be referred to the Appropriations Committee for 15 days.

4. By May 15, Congress completes action on a first concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. While the amounts shown in this first resolution are not binding in the sense that they can subject a bill to point of order, they are intended to serve as overall guidelines in the consideration of revenue and spending legislation.

5. In September of each year, the Congress debates and adopts a concurrent resolution setting appropriate spending, revenue, and debt limit levels for the coming fiscal year. The resolution can direct the Finance Committee to report legislation raising taxes or cutting back on spending programs within the committee's jurisdiction. The overall spending and revenue totals in the second resolution are binding.

CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 (PUBLIC LAW 93-344)

1. Overall View

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

On April 15 of each year, the Budget Committees of the House and Senate report to their respective Houses a concurrent resolution which is, in effect, a congressional budget document setting forth appropriate levels for spending, revenues and public debt for the coming fiscal year. The spending levels are broken down into functional categories (such as "health," "income security," "national defense"). The recommendations in the resolution reported by the Budget Committee are subject to debate and amendment. When agreed to by House and Senate (by May 15), the resolution represents congressional judgment of the appropriate fiscal situation for the coming year, although the amounts set forth in it are not otherwise binding.

After the May 15 adoption of the concurrent resolution, action on spending and revenue bills proceeds through early September. In the first half of September, a second concurrent resolution on the budget is considered by the Congress, which revises or reaffirms the earlier resolution and which can direct the appropriate committees to report legislation changing spending, revenue, or debt limit levels (or any combination of the three). Upon adoption of the resolution, committees directed to do so are to report the legislation called for by the resolution, and this legislation is then debated by Congress as part of a "reconciliation bill." Public Law 93-344 calls for action on this reconciliation bill to be completed by September 25, 5 days before the start of the new Federal fiscal year which will run from October 1 to September 30.

WAIVER OF RULES REGARDING BUDGET PROCEDURE

All the rules applicable to Senate procedures under the Congressional Budget Act can be suspended by a majority vote of the Senate. In addition, the act includes a special waiver procedure in connection with the provisions requiring that authorization bills not be acted on after May 15 and that revenue, debt limit, and spending bills (including social security, welfare, etc.) not be acted on before May 15. If a committee wished to have such legislation considered outside of the prescribed time, it would report out a resolution providing for waiver of the rule. This resolution would be referred to the Budget Committee which would have 10 days in which to consider and make its recommendations with respect to the waiver. Once the resolution is approved by the Budget Committee (or after 10 days in any case), the resolution of waiver would be voted upon by the Senate, and, if it is approved, the Senate could proceed to consider the legislation.

2. Impact of Public Law 93-344 on Finance Committee

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. This report is due no later than March 15. In 1978, the Budget Committee sent a letter to each committee requesting that views also be provided with respect to the 5-year budgetary outlook. A similar request from the Budget Committee has been received this year.

Report after adoption of concurrent budget resolution.—The conference report on each budget resolution allocates the outlay and budget authority totals among the various committees. Each committee is then required, after consultation with the appropriate counterpart committee in the House of Representatives, to subdivide its allocation of new budget authority and outlays among the programs under its jurisdiction (or among its subcommittees). These allocations subsequently serve as the basis for scorekeeping reports and for judging whether particular legislative proposals are consistent with the budget resolution.

Limitation on consideration of spending bills.—The Congressional Budget Act provides that bills involving entitlement programs (such as welfare or medicaid) and bills directly increasing budget authority (such as social security or unemployment insurance) may not be considered in the Senate prior to the May 15 adoption of the first concurrent budget resolution. This requirement may be waived under the special waiver procedure or by a majority vote of the Senate to suspend this rule. The act also requires that action on legislation of this type be completed by the seventh day after Labor Day. In addition, entitlement legislation (other than trust fund legislation) reported after January 1 of any year may not have an effective date prior to October 1 of that year.

Deadline for reporting authorizing legislation.—Legislation which authorizes appropriations (but does not necessarily require them) has to be reported by May 15 preceding the fiscal year for which the appropriations are authorized. (The act includes a procedure under which this deadline may be waived by Senate resolution; the rule may also be suspended by a majority vote of the Senate.) The Committee on Finance has jurisdiction over some programs which fall in this category, such as grants to States for child welfare services and for maternal and child health. However, if such authorizations are included in entitlement or trust fund bills (which may not be reported prior to May 15) this provision does not apply.

Impact of concurrent budget resolutions on legislation.—The first concurrent resolution, which is to be passed about May 15, sets targets for spending in various areas.

While the budget totals included in the first resolution are in the nature of targets and are not strictly mandatory, they tend to establish fairly firmly the guidelines within which the Congress considers legislation affecting revenues and spending. Thus, if unrealistic objectives are used in setting first resolution totals, committees may subsequently find their ability to act on desired legislation impaired.

At the beginning of calendar year 1977, for example, the President proposed certain cutbacks in the income security and health functions which the Finance Committee considered overly optimistic. Nevertheless, the committee included these savings in its report to the Budget Committee, adding the following caution:

"As with the health function, the committee notes that the President's budget assumes substantial cost reductions in the social security programs. While the committee believes that those budget assumptions may present an optimistic estimate of the savings that can be achieved, it recommends acceptance of those estimates as a goal at this time."

Despite the cautionary note, the Budget Committee incorporated these proposed savings in the first resolution. At a later date (July 21, 1977), the chairman of the Budget Committee indicated that the Budget Committee would attempt to enforce these savings despite the Finance Committee's earlier indication that it considered them overoptimistic.

A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on

Finance, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare, social services or medicaid).

After the beginning of a fiscal year, new spending measures for that fiscal year would be subject to a point of order if they would cause the spending limits in the concurrent resolution passed just before the beginning of that year to be exceeded. In the case of the Committee on Finance, this limitation would apply to entitlement legislation dealing with both trust fund and non-trust-fund programs. (A new concurrent resolution could, however, be passed to authorize such additional spending, or the rule could be suspended by a majority vote of the Senate.)

Appropriations Committee review of entitlement bills.—Legislation in such areas as supplemental security income, welfare, social services, or medicaid creates an entitlement to payments on the part of individuals or State or local governments even though these programs are funded through appropriation acts. The Congressional Budget Act requires that any future legislation which would create new entitlement programs or increase existing ones must be referred to the Appropriations Committee for a period of 15 days after it is reported by the substantive committee, if its enactment would exceed the amount provided for in the first budget resolution. The Appropriations Committee could not recommend any substantive changes in the legislation (e.g., lower individual benefit amounts), but it could recommend an amendment to limit the total amount of funding available for the legislation. If such amendment is approved by the Senate, the substantive committee might have to propose a further amendment to conform the legislation to that funding limit.

The requirement of referral to the Appropriations Committee would not apply to legislation affecting existing Social Security Act trust fund programs or other trust fund programs substantially funded through earmarked revenues. It would also not apply to legislation amending the general revenue sharing program to the extent that such legislation included an exemption from that requirement.

In the past, refundable tax credits were treated for purposes of the Congressional Budget Process as revenue reductions. Under revised procedures adopted last year, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended last year so as to require annual appropriations for this purpose. The text of the amendment adopted last year reads as follows:

> "No disbursement may be made from the appropriation to the Treasury Department entitled 'Bureau of Internal Revenue Refunding Internal-Revenue Collections' except (a) refunds to the limit of liability of an individual tax account, and (b) refunds due from any credit provision of the Internal Revenue Code enacted prior to January 1, 1978.". (Sec. 304, P.L. 95-355.)

Report on spending legislation.—The Congressional Budget Act requires the committee, in reporting legislation involving increased spending, to include in the report information showing how that spending compares with the amount of spending provided for in the most recent concurrent budget resolution and showing the extent to which the legislation provides financial aid to States and localities. In addition, the report is required, to the extent practicable, to provide a projection for five fiscal years of the spending which will result from the legislation.

LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

Annual report to the Budget Committee.—The March 15 annual report to the Budget Committee which is described above also must, in the case of the Finance Committee, present views and estimates of the committee with regard to revenues and the debt limit.

No revenue legislation prior to May 15.—Under the Budget Act, debt limit or revenue legislation for the upcoming fiscal year is not in order for consideration by the Senate (or House) prior to the adoption of the first concurrent resolution on the budget (about May 15). This rule would not prevent action on revenue changes to be effective in years after the upcoming fiscal year. (A procedure for waiving this limitation is provided for; the rule could also be suspended by a majority vote of the Senate.)

The exact wording of this provision of the Budget Act is not entirely clear. Recently, the Senate Budget Committee adopted the position that this restriction required that there be no increase or decrease in revenues to become effective in the next fiscal year for which no budget resolution had been adopted. Consequently, a point of order was raised during the consideration of the 1978 tax-cut bill (H.R. 13511) against an amendment by Senator Roth on the grounds that it provided for a revenue change effective in fiscal year 1980. (The first budget resolution for fiscal year 1980 will not be adopted until approximately May 15, 1979). The position of the Finance Committee was that this restriction in the Budget Act only applied from the beginning of the calendar year, when the process of developing the fiscal 1980 budget resolution has begun. Once that resolution has been approved, revenue changes may be considered throughout the remainder of the calendar year which would be effective for the fiscal year to which the resolution applies and for any future fiscal year.

The point of order raised by the Budget Committee was sustained by the chair, but the ruling of the chair was overturned by the Senate on a vote of 38 to 48. This occurred on October 5, 1978.

Impact of budget resolution.—As with spending measures, the first concurrent resolution adopted in mid-May sets targets with respect to revenue and debt limit legislation, and the second concurrent resolution in September may direct the Committee on Finance to report legislation to achieve the changes in aggregate revenues or in the debt limit which the Congress determines to be appropriate. Such legislation would have to be reported in time to be included in the reconciliation bill which would be acted upon before the October 1 start of the fiscal year. Once a second resolution on the budget is adopted by the Congress, any legislation which would cause the total revenues to be reduced below the level specified in the budget resolution would be subject to a point of order. If the second budget resolution sets a revenue target which exactly matches the projected revenues under existing law (or any expected modifications to existing law), even minor bills having nearly negligible revenue impacts can be rejected on a point of order. As indicated above in describing the impact of the resolution on spending legislation, even the "nonmandatory" first resolution tends to be given great weight in the actual consideration of legislation. Thus, if the first resolution includes unrealistic revenue goals, the committee may face difficulties in the consideration of any revenue legislation.

Required report on tax expenditures.—The Congressional Budget Act defines the term "tax expenditures" to include any revenue losses attributable to tax provisions such as income exclusions, tax credits or deferrals, or preferential tax rates. The law requires that the committee report accompanying legislation to provide new or increased tax expenditures include information as to how such legislation will affect the level of tax expenditures under existing law. The report will also have to include (to the extent practicable) a projection of the tax expenditures resulting from the legislation over a period of five fiscal years.

CHARTS AND DESCRIPTION

March 15 Report to Budget Committee

- Views and estimates of Finance Committee on:
  - Expenditures
  - Revenues
  - Tax expenditures
  - Public debt

- Relating both to existing law and proposals to change existing law

Chart 1

March 15 Report to Budget Committee

Under the Congressional Budget Act of 1974, the Committee on the Budget is required by April 15 of each year to report to the Senate a concurrent resolution on the budget which is, in effect, a proposed congressional budget document setting forth appropriate levels of Federal expenditure and revenue, surplus or deficit, and related matters. To assist the Budget Committee in making the judgments necessary to develop such a congressional budget the act also mandates that each committee send to the Budget Committee its views and estimates on those aspects of the budget which fall within its jurisdiction. This report is due by March 15 of each year.

In the case of the Committee on Finance, the March 15 report to the Budget Committee must cover the expenditure programs under Finance Committee jurisdiction which are listed on chart 3, Federal revenues, tax expenditures, and the public debt. With respect to each of these matters, the committee is required to provide its views and estimates as to the levels anticipated under existing law or under any changes to existing law which the committee expects. The period to be covered by the report to the Budget Committee is fiscal year 1980 (October 1979 to September 1980). The Budget Committee has requested that Committees also include in this year's report their views on the 5-year budgetary outlook. In response to a similar request last year, the Committee sent a supplemental letter to the Budget Committee. This supplemental letter is reprinted—along with the basic "March 15" report letter of last year in Appendix A of this document.

Section 301(c) of the Congressional Budget Act which deals with the March 15 report to the Budget Committee is included in the excerpts from that act which appear at the end of this pamphlet as appendix B.

Economic Assumptions
(dollars in billions)

	1978	1979	1980
Gross national product:			
Current dollars	$2,106	$2,343	$2,565
Constant dollars (1972 dollars)	1,384	1,430	1,466
Percent change in constant dollars	3.9%	3.3%	2.5%
Personal income	$1,707	$1,894	$2,078
Wages and salaries	1,101	1,217	1,335
Corporate profits	202	227	237
Consumer price index: increase over prior year	7.6%	8.2%	6.7%
Unemployment rate	6.0%	6.0%	6.2%

Chart 2

Economic Assumptions

The March 15 report to the Budget Committee which is required by the Congressional Budget Act of 1974 represents the Finance Committee's views as to revenues, expenditures and other budgetary matters for the coming fiscal year both under existing law and under any anticipated changes. The level of these items, however, is affected not only by legislation but also by various economic factors about which there can reasonably be differences of opinion. These differences can reflect divergent viewpoints as to how the economy will operate and also divergent viewpoints as to the type of legislation which may be enacted to affect the operations of the economy. Different programs are particularly sensitive to different aspects of the economy. For example, expenditures under social security are sensitive to the Consumer Price Index since that program includes an automatic cost-of-living increase provision. The unemployment insurance program does not incorporate such a provision but is, of course, particularly sensitive to the amount of unemployment. Revenues, similarly, are heavily affected by personal income and by corporate profits and, in the case of payroll tax revenues, by wages and salaries.

This chart presents a selection of the most significant economic indicators as estimated in the budget submitted in January by the President.

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Major Expenditure Programs under Finance Committee Jurisdiction

- Social security cash benefits
- Supplemental security income for the aged, blind, and disabled
- Welfare programs for families:
  - Aid to families with dependent children
  - Work incentive program
  - Child support
- Social services
- Unemployment compensation
- Health programs:
  - Medicare
  - Medicaid
  - Maternal and child health
- Revenue sharing
- Sugar Act
- Interest on the public debt

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

This chart lists the major programs involving an expenditure of Federal funds which come within the legislative jurisdiction of the Committee on Finance. Each of these programs is covered in more detail in the following charts. Interest on the public debt is included as an expenditure program since it does constitute a significant part of the Federal expenditures budget even though the level of expenditure in this category is not subject to legislative control by the committee in the same sense as expenditures under the other programs listed.

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are now treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. Because such provisions are in fact considered by the committee and the Congress in the context of revenue legislation, however, they are discussed in this document at the same point as other revenue items—that is, on charts 14 and 15. (The refundable tax credits having significant budgetary impact in fiscal 1980 are the earned income tax credit and the proposed real wage insurance provision.)

Social Security Cash Benefit Trust Funds

(dollars in billions)

Present Law:	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
Income	$117.2*	$132.8	$150.9	$165.2	$177.4
Outgo	117.4	130.1	142.5	153.9	163.1
Increase or decrease	-0.2	+2.6	+8.4	+11.3	+14.2
Start-of-year assets as a percent of outgo	28%	26%	25%	29%	34%

* Includes $2.2 billion from requiring more frequent deposit of State and local contributions

Chart 4

Social Security Cash Benefit Trust Funds—Fiscal Years 1980–84

The social security trust fund programs of old-age, survivors, and disability insurance are projected over the next 5 years to regain a positive status in which the programs will show an annual surplus sufficient to improve the fund reserves when measured as a percent of 1-year's outgo. In absolute terms, fiscal year 1980 is projected to be the last year in which outgo will exceed income, and the fiscal 1980 deficit is expected to be $0.2 billion as compared with deficits of $1.9 billion for fiscal 1978 and $4.3 billion for fiscal 1977. The reserve percentage, however, will continue to decline over the next 2 years, reaching a low of 25 percent of a year's benefits at the start of fiscal year 1982 and then rising to 34 percent by the start of fiscal year 1984.

Impact of 1977 Amendments.—Prior to the enactment of the Social Security Amendments of 1977, the social security cash benefit funds were projected to become exhausted sometime before the end of fiscal year 1982. Those amendments significantly increased the financing of the program and, to a lesser extent in the short run, reduced program outlays. The additional tax revenues to the program in fiscal years 1979–1984 resulting from the increases enacted in 1977 are as follows:

ADDITIONAL CONTRIBUTION INCOME TO SOCIAL SECURITY TRUST FUNDS: RESULTING FROM 1977 AMENDMENTS (FISCAL YEARS 1979–84)

[In billions]

Fiscal year	Total	Cash benefits programs	Hospital insurance program
1979	$3.3	$4.1	–$0.8
1980	8.9	8.7	.2
1981	16.3	15.7	.6
1982	23.1	21.9	1.2
1983	25.2	24.0	1.2
1984	26.5	25.3	1.2

Social security tax rates and bases under existing law and under the law as it would have been in effect but for the 1977 amendments are shown below:

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS

[In percent]

Calendar year	Prior law					Present law (1977 amendments)				
	OASI [1]	DI [2]	OASDI	HI [3]	Total	OASI [1]	DI [2]	OASDI	HI [3]	Total
EMPLOYERS AND EMPLOYEES, EACH										
1977	4.375	0.575	4.95	0.90	5.85	4.375	0.575	4.95	0.90	5.85
1978	4.350	.600	4.95	1.10	6.05	4.275	.775	5.05	1.00	6.05
1979–80	4.350	.600	4.95	1.10	6.05	4.330	.750	5.08	1.05	6.13
1981	4.300	.650	4.95	1.35	6.30	4.525	.825	5.35	1.30	6.65
1982–84	4.300	.650	4.95	1.35	6.30	4.575	.825	5.40	1.30	6.70
1985	4.300	.650	4.95	1.35	6.30	4.750	.950	5.70	1.35	7.05
1986–89	4.250	.700	4.95	1.50	6.45	4.750	.950	5.70	1.45	7.15
1990–2010	4.250	.700	4.95	1.50	6.45	5.100	1.100	6.20	1.45	7.65
2011 and later	5.100	.850	5.95	1.50	7.45	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS										
1977	6.185	0.815	7.0	0.90	7.9	6.1850	0.8150	7.0	0.90	7.9
1978	6.150	.850	7.0	1.10	8.1	6.0100	1.0900	7.1	1.00	8.1
1979–80	6.150	.850	7.0	1.10	8.1	6.0100	1.0400	7.05	1.05	8.1
1981	6.080	.920	7.0	1.35	8.35	6.7625	1.2375	8.00	1.30	9.3
1982–84	6.080	.920	7.0	1.35	8.35	6.8125	1.2375	8.05	1.30	9.35
1985	6.080	.920	7.0	1.35	8.35	7.1250	1.4250	8.55	1.35	9.90
1986–89	6.010	.990	7.0	1.5	8.5	7.1250	1.4250	8.55	1.45	10.00
1990–2010	6.010	.990	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75
2011 and later	6.000	1.000	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75

[1] Old-age and survivors insurance.
[2] Disability insurance.
[3] Hospital insurance (part A of medicare).

ANNUAL EARNINGS SUBJECT TO SOCIAL SECURITY TAX

Year	Under prior law	Present law (1977 amendments)
1977	$16,500	$16,500
1978	17,700	17,700
1979	18,900	22,900
1980	[1] 20,400	25,900
1981	[1] 21,900	29,700
1982	[1] 23,700	[1] 32,100
1983	[1] 25,500	[1] 34,500
1984	[1] 27,300	[1] 36,900

[1] Estimated.

State and local deposit requirements.—On November 20, 1978, the Department of Health, Education, and Welfare published regulations which will speed up the collection of the contributions paid into the social security trust funds by State and local governments on behalf of those employees of theirs who are covered under social security. These governments are now required to deposit the contributions approximately 45 days after the end of the calendar quarter in which their employees were paid. Under the new regulations deposits will be required 15 days after the end of the month (except that 45 days will continue to be allowed in the case of March, June, September, and December). The accelerated deposit procedures will increase interest earnings to the trust funds by approximately $0.2 billion per year. In fiscal year 1980, however, the changeover has a one-time budgetary impact of $2.2 billion because, under the new schedule, the deposits for two months (July and August 1980) are moved from fiscal year 1981 to fiscal year 1980. In other words, if the new regulations were not to become effective, the fiscal year 1980 budget deficit would be increased by $2.2 billion and the income to the trust funds for fiscal 1980 as shown in this chart would be reduced by $2.2 billion.

Status of separate trust funds.—This chart shows the combined status of the old-age, survivors, and disability insurance trust funds. Actually, there are separate funds for old-age and survivors insurance and for disability insurance. The status of these funds is shown separately below (and the status of the Hospital Insurance Trust fund is shown on chart 11):

OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND: FISCAL YEARS 1977–84

[Dollar amounts in billions]

Fiscal year	Income	Outgo	Net change in funds	Fund at end of year	Fund at start of year as a percent of outgo during year
1977	$71.8	$73.5	−$1.7	$35.4	50
1978	76.8	81.2	−4.4	31.0	44
1979	86.6	89.6	−3.0	27.9	35
1980	99.8	101.6	−1.8	26.1	28
1981	112.3	112.8	−.5	25.6	23
1982	127.3	123.6	3.7	29.3	21
1983	139.2	133.5	5.7	35.0	22
1984	149.2	141.5	7.7	42.7	25

Source: Social Security Administration.

OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND: FISCAL YEARS 1977–84

[Dollar amounts in billions]

Fiscal year	Income	Outgo	Net change in fund	Fund at end of year	Fund at start of year as a percent of outgo during year
1977	$9.4	$11.6	−$2.2	$4.2	55
1978	12.8	12.7	.1	4.4	33
1979	15.2	14.1	1.1	5.5	31
1980	17.4	15.8	1.7	7.2	35
1981	20.5	17.4	3.1	10.3	41
1982	23.6	18.9	4.7	15.0	54
1983	26.0	20.4	5.6	20.7	74
1984	28.2	21.7	6.5	27.2	95

Source: Social Security Administration.

The above estimates are based on the economic assumptions underlying the President's budget. The status of the disability insurance fund represents a substantial improvement over prior projections. This more optimistic projection is based on an assumption that some of the recent reductions in benefit award rates will be maintained into the future. The magnitude of this change in assumptions is illustrated by the fact that outgo of the disability fund for fiscal year 1982 is now projected at $14.9 billion as compared with a projection in the May 1978 Trustees' Report of $20.5 billion—even though benefit increases for 1979–81 are now estimated to be significantly higher than was assumed last May. (Benefit increases are projected as follows: 1979, 9.1 percent; 1980, 7.1 percent; 1981, 6.2 percent; 1982, 4.9 percent; and 1983, 3.8 percent.)

Even if the more optimistic disability projections prove correct, the revised economic assumptions result in a combined funds situation which is less favorable than was estimated last year. For example, under last year's budget projections, the combined funds would have reached a level of 29 percent of one year's benefits by the start of fiscal year 1982 and 38 percent by the start of fiscal year 1983. Under this year's projections, the reserve percentages will be 25 percent by 1982 and 29 percent by fiscal year 1983. Moreover, these projections are based on the assumption, which underlies the President's budget, that an unemployment level of 4 percent and an inflation rate of 3 percent will be attained by the end of calendar year 1983.

Social Security Administration Federal Fund Programs*

(dollars in billions)

	FY 1979	FY 1980
Present law:		
Federal fund payment to trust funds	$0.8	$0.7
Supplemental Security Income (SSI)	5.6	6.3
Proposed legislation:		
SSI changes in President's budget		**

* Welfare programs for families shown on chart 7.

** Less than $0.05 billion.

Chart 5

Social Security Administration Federal Fund Programs

Present law.—The social security programs of old-age, survivors, and disability insurance are supported almost entirely by payroll deductions applicable to employers, employees, and self-employed persons. Certain transitional provisions enacted in 1966, however, provide relatively small benefits to persons over age 72 who did not have the opportunity to become insured for regular benefits. The cost of these benefits is reimbursed to the trust fund from general revenues. Similarly, a general fund payment is made into the trust funds to cover the cost of certain additional credits granted to military personnel. The Social Security Administration also carries out certain functions under the Employee Retirement Income Security Act of 1974 (ERISA) and receives reimbursement from the general fund for the costs involved.

Since January 1974, the Social Security Administration has been responsible for administering a basic income support program for needy aged, blind, and disabled persons called Supplemental Security Income (SSI). This program is funded entirely from general funds. The law establishing the SSI program permits the temporary use of trust funds to meet the administrative costs of the program but provides specific safeguards to assure that those costs are promptly reimbursed to the trust funds by an appropriation from general revenues.

The amount of general revenue funds administered by the Social Security Administration in connection with the old-age, survivors and disability insurance (OASDI), ERISA, and supplemental security income (SSI) programs are shown in more detail below:

[In millions]

	Fiscal 1979	Fiscal 1980
OASDI:		
Military wage credits	$526	$511
Benefits for uninsured aged	230	164
ERISA	2	2
SSI:		
Total [1]	5,558	6,341
Benefits	4,847	5,685
Services	72	56
Administration [2]	639	601

[1] The large increase in SSI costs is partly the result of an accounting quirk. Public Law 95-216, authorizes the early payment of benefits when the normal delivery date (the 1st of the month) falls on a weekend or holiday. Because Oct. 1, 1978 fell on a Sunday, the October 1978 checks were paid in September resulting in a 13-month benefit liability for fiscal year 1978 and an 11-month benefit liability for fiscal 1979.

[2] Includes $42 million in fiscal 1979 and $14 million in fiscal 1980 for Federal payments to States because of Federal errors in administering State supplementary programs.

Under a 1977 departmental reorganization, the Social Security Administration assumed responsibility for the Federal-level administration of the aid to families with dependent children and related programs (other than the work incentive program). These programs are described separately on chart 7: Welfare Programs for Families.

Proposed legislation.—The President's budget includes several proposed changes in the supplemental security income program. All of the changes, taken together, have a budgetary impact of less than $0.05 billion in fiscal 1980. The proposals in the President's budget and their estimated impact on the budget are as follows:

[Dollars in millions]

Proposal	Net budgetary impact in— Fiscal 1980	Fiscal 1984
Restrict eligibility for individuals who dispose of assets [1,2]	−$11	−$57
Eliminate duplicate payments resulting from retroactive entitlement [1]	−19	−23
Limit variations in federally administered State supplements	−2	−2
Treat a couple as 2 separate individuals after 1 (rather than 6) months apart	+2	+3
Provide full benefit through first full month in medicaid institution	+5	+6
Treat sheltered workshop payments as earned income [1]	+2	+2
Limit alien eligibility for SSI [1]	−2	−24
Total, SSI proposals	−25	−95

[1] Included (in some form) in legislation previously approved by the Finance Committee.
[2] Includes impact of related savings in medicaid costs of $5 million in fiscal 1980 and $38 million in fiscal 1984.

Many of the proposals (those indicated by a footnote) were, in some form, included in legislation previously approved by the Finance Committee. The legislation to implement these proposals has not yet been transmitted to the Congress; however, the fiscal year 1980 impact shown above assumes an October 1979 effective date. The Administration's proposal to limit alien eligibility for SSI will apparently differ significantly from the committee proposal in the last Congress. The committee proposal would have made receipt of SSI or other public assistance constitute evidence that the individual had become a "public charge" and thus subject to deportation under existing immigration law. The administration proposal will be based on a change in the immigration laws making sponsors of immigrants responsible for their support.

The administration has also indicated that it intends to submit legislation to base SSI eligibility on income during the month prior to the month of benefit payment rather than on the quarter for which benefits are paid. Some savings are expected, but no budget estimates are available since the administration has apparently not yet developed the specifics of this proposal.

Social Security Cash Benefit Programs: Proposed Legislation
(dollars in billions)

	FY1980	FY1984
President's budget:		
Disability program:		
Benefit limitations	-$0.1	-$0.7
Work incentives	*	+0.2
Phase out student benefits	-0.2	-1.8
End lump sum death benefits	-0.2	-0.4
Eliminate minimum benefit for future beneficiaries	-0.1	-0.2
End mother's benefit when all children are over 16	*	-0.5
Reduce social security benefits paid to Federal retirees	*	-0.1
End survivor benefits based on brief but recent work history	*	-0.1
Modify benefit rounding rule	*	-0.1
Reduce payments to survivors of young workers	*	-0.1
Other changes	*	+0.1

*less than $0.05 billion

Chart 6

Social Security Cash Benefit Programs: Proposed Legislation

The President's budget for fiscal year 1980 assumes the enactment of numerous proposals modifying aspects of the old-age, survivors, and disability insurance program. With only a few exceptions (which are noted below), the budget assumes that these changes will become effective in September 1979; proposed legislation to implement the proposals has not yet been transmitted to Congress. Since many of the changes have the effect of reducing entitlements under the basic social security program, there will be a partial offset through increased entitlements under need-based programs such as supplemental security income. Also, the disability proposals include certain changes in the medicare program. The amounts shown on this chart reflect the net budgetary impact of the proposals including their impact on other programs.

Disability program proposals.—The Administration intends to submit a package of proposals related to the disability insurance program. In part, these proposals will be designed to limit benefit levels on the theory that the program now frequently provides benefits which are unduly high in relation to the disabled individual's predisability earnings level. Two such limitation proposals are included in the package. Under one proposal, the number of years over which earnings are averaged to compute benefits would be increased for younger workers. This usually would result in lowering the individual's average earnings and therefore in lowering his benefit amount. The second proposal would place an overall limit on the family benefits payable to a disabled individual with dependents. Under the proposal, any benefits for the worker's wife and children would be reduced to the extent necessary to keep the total family benefits from exceeding 80 percent of the indexed average wages upon which the disabled worker's benefit is based. These two proposals are estimated in the President's budget to reduce program costs by $79 million in fiscal year 1980 rising to $773 million by fiscal 1984. (However, offsetting increases in the supplemental security income program of $5 million in fiscal 1979 rising to $25 million by fiscal 1980 are expected. In addition, it now appears that further examination by the Social Security actuary's office will result in a somewhat lower estimate of the savings.)

The Administration disability package also will propose a number of program changes intended to facilitate rehabilitation efforts. These include changes in the trial work period rules, improved targeting of disability funds used for rehabilitation services, and exclusion of certain disability-related work expenses in determining whether an individual's earnings demonstrate that he is not disabled. These changes are estimated to cost $1 million in fiscal 1980 rising to $12 million by fiscal 1984. Related changes are also proposed in the health benefits coverage of disabled individuals which would permit an individual to keep medicare (and/or medicaid) eligibility for 2 years after his cash disability benefit eligibility ended. These changes have an estimated cost of $38 million in fiscal 1980 and $154 million by 1984.

It is also expected that the Administration disability proposals will include a significant restructuring of the disability adjudication process. The details and budgetary impact of these administrative changes have not yet been determined.

Benefits for children 18–22 who are students.—The Social Security Amendments of 1965 increased the age at which benefits for children of deceased or disabled workers terminate from 18 to 22 provided that the child continues to be a full-time student. The President's budget assumes that legislation will be enacted to eliminate benefits for children over age 18 who are in postsecondary education. Children who are now receiving benefits and who reach age 18 before September 1979 would retain eligibility until age 22. Children reaching age 18 after August 1979 would not be eligible for continued benefits past age 18 even if they are already on the benefit rolls. Preliminary Administration estimates indicate that the net budgetary impact of this proposal will be a savings of $155 million in fiscal 1980 rising to $1,788 million by fiscal 1984. About 380,000 children would be affected in the first year.

Lump-sum death payments.—The social security program under present law provides for the payment of a $255 lump-sum death payment for individuals who have contributed to the program. If the deceased individual and spouse were living together at the time of death, the lump-sum payment is simply paid directly to the surviving spouse. In other cases, the payment is applied to meeting burial costs usually by direct payment to the funeral home on authorization by the person responsible for the funeral arrangements. The President's budget would eliminate this benefit, reducing program outgo by an estimated $227 million in fiscal 1980 rising to $378 million in fiscal 1984. (This would be partially offset by $6 to $8 million per year from a proposed new lump-sum death payment for the needy under the SSI program.)

Eliminate minimum benefit.—The 1977 Social Security Amendments provided that for new beneficiaries coming on the rolls, the minimum benefit would be frozen at its present level of $121.80. The President's budget proposes to completely eliminate the minimum benefit as it applies to new beneficiaries. Thus an individual's benefit would in all cases be determined by applying the basic benefit formula to his indexed average earnings under social security. This change would reduce outgo by $62 million in fiscal year 1980, rising to $223 million in fiscal 1984. (There would be an offsetting increase in SSI costs of $9 million in fiscal 1980 rising to $36 million by fiscal year 1984). A June 1979 effective date is assumed.

End mother's benefit when last child reaches age 16.—Present law provides benefits for surviving children of deceased workers (or dependent children of disabled workers) up to age 18 (or to age 22 if they remain in school). Until the youngest child is age 18, a benefit is also payable to the mother if she is caring for the children. (Under court order, a similar benefit is now payable to a caretaker father in cases where the wife has died or become disabled.) The President's budget proposes to end the benefit for the caretaker parent (but not for the children) when the youngest child reaches age 16 rather than age 18. As under existing law, the benefit would continue beyond these age limits if the parent is caring for a disabled child. No one currently on the benefit rolls would be terminated sooner than 2 years after enactment of the proposal. This change is estimated to save $23 million in fiscal year 1980, rising to $518 million in fiscal 1984.

Reduced benefits for Federal retirees.—The President's budget assumes enactment of a proposal for reducing social security benefits awarded after September 1979 to Federal retirees. Under the proposal the reduction would be equal to one-third of the amount by which the individual's Federal pension exceeds the average social security benefit amount (about $285). No social security benefit would be reduced below 32 percent of the individual's indexed average earnings. This change is estimated to reduce program outgo by $14 million in fiscal year 1980, rising to $110 million by fiscal 1984.

End survivors benefits based on brief, recent work history.—The social security program provides survivorship protection for young families in the form of benefits for children up to age 18 (22, if in school) and for the caretaker parent of surviving children up to the

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point where the youngest child reaches age 18. (Where a child is disabled, benefits continue beyond these age limits.) To qualify for this protection a worker must have credit for one quarter of work under social security for every year between the year he reached age 21 and the year in which he died. If a worker does not meet this requirement, benefits may still be paid to his survivors if he has at least six quarters of social security work credit all of which was earned in the three years (13 quarters) immediately preceding his death. This alternative rule allows persons who commence work under social security somewhat later in life than age 21 to earn survivorship protection for their family more rapidly than would be possible under the general rule. The President's budget proposes to eliminate the payment of survivorship benefits on the basis of this alternative method of qualifying through brief, but recent coverage. The change is estimated to reduce outgo by $11 million in fiscal year 1980, rising to $122 million in fiscal year 1984.

Modify rounding rules.—Under present law, social security benefits are computed according to a formula in the law. In applying this formula, benefit amounts are rounded up to the next higher multiple of 10 cents if the formula does not produce a benefit amount which is an exact multiple of ten cents. The President's budget proposes to change this to a rule of rounding to the nearest dollar. This change is estimated to reduce outgo by $8 million in fiscal year 1980, rising to $97 million by fiscal 1984.

Reduce payments to survivors of young workers.—Social security benefits are determined by a formula applied to the indexed earnings an individual had over a period of years which is intended to approximate the number of years he could reasonably be presumed to have been available for work in employment covered by social security. Since the highest years of earnings are always used, the fewer years over which average earnings must be computed, the higher will be the resultant benefit (in all cases at least 2 years must be used). Under existing law, survivorship benefits are determined by using 5 years less than the number of years between age 21 and the year in which the worker died. Under this rule, the minimum 2-year averaging period applies to any worker who dies before reaching age 30.

The President's budget proposes to increase the averaging period for younger workers. For a worker under age 27, the averaging period would be the total number of years between age 21 and the year of death. For a worker aged 27–31 at death, the period would be one less than the number of years between age 21 and death. Additional "drop-out" years would be added at age 32, 37, 42, and 46 after which the existing law rules would apply. This change is estimated to reduce program outgo by $15 million in fiscal year 1980, rising to $128 million by fiscal year 1984.

Other changes.—The President's budget proposals include a number of additional items with relatively minor budgetary impact. One proposal would allow the Social Security Administration to charge a fee to cover administrative costs involved in providing information needed for pension plan purposes. This would reduce net outgo by $7 to $8 million per year. Another change would lessen the penalties applied for failing to make prompt reports of earnings above the retirement test limits. This change (assumed to become effective in January 1980) would cost $5 million in fiscal 1980, rising to $15 million in fiscal 1984. Another change would lessen the impact of the elimination of the monthly exception to the retirement test by allowing a monthly exception in the year in which entitlement ends as well as in the year in which it begins. This change would have a net cost of $1 million in fiscal year 1980 (including an estimated administrative savings of $17 million offsetting a program cost of $18 million), rising to $46 million by fiscal 1984. The President's budget also proposes the elimination of a number of minor remaining differentials in the treatment of men and women under the social security program at an annual cost of $4 to $5 million.

Long-range reduction in social security program costs.—Taken together, the changes in the social security program proposed by the President in his fiscal year 1980 budget would, if enacted in time to meet the effective dates assumed, reduce outgo by some $0.6 billion in fiscal 1980. By fiscal 1984, the reduction in outgo would approach $4 billion per year. While these are significant amounts from an annual budgetary standpoint, the proposed changes are not of a magnitude to permit a large reduction in the social security tax rate.

The 1978 actuarial report of the social security Board of Trustees estimated that under present law an average annual tax rate (combined employer and employee rate) of 13.55 percent would be necessary to fully pay for benefits over the next 75 years as compared with tax rates actually provided for in law which average 12.16 percent over the same period. In other words, the average tax rate would have to be increased by 1.4 percent to fully fund benefits provided by present law. The proposals in the President's budget would have a total long-range impact of 0.31 percent, which would reduce the cost of the program to 13.24 percent and the deficit to 1.09 percent. The great bulk of the long-range savings attributable to the President's budget proposal (0.22 percent out of the 0.31 percent) arises from the proposed disability program changes and the elimination of benefits for children over 18 and in school. The table below shows the long-range savings of the various proposals as a percent of taxable payroll.

LONG-RANGE SAVINGS UNDER PRESIDENT'S BUDGET PROPOSALS

[As a percent of taxable payroll]

Proposal	Savings
Disability program changes [1]	-0.12
Phase out student benefits	-.10
End lump-sum death benefits	-.01
Eliminate minimum benefits for future beneficiaries	-.01
End mother's benefit when all children are over 16	-.04
Reduce social security benefits paid to Federal retirees	-.01
End survivor benefits based on brief but recent work history	(2)
Modify benefit rounding rule	-.01
Reduce payments to survivors of young workers	-.02

[1] This package would also have a small impact of less than 0.005 percent of taxable payroll in the hospital insurance program.
[2] Less than 0.005 percent of taxable payroll.

Note: Based on 1978 trustees' report assumptions.

As indicated above, the budget proposals of the President do not involve the type of changes which would permit any significant reduction in the financing requirements of the program. If the Congress wished to provide for a lower social security tax rate through a reduction in program costs, changes would have to be made which affect the overall structure of the program more significantly than the proposals in the fiscal 1980 budget. Some illustrative examples of the types of structural changes that might be required to achieve savings of that magnitude are the following:

[Dollar amounts in billions]

Alternative	Estimated savings: Fiscal 1980	Fiscal 1984	Long-range (percent of payroll)
Limit future program growth to inflation rate	(1)	−$0.5	−3.7
Provide only transitional survivorship protection for young families	(1)	−.5	−.1
Eliminate weighting of benefits for short-time workers	−$0.1	−3.6	−1.3
Limit family disability benefits to 60 percent of prior earnings level	−.1	−1.0	−.2

[1] None or less than 0.05.

Note: Long-range estimates based on 1978 trustees' report assumptions; 1980–84 based on President's budget assumptions.

Under existing law, benefits are indexed to keep pace with inflation once an individual reaches the point of benefit eligibility. The system, however, has a built-in mechanism which results in a growth each year in the benefit levels payable to new retirees which is significantly more than would be required simply to keep pace with inflation. The cost of the program would be substantially lowered if changes in the program were made to restrict future growth in initial benefit levels to a rate much closer to the inflation rate. The above estimate in the table above is based on a proposal of this type generally referred to as "price indexing" (by contrast with the existing system of "wage indexing").

Another element of the basic program structure which could be changed to provide significant cost reductions is the level of survivorship protection for young families. Although frequently thought of as a retirement program, social security also provides very substantial survivorship and disability protection. A recent study by the Social Security Administration actuary's office concludes that the social security program's survivorship protection for a worker in his early thirties averages about the equivalent of $59,000 in life insurance. The same study concludes that the life insurance protection under social security totals some $2.8 trillion as compared with $2.4 trillion for all private insurers.

In view of the increasing participation of women in the work force, consideration might be given to a substantial lessening of the amount of survivorship protection provided by the program for families with children. One possible change, for example, would be to provide such protection on a transitional basis in all cases where the surviving children continue to live with one parent. Benefits could, for example, be provided only for a three-year period unless there is a preschool age or disabled child.

The social security program provides benefits on the basis of average earnings and these benefits are computed under a weighted formula which gives relatively higher returns on lower average earnings. This reflects a programmatic assumption that a worker with low average earnings is a low-income individual who will need a higher percentage of that low income in order to subsist. In fact, however, low average earnings under social security can also result from a relatively short period of work in covered employment at higher wages. The President's budget attempts to address certain aspects of this problem by providing for an offset in the case of Federal retirees and by proposing to eliminate the minimum benefit. A more fundamental approach (which would provide more substantial savings) would be to limit the weighting of the benefit formula only to those workers who had many years of social security coverage. One method would be to provide full benefits only for those with at least 30 years of work under social security. Individuals with shorter attachment would receive proportionately smaller benefits with those having 10 years or less under the program getting about half of current benefit levels for the same average wages.

One of the President's budget proposals would reduce the disability benefits payable to a family to no more than 80 percent of the worker's previous wages (defined as the indexed average wage on which his benefit is based). While this reduces to some extent the number of situations in which receipt of benefits may be more appealing than available employment, it would continue to provide a level of income which approaches or exceeds the net earnings (after work costs and taxes) workers may have had prior to becoming disabled. According to a January 1978 paper by the Social Security actuary's office, benefits under private insurance plans are usually designed so as not to replace more than 50–60 percent of gross income. Limiting the maximum disability replacement rate to a 60 percent level would more significantly reduce program costs than the 80 percent limitation proposed in the budget.

Benefit cost proposals.—The proposals in the President's budget are aimed at changing social security in ways which will result in reduced benefit costs in the upcoming budget year. In dealing with legislation affecting the social security program in the past, however, the Congress has also considered proposals which increase program costs. For example, the 1977 Amendments reduced benefit costs overall, but also included some benefit increases. One such item approved by the Senate but not enacted was a repeal of the provision under which social security benefits are reduced when they would cause combined social security and workmen's compensation income to exceed 80 percent of predisability earnings. This change would have increased program costs by about $0.2 billion per year. Similarly, the committee last year approved legislation modifying the impact of the provision in the 1977 amendments which eliminated the monthly retirement test. The particular change proposed by the committee last year would have had a minimal budgetary impact, but other proposals related to that same monthly retirement test provision could cost several hundred million dollars. The exact budgetary impact in fiscal 1980 of any such proposals will depend upon the way in which they are drawn and their effective date. However, if the committee thinks it likely that some such proposals may be included in any social security legislation acted on this year, it will need to take that assumption into consideration in arriving at its estimated budget totals.

Welfare Programs for Families
(dollars in billions)

	FY 1979	FY 1980
Present law:		
Aid to families with dependent children: welfare payments	$6.0	$6.3
administration	0.7	0.7
Child support:		
Total collections	-0.7	-0.9
Federal share of: collections	-0.3	-0.4
administrative costs	0.3	0.3
Work Incentive Program	0.4	0.4
Proposed legislation in President's budget:		
Count stepparent income		-0.1
Limit work expense deduction		-0.1
Child support changes		-0.1
Other proposals		*

* less than $0.05 billion

Chart 7

Welfare Programs for Families

AFDC.—The budget submitted by the President in January estimates that the costs of benefits and administration under the aid to families with dependent children (AFDC) and certain other related programs will be $6.7 billion in fiscal 1979 and $7.0 billion in fiscal 1980. Included in the total shown for AFDC are expenditures for adult assistance in Guam, Puerto Rico, and the Virgin Islands, emergency assistance for families, and aid for certain repatriated American nationals.

[In millions of dollars]

	Fiscal year	
	1979	1980
Federal costs:		
AFDC payments	5,933	6,286
Adult assistance in U.S. territories	4	5
Emergency assistance	42	44
Aid to repatriated nationals	1	1
Total benefits	5,990	6,336
State and local administration	680	721

Child support.—The child support enforcement program (title IV-D of the Social Security Act) is aimed at helping children in securing their rights to obtain support from their parents and to have their paternity ascertained in a fair and efficient manner. Collections under this program are as follows:

CHILD SUPPORT ENFORCEMENT COLLECTIONS AND COSTS

[In millions of dollars]

	Fiscal year	
	1979	1980
Child support collections:		
Total collections	675	925
Federal share	266	366
State and local administration:		
Total costs	423	541
Federal share	260	333

These figures do not show the savings which result from families having been completely removed from dependency on AFDC as a result of the child support program. The program will serve some 663,000 AFDC families and 534,000 non-AFDC families in fiscal year 1979, and 881,000 AFDC families in 1980.

WIN.—Also closely related to the AFDC program is the work incentive (WIN) program which is aimed at enabling AFDC families to become self-supporting through employment. The budget submitted in January recommends funding for this program at a level of $385 million in both fiscal 1979 and fiscal 1980. This is $20 million above the level of funding that has been provided for this program for the past several years. The administration estimates that about 285,000 WIN registrants will be placed in jobs in 1980. In 1977, the committee recommended, and Congress enacted, a specific authorization for an additional $435 million in fiscal 1978 and fiscal 1979 for the WIN program. (There would be no non-Federal matching required for this additional funding.) No funding was provided for this authorization for either year.

PROPOSED LEGISLATION

Work expense deduction.—The President's budget includes a proposal which would revise the rules for the disregard of itemized work expenses in the determination of AFDC eligibility and computation of benefits. Under present law, in determining monthly benefits, AFDC families are allowed to deduct from the income which would otherwise reduce their AFDC eligibility all expenses reasonably attributable to the earning of income after first deducting $30 plus ⅓ of additional earnings. Under the President's proposal, the initial $30 deduction would be increased to $65 and there would be an additional amount disregarded equal to a percentage of earnings. Limitations would be placed on the amount deductible for child care. Both child care and other work expenses would be deducted before applying the "$65 and ⅓" earnings disregard.

The committee has previously approved an alternative modification in the work expense provision. This alternative has been passed by the Senate on several occasions in the past, most recently as a part of the Revenue Act of 1978. The committee version required States to disregard the first $60 earned monthly by an individual working full time—$30 in the case of an individual working part time—plus one-third of the next $300 earned plus one-fifth of amounts earned above this. Child care expenses, subject to limitations prescribed by the Secretary, would be deducted before computing an individual's earned income. Other work expenses could not be deducted.

The administration's proposal would result in a fiscal 1980 savings of $80 million. The committee's provision was estimated to save $241 million, or an additional $161 million.

Stepparent's income.—Under current law a stepparent's income may not be considered in calculating the benefit due a stepchild unless the stepparent is legally responsible for stepchildren under State law. Thus, in almost all States, families which include a stepparent may receive AFDC regardless of the amount of a stepparent's income. Under the administration's proposal, a stepparent's income in excess of an amount set aside to support himself and his dependents will be counted in determining AFDC eligibility and the benefit amount for the stepchildren. The administration estimates that this proposal will reduce Federal outlays by $100 million in fiscal 1980.

Additional savings.—The committee may wish to save additional money in the AFDC program by approving the AFDC provisions reported by the committee in the 95th Congress but not enacted into law. These provisions relate to quality control, AFDC management information systems, incentives to report income, recipient identification cards, and determination of benefits in certain cases where the child lives with relatives not legally responsible for his support. These changes would result in net savings of $50 million in fiscal year 1980, with increased savings in subsequent years.

Child support changes.—The President's budget proposes a number of changes in the child support program as indicated in the following table:

[Dollars in millions]

Proposal	Net budgetary impact in fiscal 1980
Expand the program to include the enforcement and collection of alimony for AFDC families	−$18
Permit State child support enforcement agencies to acquire wage information from the Social Security Administration [1]	−9
Make States eligible for intrastate incentive payments, and revise the incentive formula	−37
Retain AFDC eligibility for 3 months following the time child support collections would otherwise make the family ineligible for assistance	−7
Eliminate incentive payments in interstate child support cases	−11
Provide Federal reimbursement to States for their administrative costs in non-AFDC cases on a permanent basis [1]	+19
Total net savings	−63

[1] Included (in some form) in legislation previously approved by the Finance Committee.

The committee may not wish to approve all the Administration's child support legislative proposals. However, the staff anticipates that there are other suggestions the committee may wish to consider which will save equivalent amounts. Thus the committee need not recommend a higher amount for child support than the amount shown in the President's budget.

During the 95th Congress the committee approved several additional amendments to the child support law. A provision was included in H.R. 13511 authorizing Federal matching for expenditures for judges and other court personnel which are clearly identifiable and directly related to services performed under the child support enforcement program. The amendment was deleted in conference. The committee also reported as amendments to H.R. 12973 provisions strengthening the child support collection and disbursement requirements; increasing Federal matching (from 75 to 90 percent) for the costs to States and localities of developing new computerized management information systems, expanding or enhancing their existing systems, or utilizing model systems developed by HEW's Office of Child Support Enforcement; extending IRS collection responsibilities to non-AFDC child support enforcement cases. The Senate did not act on these provisions prior to adjournment.

Puerto Rico, Guam, and the Virgin Islands.—Under the Social Security Act, public assistance programs in Puerto Rico, Guam, and the Virgin Islands qualify for Federal matching at a 50 percent rate and are subject to dollar limits on the amount of Federal funding available. The annual limit is $24 million for Puerto Rico, $0.8 million for the Virgin Islands, and $1.1 million for Guam.

Last year the committee approved an amendment to increase the Federal matching rate to 75 percent and triple the maximum annual amount of Federal funding to $72 million for Puerto Rico, $2.4 million for the Virgin Islands, and $3.3 million for Guam. The House-Senate conferees accepted the Senate amendment, but for one year only, fiscal 1979. Thus, beginning in 1980, the funding provisions applicable to the territories will revert to the prior levels.

The Administration is proposing to amend the permanent law provisions to increase the Federal matching rates to 75 percent, double the total reimbursement ceilings to $48 million for Puerto Rico, $1.6 million for the Virgin Islands, and $2.2 million for Guam, and require the territories to maintain their contributions under these programs so that the increase in Federal support may be passed through to the poor. (This would increase the cost for public assistance by $29 million in 1980.)

Social Services
(dollars in billions)

	FY 1979	FY 1980
Present law:		
Basic grant program (title XX)	$2.6	$2.5
Additional child care funds	0.2	---
Child welfare services	0.1	0.1
Training	0.1	0.1
Proposed legislation in President's budget:		
Increase in child welfare services	---	+0.1
Permanent increase in title XX ceiling	---	+0.4
Limit on training funds	---	*

* less than $0.05 billion

Chart 8

Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes several provisions which make Federal funding available for social services programs. The largest such program is the title XX social services programs, but funding is also provided under a separate child welfare services program, and rehabilitative services for disabled SSI recipients (both children and adults) are funded through that program. Also closely related to the social services programs is funding authority for the training of social workers and other State and local welfare personnel and for certain research programs.

Under title XX of the Social Security Act, States providing social services such as child care, family planning, and homemaker services to welfare recipients and other low-income persons are entitled to claim Federal matching grants for such expenditures. For most services $3 in Federal funding under this program is available to match each $1 of non-Federal funding; however, Federal funding is subject to an overall annual limit of $2.5 billion allocated on a population basis. In fiscal year, 1979 an additional $400 million in Federal funding is available under a provision included in the tax-cut bill, Public Law 95-600. This includes $200 million available under the ordinary title XX matching provisions and $200 million for child care which is available without a non-Federal matching requirement. The President's budget estimates that $2.8 billion of the available $2.9 billion in title XX funds will be used in fiscal 1979.

Under title IV-B of the Social Security Act, grants to the States are authorized for the purposes of providing child welfare services. Again, a wide variety of services come under this general heading but a major activity involves services related to adoption and foster care. The child welfare services authorization is $266 million but the appropriation has always been well below that level.

Proposed legislation.—For the past three fiscal years, an additional $200 million has been available for child care on a temporary basis. In lieu of a further extension of this amount, the President's budget proposes to increase the permanent ceiling for Federal funding of the title XX program to $2.9 billion (plus $16 million for territorial jurisdictions) all of which would be available under the general matching provisions. The budget also indicates that legislation will be proposed to limit the funding of social work training. Under present law, 75 percent Federal matching is available on an open-ended basis for such training. Under the proposed change, fiscal year 1980 savings of $26 million are expected. (The change would ultimately limit each State's training funds to 3 percent of its title XX social services ceiling; the limitation would, however, be phased in over a 3-year period.)

The President's budget also recommends an increase in the appropriation for child welfare services of $84.75 million in fiscal year 1980. This is within the existing authorization for the program but assumes the enactment of legislation which will substantially modify its operations. The committee in the 95th Congress recommended significant changes in the program and assumed that, with those changes, the Administration would seek increased funding, gradually attaining the full authorization level.

Unemployment Compensation
(dollars in billions)

	FY 1979	FY 1980
PRESENT LAW		
Unemployment trust fund:		
Income	$16.1	$16.2
Outgo	10.8	12.9
Net change	+5.3	+3.3
End-of-year assets	15.7	19.0
Federal funds:		
Advances to trust funds	-0.8	-0.9
Trade adjustment assistance	0.3	0.3
Federal employee benefits	0.5	0.6
PROPOSED LEGISLATION		
Increase trade adjustment assistance		+0.1

Chart 9

Unemployment Compensation

The unemployment insurance trust fund covers regular State unemployment insurance benefits (paid for through taxes collected by States but deposited into the Federal trust fund) and the extended benefits program, which in times of high unemployment, provides an additional 13 weeks of benefits which are 50 percent federally funded. (The emergency unemployment compensation program, which provided benefits beyond the 39th week has now expired and the extended benefits program is now operating in only 3 jurisdictions: Alaska, New Jersey, and Puerto Rico.) Federal funds in the trust fund come partially from the Federal share of the unemployment payroll tax and partially from repayable general revenue advances to cover any inadequacies in the payroll tax. The unemployment trust fund also covers State and Federal administration costs.

When Federal and State tax collections are insufficient to meet benefit costs in the short run, the Federal unemployment trust fund is authorized to borrow from the general fund of the Treasury with the advances being subject to later repayment. Because of heavy levels of unemployment recently, substantial advances to the trust fund from the general revenues have been required. However, with economic improvement and certain unemployment tax increases enacted in 1976, the trust fund will be able to begin repayments. It is expected that a repayment of $0.8 billion will be made in fiscal year 1979 and $0.9 billion in fiscal 1980.

Although the chart indicates a total surplus of $3.3 billion for fiscal 1980 after taking into account the repayment to the general fund, most of this surplus is in the State accounts which appear in the Federal budget but are in fact State funds raised by State unemployment taxes and used to pay for State unemployment benefits. (In fiscal year 1980, the State accounts surplus is $2.5 billion.)

There are also certain unemployment programs funded from general revenues outside the trust fund. One such program provides special additional assistance to workers who become unemployed because their employers' businesses decline in the face of increased imports. (A related Trade Act provision authorizes adjustment assistance for firms and communities. The President's budget recommends funding for these programs at a fiscal 1980 outlay level of $87 million.) Unemployment benefits are also provided at Federal general revenue expense for former Federal employees and ex-servicemen.

Proposed legislation.—At the end of the 95th Congress, the committee reported out legislation modifying certain aspects of the Trade Adjustment Assistance Program. This legislation did not reach enactment. The bill reported by the committee had an estimated first year cost of $0.1 billion. Versions of this legislation introduced in this Congress would have a higher cost, about $0.2 billion.

Health Programs: Existing Law
(dollars in billions)

	FY1979	FY1980
Medicare trust funds:		
Hospital insurance:		
Income	$21.9	$25.5
Outgo	20.7	23.7
Net increase	+1.2	+1.8
Supplementary medical insurance:		
Income	9.8	10.3
Outgo	8.8	10.2
Net increase	+1.0	+0.1
Federal fund payment to Medicare trust funds	7.8	8.0
Medicaid	11.8	12.6
Maternal and child health	0.4	0.4

Chart 10

Health Programs: Existing Law

MEDICARE

Benefit and administrative outlays under medicare are estimated for fiscal year 1980 at $33.8. billion. Of this amount, benefit payments account for $32.8 billion. This represents an increase of 15 percent over the fiscal year 1979 benefit payments. The primary factor accounting for the increase is inflation in medical care costs.

Hospital insurance expenditures generally account for about 70 percent of the medicare benefit payments. In fiscal year 1980, $23.7 billion in outlays (including $23.2 billion in benefit outlays) are estimated under Part A (hospital insurance). Part B, the supplemental medical insurance program, will account for outlays of $10.2 billion (of which $9.6 billion is benefit payments).

Income to the trust funds in fiscal year 1980 is estimated at $35.8 billion, an excess over outlays of $2 billion. Federal fund payments to the trust funds for fiscal year 1979 are $8 billion.

MEDICAID

Total Federal-State medicaid costs for fiscal year 1980 are projected under present law to be $22.3 billion, of which the Federal share is $12.6 billion. Of the Federal amount, $11.8 billion represents payments for benefits, with the remaining $0.8 billion going for administrative costs. This represents an increase in total Federal outlays of 7 percent over fiscal year 1979.

States match Federal expenditures under the medicaid program, with total State expenditures accounting for approximately 45 percent of total program costs. In fiscal year 1980 State medicaid costs are estimated to be $9.7 billion, up from $9.1 billion in fiscal year 1979.

MATERNAL AND CHILD HEALTH

The budget includes $375 million for the maternal and child health program for fiscal year 1980, $5 million less than for fiscal year 1979. Of the 1980 outlays, $307 million is for formula grants to the States, with the remainder supporting project grants, sudden infant death programs and research and training related to maternal and child health. The formula grant request represents an increase of $7 million over the fiscal year 1979 appropriated amount of $300 million.

Medicare Trust Funds Under Present Law
(dollars in billions)

	FY1980	FY1981	FY1982	FY1983	FY1984
Hospital Insurance:					
Income	$25.5	$32.4	$38.1	$41.8	$45.0
Outgo	23.7	27.1	30.9	35.0	39.4
Net increase	+1.8	+5.3	+7.2	+6.8	+5.6
End-of-year assets	14.8	20.1	27.2	34.0	39.6
Supplementary Medical Insurance					
Income	10.3	12.3	14.1	15.9	17.9
Outgo	10.2	11.7	13.4	15.2	17.1
Net increase	+0.1	+0.7	+0.7	+0.7	+0.8
End-of-year assets	5.0	5.7	6.4	7.1	7.8

Chart 11

Medicare Trust Funds—Under Present Law

This chart shows the status of the two medicare trust funds in each of the next 5 fiscal years. The data in this chart are based on current law.

Health Programs: Proposed Changes
(dollars in billions)

President's budget:	FY1979	FY1980
MEDICARE:		
Hospital cost containment	-$0.4	-$1.5
Cost sharing for working aged	---	-0.2
Other changes	*	*
MEDICAID:		
Child health assurance program	---	+0.3
Hospital cost containment	*	-0.2
Other changes	-0.1	-0.1

*Less than $0.05 billion

Chart 12

Health Programs: Proposed Changes

Medicare.—The administration proposes to limit increases in total revenues of non-Federal hospitals. This reduction would result in a decrease of $1.5 billion in medicare expenditures in fiscal year 1980—2½ times the savings estimated for the hospital cost containment proposal presented in last year's budget. To achieve such reductions, the proposal would apply caps to increases in hospital spending which the staff feels are unrealistically low on the average and which fail to take any account of hospitals' individual circumstances and needs. If, as CBO estimates, hospital expenditures increase by 14.1 percent in 1979, the average permitted increase for 1980 would be limited to 6.4 percent under the administration's proposal.

The staff believes that it is unrealistic to expect enactment of the legislation required to achieve a reduction of $1.5 billion in medicare expenditures on the basis of the cost containment initiatives proposed in the administration's budget.

The administration also proposes legislation that would appear to require employers with elderly employees and the elderly self-employed to share with the Federal Government the cost of hospital insurance. No details for this proposal, estimated to reduce costs by $200 million, are given in the President's budget.

Medicaid.—The President's budget proposes legislation to expand and improve the early and periodic screening, diagnosis and treatment ("EPSDT") program under medicaid. Legislation with similar objectives was approved by the Finance Committee last year. Outlays under the proposal for fiscal year 1980 are estimated to be $0.3 billion. The budget proposes to fully offset these additional costs through cost containment legislation intended to reduce medicaid's fiscal year 1980 spending by $0.3 billion. Most of these savings would be achieved through the hospital cost containment initiatives described above and, as explained above, the staff does not believe that the proposed savings are realistic.

Staff suggestion.—While the staff does not concur in the budget estimate of $2 billion in medicare-medicaid savings for fiscal year 1980, it believes that alternative proposals could be developed that would provide a credible basis, if enacted or implemented administratively, for savings equal to a substantial proportion of those projected in the budget (perhaps as much as $1.5 billion). The Senate last year approved a number of proposals which were contained in the Medicare-Medicaid Administrative and Reimbursement Reform (H.R. 5285 in the last Congress).

Other possible proposals would, for example:

1. Prevent excessive reimbursement for ambulatory care in hospital outpatients departments;
2. Require substantial justification for reimbursing institutions a disproportionate share for specific service (e.g., malpractice insurance and routine nursing) provided medicare and medicaid patients;
3. Establish a limited program of grants and loans to convert unnecessary hospital units to skilled nursing and intermediate care facilities;
4. Limit payment for long-term care provided in hospitals' acute care facilities;
5. Place a standby, interim reimbursement limit for medicare and medicaid on increases in hospitals' ancillary costs (to become effective if the hospital industry Voluntary Effort fails);
6. Require application, for purposes of medicare and medicaid, of equitable cost limits to skilled nursing and intermediate care facilities within a specified period;
7. Streamline the method for transferring Federal medicaid funds to all States;
8. Broaden States' authority to contract for certain devices and equipment (such as hearing aids and eyeglasses) under their medicaid programs;
9. Cover free-standing detoxification units under medicare; and
10. Direct PSRO's to review the appropriateness of preoperative hospital stays in excess of 1 day and diagnostic tests that are routinely carried out when a patient is admitted, etc.

Cost increase proposals.—In determining its estimates of the likely budgetary impact of Finance Committee legislation in the health function, the committee will need to consider whether or not any health legislation enacted this year will include items which increase costs as well as items which reduce costs. While budgetary cost savings can be more easily achieved if legislation to expand medicare or medicaid benefits is deferred, the committee may wish to consider whether any cost savings legislation is likely to include some of the various proposals which have been made for increasing benefits.

(dollars in billions)

	FY 1979	FY 1980
Revenue sharing		
General revenue sharing	$6.9	$6.9
Countercyclical revenue sharing:		
Present law	---	---
Administration proposed extension	0.2	0.2
Sugar Program		
Present law (revenues)	(0.6)	(0.6)
Changes for Committee consideration:		
Payments	---	+0.1
Revenues	---	(+0.1)
Interest	59.8	65.7
(Committee decisions on deficit and debt limit determine estimate)		

Note: For "outlay" impact of refundable tax credit provisions, see revenue charts

Chart 13

Revenue Sharing; Sugar Program; Interest on the Public Debt

GENERAL AND COUNTERCYCLICAL REVENUE SHARING

General revenue sharing has become a central feature of the Federal Government's efforts to assist State and local governments. In 1976, the Congress approved legislation to extend this program through September 30, 1980. Under this program, provision has been made for outlays in each of the fiscal years 1979 and 1980 of $6.9 billion. One-third of these amounts is distributed to State governments and two-thirds to local governments. Since the inception of this program total payments of $45.4 billion have been made to these governments, covering calendar years 1972 through 1978. A proposal has been introduced and referred to the committee to eliminate the distribution of general revenue sharing funds to State governments.

Countercyclical revenue sharing, approved in July 1976 and extended through September 30, 1978 by the Intergovernmental Anti-Recession Assistance Act, provided for outlays in fiscal year 1978 of $1.5 billion. Under this program funds were distributed to State and local governments with high unemployment (exceeding 4.5 percent) when the national unemployment rate for the two preceding quarters exceeded 6 percent. This program was not extended beyond September 30, 1978. The administration has proposed that this program be revised and extended through fiscal year 1980. This would require outlays of an additional $250 million for fiscal year 1979 and $150 million for 1980. Other legislation has been introduced by members of the committee that would require outlays of approximately $500 million for fiscal year 1979 and $700 million for fiscal year 1980.

SUGAR PROGRAM

The Sugar Act expired on December 31, 1974. In fiscal year 1975, the last fiscal year the program was in effect, $86 million was appropriated to cover Sugar Act program payments for the 1974 crop year. An amendment to the Food and Agriculture Act of 1977 contained a price-support program. The price of the 1977 and 1978 crops of sugar beets and sugarcane were supported via a tariff and supplemental fee, imposed under Presidential proclamation, in addition to the price-support program. While existing legislation has expired, the administration has stated they will support the domestic sugar market price at a 15 cents per pound level for the 1979 crop year using existing authorities.

The International Sugar Agreement, which is now before the Senate for its advice and consent as a treaty, would require implementing legislation within the jurisdiction of the Finance Committee. If the committee expects to act on the sugar program this year, an estimate of the necessary appropriation should be included in the committee's budget recommendation.

If a sugar program which included payments were to be reinstated after the current crop year ends in September 1979, an excise tax or tariff on sugar would yield sufficient revenues to more than offset any program payments. The tariff would make up the difference between the domestic market price objective and the world market price.

In the previous session of Congress, the Senate favorably acted upon a new sugar program. The committee, for budgetary purposes, may wish to assume enactment of a similar bill, updated for inflation. If a target price of 17 cents per pound were authorized (consisting of 0.5 cents per pound payment and a market price objective of 16.5 cents per pound), the payments would require an expenditure of $60 million. Although no payments would be made before October 1, 1979, payments could then be made with respect to periods before that date. The additional expenditures would be more than offset by additional revenues; supporting the market price objective at 16.5 cents per pound via a tariff would yield an additional $108 million in revenue over existing duty collections (assuming world market prices remain unchanged).

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt are estimated in the President's budget to rise from $59.8 billion in fiscal year 1979 to a level of $65.7 billion in fiscal year 1980. These projected increases result from the financing of budget deficits for each of these years and from Federal borrowing to finance off-budget Federal entities. When the committee has completed its decisions on revenues, expenditures, and the budget deficit, the appropriate interest figures can be calculated.

It should be noted that unlike past budget estimates, where the rate of interest on the public debt has been assumed to be the rate of interest prevailing at the time the estimates were made, this year's budget assumes that interest rates will decline as the rate of inflation falls. The interest outlay estimate therefore assumes the 91-day bill rate will decline gradually from 9.3 percent, the prevailing rate at the time the estimates were made, to an average of about 8.8 percent in calendar year 1979 and 7.6 percent in calendar year 1980.

BUDGETARY TREATMENT OF REFUNDABLE CREDITS

In previous years, refundable tax credits were treated in their entirety as revenue reductions for purposes of the congressional budget process. This treatment has no impact one way or the other on the total budgetary surplus or deficit but was of some procedural importance since refundable tax credits are dealt with in the context of revenue legislation which follows somewhat different Budget Act procedural requirements than expenditure legislation. Starting with the last Congress, however, the budget procedures were modified to treat the refundable aspects of tax credits as "expenditures" rather than as revenue reductions. For purposes of this document, however, the budgetary aspects of refundable tax credits are discussed in the context of the other revenue items to which they are related. The two significant refundable tax credit items for fiscal 1980 are the earned income tax credit discussed in connection with chart 14 and the real wage insurance proposal discussed in connection with chart 15.

Revenues: Present Law
(dollars in billions)

	FY 1979	FY 1980
Individual income tax*	$203.6	$229.6
Corporation income tax	70.3	71.0
Social insurance taxes	141.8	161.2
Excise taxes	18.4	18.4
Estate and gift taxes	5.7	6.0
Customs duties	7.5	8.4
Other revenues	8.7	9.9
TOTAL	455.9	504.5

*The refundable part of the earned income tax credit (not reflected in these numbers) involves 'outlays' of $0.8 billion in FY 1979 and $1.5 billion in FY 1980

Chart 14

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The administration budget estimates that in fiscal year 1979, these revenues will yield a total of $455.9 billion under present law. For fiscal year 1979, the administration budget projects a revenue yield of $504.5 billion under present law.

Income taxes paid by individuals are estimated to amount to $229.6 billion for fiscal year 1980. Revenues from this source, which account for the largest single source of Federal revenues, will amount to 45.5 percent of total Federal revenues.

Income taxes paid by corporations are estimated at $71.0 billion for fiscal year 1980.

Social insurance taxes and contributions, composed of social security and other payroll taxes, unemployment insurance taxes and deposits, Federal employee retirement contributions, and premium payments for supplementary medical insurance are expected to total $161.2 billion. Receipts from these sources will account for approximately 31.9 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities are expected to provide $18.4 billion during fiscal year 1980.

Estate and gift taxes imposed on the value of property held at death and inter vivos transfers of property are projected to produce $6.0 billion.

Customs duties, levied on imports are anticipated to raise $8.4 billion.

Other taxes and miscellaneous receipts are expected to total $9.9 billion.

Under the budgetary conventions used in previous years, the entire impact of refundable tax credits was treated as a revenue reduction. Starting with the last Congress, this procedure was changed to treat the refundable aspects of those credits as though they were budgetary expenditures. As a result, the $229.6 billion of individual income tax revenues shown on this chart reflects the $740 million revenue reduction attributable to the nonrefundable part of that credit but does not reflect the refundable part of the credit which shows up in the budget as an "outlay" of $1.547 billion. Under legislation enacted last year, the refundable part of the earned income tax credit will begin to be reflected in withholding during the upcoming year. This may require a further reassessment of its budgetary treatment.

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Revenues: Proposed Legislation
(dollars in billions)

	FY 1979	FY 1980
President's budget:		
Individual taxes:		
Real wage insurance	---	-$2.3**
Fringe benefits	---	*
Carryover basis on capital gains	---	*
Independent contractors	---	*
Social insurance taxes:		
Railroad retirement payroll taxes	---	+0.2
Excise taxes:		
Airport and airway trust fund	---	+0.1
Other:		
Tax-exempt housing bonds	---	*
Oil pollution liability fee	---	+0.1
Allowance for minor bills		-0.1

* Proposals to be submitted; effect on revenues not yet determined

** Also involves $0.2 billion in "outlays" for refundable portion of credit

Chart 15

Revenues: Proposed Legislation

The administration has stated in the budget that it plans to submit to Congress several tax proposals which will have their initial impact during fiscal year 1980.

Real wage insurance.—The major proposal—real wage insurance—is part of the President's anti-inflation program. Under this proposal, a taxpayer who is a member of a group which receives a wage increase of 7 percent or less would receive a payment from the Federal Government, if the Consumer Price Index (CPI) rises by more than 7 percent. The payment would be a percentage of eligible earnings up to $20,000 from any one employer, and the amount would be included in income for tax purposes. The percentage would be the difference between 7 percent and the percentage increase in the CPI; the maximum increase in the CPI considered for this calculation would be 10 percent. Under the administration's economic assumptions, the revenue loss would be $2.3 billion in fiscal year 1980. Independent estimates of the revenue loss from this proposal have been prepared separately by the staff of the Joint Committee on Taxation and the Congressional Budget office. These estimates, particularly assumptions about the rate of inflation and the number of workers expected to qualify for the program, differ from the Administration estimate. The Administration estimates a cost of $5 billion associated with each percentage point by which the inflation rate exceeds 7 percent. The staff of the Joint Committee on Taxation estimates that the cost per percentage point could be substantially less, depending on the detailed specifications of the proposal.

Other individual income tax proposals.—The administration has stated its intention to submit proposals which relate to the inclusion of fringe benefits in income for tax purposes, carryover basis for assets held at death and clarification of the distinction between an employee and independent contractor for purposes of employment taxes and withholding taxes on wages and salaries. The proposals which will be submitted will become effective for taxable years beginning after December 31, 1979. Revenue estimates will be made after the proposals have been formulated.

Railroad retirement.—In order to alleviate funding problems of the railroad retirement trust fund, increases in the payroll taxes have been recommended which will become effective January 1, 1980. The major change will be to eliminate the $1,700 per month ceiling for the employer contribution of the payroll tax. Receipts in fiscal year 1980 would be increased by $200 million.

Airport and airway trust fund.—Current excise taxes on airfreight waybills and air passenger tickets, and certain other taxes, will expire on July 1, 1980. The administration proposes to continue the ticket and waybill taxes at their current rates and to change the 7-cents-per-gallon tax on aviation fuel to a 10-percent ad valorem tax. In addition, the administration has proposed a new 6-percent tax on new aircraft and aircraft equipment to become effective on October 1, 1980. The extension will avoid a reduction of net trust fund receipts of $100 million in fiscal year 1980.

Revision of tax-exempt status for certain mortgage bonds.—The administration intends to propose legislation to limit the use of funds from tax-exempt bond issues for mortgage financing to low and moderate income families or to other narrowly targeted public policy objectives.

Oil pollution liability and compensation.—The administration is also proposing legislation to establish a fund of up to $200 million to encourage cleanup of oil spills on the Nation's waterways. A fee of up to 3 cents per barrel of oil is proposed on oil received at any U.S. refinery or terminal. The proposal is estimated to increase receipts by $0.1 billion in 1980.

Other proposals.—A number of tax proposals have been introduced by various members of the committee. These measures range from across-the-board tax reduction proposals, which could reduce receipts by up to $16 billion during the first year, to a host of minor tax changes which would cut revenues by less than $10 million. Included in this group of proposed tax changes are such items as a tax credit for tuition paid to elementary, secondary and postsecondary schools, a tax credit for contributions to an individual housing account, a tax credit for charitable contributions, and a tax credit for research and development expenses. Deductions have been proposed for charitable contributions for taxpayers who do not claim itemized deductions, for contributions to limited employee retirement accounts, for expenses incurred in reforesting private lands, and for larger and accelerated deductions for depreciation.

Exclusions have been proposed for a limited amount of interest income on savings, a limited amount of dividends reinvested under a qualified dividend reinvestment plan, and the value of employer-provided day-care. Deferral of tax on the gain from the sale of certai' small businesses, repeal of carryover basis for estate tax purposes, reduction of tax rates applicable to the first $150,000 of corporate taxable income, restoration of the gasoline tax deduction, inclusion of gains from the sale of agricultural lands along with the sale of a principal residence in calculating the capital gains exclusion, changes in the special use valuation rule for farmland, subjecting nonresident alien investors to capital gains tax on U.S. real property, and the delay or repeal of various revenue rulings and IRS regulations have also been proposed.

Other major changes that have been suggested include indexing individual and corporate tax rates and the personal exemption and the zero bracket amount; permitting heads of household to use the standard deduction available to married persons, permitting married couples with both spouses working to use the tax rates applicable to single taxpayers, and providing a tax credit for certain social security tax payments.

Allowance for minor tax and tariff bills.—The budget resolutions set an overall floor on revenues, and this floor is, after the second resolution, enforceable by point of order. While this procedure is intended to provide budgetary control over major revenue changes, it also applies to bills which have only a very minor revenue impact but may be important for other reasons such as tariff bills or bills designed to correct inequities in the treatment of taxpayers. In order to avoid unduly restricting the flexibility of the Senate to consider such measures, the committee has in the past recommended that an allowance of $0.1 billion for minor tax and tariff legislation be incorporated into whatever revenue levels are established in the budget resolution.

Tax Expenditures: Present Law
(dollars in billions)

	FY1979	FY1980
Commerce and housing credit	$63.2	$72.9
Income security	30.7	35.7
General purpose fiscal assistance	17.0	19.1
Education, training, employment, and social services	12.8	13.0
Health	12.4	14.1
Energy	4.2	4.3
International affairs	2.2	2.3
Other tax expenditures	7.4	7.7

Chart 16

Tax Expenditures: Present Law

The concept of tax expenditures was developed in order to compare the Federal Government's total contribution to various activities, through direct expenditures and indirectly through deductions, deferrals, and credits in the tax structure. With this information, consideration of the budget will ultimately involve examination of both direct and tax expenditures as alternate means of providing incentives.

The chart presents a summary of tax expenditures by budget functional category and estimates of their revenue effects. The table containing the estimates presented by the administration as a special analysis in the 1980 budget is reproduced in appendix C.

The definition of a tax expenditure is imprecise. The objective generally, however, is to include as tax expenditures those tax provisions that are not ordinary deductions taken for the purpose of determining net income of a business, whether incorporated or not. Deductions for individuals that are not business-related then clearly should be treated as tax expenditures. The imprecision that exists with respect to dovetailing concept and practice has generated substantial controversy. Because of the difficulty of achieving precision, the staff approach is to be as comprehensive as is reasonable when deciding what is to be included. The staff also believes that the term "tax expenditure" and a listing of a provision carry no implication of approval or disapproval, or judgment about the effectiveness of any one provision. A listing simply reflects present law and, therefore, present public policy.

If the various tax expenditure figures in the two columns were added, they would total $149.9 billion in fiscal year 1979 and $169.1 billion in fiscal year 1980. However, the separate items, even in functional categories, should not be simply added because the revenue estimates are made with the assumption that no other changes would be made by the taxpayer if the one item were to be repealed. Many taxpayers have the choice of using other tax expenditures, if they are interested in tax shelters. For some, repeal of a provision could foreclose that source of economic income, and they might permanently suffer a significantly reduced income. For all taxpayers, repeal of a tax expenditure provision could affect their tax liabilities through movement into higher tax brackets or no longer having to itemize deductions.

Debt Limit
(dollars in billions)

Temporary debt limit through March 31, 1979	$798.0
Administration estimate of debt subject to limit Sept. 30, 1979	833.0
Plus:	
Federal funds deficit for FY 1980	49.0
Off-budget agency spending financed by Treasury and other financing	11.2
Equals:	
Debt subject to limit Sept. 30, 1980	893.2

Chart 17

Debt Limit

Under existing law, the debt limit is $798 billion until March 31, 1979. The temporary debt limit expires March 31, 1979. In the absence of further legislation, the debt ceiling would decline on that date to its permanent level of $400 billion.

For fiscal year 1980 the administration assumes that the debt subject to limit would reach $893.2 billion on September 30, 1980. Underlying these estimates are the legislative proposals which the President proposed to Congress in the budget for fiscal year 1980 and the economic outlook for that period. In addition, the fiscal year 1980 needs include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included within budget totals.

APPENDIX A

Committee on Finance 1978 Report to the Budget Committee With Respect to Fiscal Year 1979 (including supplemental report on 5-year outlook)

LETTER OF TRANSMITTAL

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., March 10, 1978.

Hon. EDMUND S. MUSKIE,
Chairman, Committee on the Budget,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This letter transmits the views and estimates of the Committee on Finance on those aspects of the Federal Budget for fiscal year 1979 which fall within the Committee's jurisdiction as is required by section 301(c) of the Congressional Budget Act of 1974.

Economic assumptions.—Many of the components which go to make up the budget totals are highly susceptible to relatively slight changes in economic conditions. The economic assumptions underlying the budget are presented on page 31 of the President's budget. For purposes of the first concurrent resolution on the budget, the Finance Committee accepted these assumptions.

While the President's economic assumptions have been used as a basis for estimating revenues, unemployment compensation, social security benefits and other programs under Finance Committee jurisdiction, we recognize that there are other alternative economic assumptions which might reasonably be supported. If the Budget Committee decides to adopt a different set of economic assumptions, an appropriate adjustment should be made in some of the revenue and outlay estimates under present law.

Estimating budgetary impact.—In the course of developing its recommendations with respect to the fiscal year 1979 budget, the Committee became aware of certain estimating problems which tend to distort the budgetary picture. These problems relate to the offsetting impact which certain budget items may have on other aspects of the budget. One such problem is that an increase in one budgetary function may result in offsetting reductions which occur under other budgetary functions. A budgetary allowance for a given proposal thus may stand out as a significant increase while any offsetting impact may be hidden in the overall estimates for other categories. A related problem is that the budgetary increases resulting from new legislation tend to be more easily estimated than the offsetting savings.

The work incentive (WIN) program under title IV-C of the Social Security Act is a case in point. This program is directly targeted on the reduction of welfare dependency. It includes supportive services, placement activities, training, and subsidized employment. Through some or all of these activities, the program serves to move an individual from welfare to employment. This is a program which, in the Committee's view, clearly pays for itself. However, allowing for increased funding requires a budgetary increase in the social services category, while offsetting savings occur in different categories (income security to the extent that AFDC and food stamp costs are reduced; health to the extent of medicaid savings). In addition, the program results in a savings of State welfare expenditures which are simply not reflected in the budgetary totals—although they are important in evaluating the budgetary impact of the program from the taxpayer's standpoint.

In addition to the fact that the budgetary categories tend to obscure savings, the extent of the savings has been disputed. The difficulty of determining the relationship between participation in the program and subsequent employment, and the lack of certain data concerning the duration of employment, result in significantly differing views of the level of offsetting savings which result from increased WIN funding. However, the fact that savings may be more difficult to estimate than costs does not mean that savings are less real than costs. Nor is it a valid approach to the budgetary process to ignore savings because of difficulties in estimating them.

The Committee is convinced that there are substantial numbers of welfare recipients who are employable and that the WIN program can, if adequately funded, provide them with the necessary assistance and opportunities for employment. Moreover, the Committee believes that the WIN program must be viewed as an integral part of the actions Congress has taken in the past few years to improve welfare programs and to reduce avoidable dependency. (Another important element of this type is the child support program enacted in 1974.) The results are impressive. The rapid escalation of welfare dependency which was characteristic of the program at the end of the last decade has been stopped. Even during the recent recession, when increased dependency would have been expected, the AFDC rolls have, in fact, declined. In the five years prior to the 1971 amendments which restructured the WIN program, the AFDC caseload was increasing at an annual rate of 18 percent as compared with an average annual increase of only 1 percent over the past 5 years—and an actual decline of more than 2½ percent over the most recent 12-month period for which statistics are available.

The Committee believes that these more favorable trends in caseload account for substantial savings in expenditures far exceeding what has been spent on WIN, child support enforcement, and other activities which have contributed to those savings. A valid budgetary judgment must attempt to balance proposed increases in funding for such programs against the savings which may be anticipated to result from them. For this reason, the Committee, in developing its budget recommendations, has incorporated significant offsetting savings into the estimates underlying this letter in those instances where the Committee anticipates increased funding of programs which would produce such savings.

Expenditure programs.—The Committee on Finance shares with other committees jurisdiction over a number of program areas involving expenditures. These areas include income maintenance, health, social services, and other matters.

Interest on the public debt, which on a gross basis will account for some $56 billion in Federal outlays during the coming fiscal year, also falls under the jurisdiction of the Committee on Finance.

The Committee on Finance has reviewed each of the expenditure programs within its jurisdiction and estimates that the amounts shown in Table 1 should be allowed in the concurrent budget resolution for these programs. The Finance Committee estimates involve outlays for fiscal year 1979 which are $1.4 billion higher than the outlays estimated in the President's budget.

TABLE 1.—FINANCE COMMITTEE RECOMMENDATIONS CONCERNING BUDGET AUTHORITY AND OUTLAYS UNDER COMMITTEE JURISDICTION: FISCAL 1979

[In billions of dollars]

Functional category	Budget authority	Outlays
350 Agriculture	0	0
New legislation	+0.3	+0.3
450 Community and regional development	.1	.1
500 Education, training, employment, and social services	4.1	4.1
New legislation	+1.3	+1.3
550 Health	44.1	42.5
New legislation	(*)	(*)
600 Income security	131.2	129.3
New legislation	−.1	−.1
850 General purpose fiscal assistance	7.0	7.0
New legislation	+1.1	+1.1
900 Interest	[1] 55.7	[1] 55.7
	+.4	+.4

[1] Certain offsetting interest receipts reduce the budgetary impact of this total to $49,000,000,000.

*Net change less than $50,000,000.

Agriculture.—The only program within the Finance Committee's jurisdiction in this functional category is the Sugar Act. That Act expired at the end of December 1974 and no payments to sugar growers were made for crop years after 1974. However, crop support payments have been authorized through the end of this calendar year under the Food and Agriculture Act of 1977. The amount shown for new legislation will permit enactment of a support payment program along the lines of the former Sugar Act. (The International Sugar Agreement which is now before the Senate for its advice and consent would require new, implementing legislation.)

In the past, the excise tax on sugar (which has also expired) has produced revenues which exceed the cost of the payments to sugar growers. (The current support payments are funded through higher tariffs on imported sugar.) The Finance Committee revenue estimates also allow for renewal of the sugar tariff and/or excise tax, so that taken together, renewal of the support payments and the tariff or excise tax would leave the budget deficit unchanged.

Education, training, employment, and social services.—In this category, there are several programs under the jurisdiction of the Committee on Finance including the general social services program under title XX of the Social Security Act, the child welfare services program, and the work incentive program (WIN) for employable recipients of aid to families with dependent children. In the case of the WIN program there is, in addition to the general authorization of permanent law, a special authorization for fiscal years 1978 and 1979 under Public Law 95–30. This law was enacted last year and the Committee has approved legislation to provide an additional increase in that authorization. The Committee has also reported legislation which would increase the funding required for the title XX and child welfare services programs. In developing its estimates for this function the Committee has taken into account the requirements for providing adequate funding for these three programs under present law and under the legislation already approved by the Committee. We have also included an allowance for further increases under additional legislation.

Health.—The Committee on Finance has jurisdiction over the Medicare, Medicaid, and maternal and child health programs. The Committee recommends that the Congressional budget for fiscal year 1979 allow approximately the same level of funding for this function (insofar as it concerns Finance Committee programs) as under present law. In making this recommendation, the Committee anticipates that it will be proposing legislation affecting health category expenditures. However, the Committee believes that sufficient savings can be achieved to offset the costs of any new spending that the Committee may propose. At the same time, however, the Committee notes that the Administration budget proposed a savings of $0.7 billion in medicare and medicaid through its hospital cost containment proposal. The Committee believes that it would be unrealistic to base a Congressional budget estimate on the expectation that this proposal will be enacted. The Committee intends to act this year on legislation dealing with the costs of the Medicare and Medicaid programs and is convinced that it can develop legislation which will, in the long run, be as effective, if not more effective in restraining hospital costs in those programs than the Administration proposal. In developing this proposal, the Committee will to the extent reasonably possible, attempt to affect short-range costs also. However, the Committee strongly recommends that the budget resolution not anticipate fiscal year 1979 savings from hospital cost containment.

Income security.—In the income security function of the budget, the Committee on Finance has jurisdiction over the basic national social insurance and public assistance programs. The major programs involved are old-age, survivors, and disability insurance, supplemental security income for the aged, blind, and disabled, aid to families with dependent children, and unemployment compensation. The Committee recommendation for this function indicates allowance for legislative changes which would reduce outlays by $0.1 billion. In making this recommendation, the Committee points out that legislation already reported by the Committee would involve certain new spending in this category offset by provisions which would reduce income security costs. In addition, as pointed out earlier in this letter, the Committee believes that fuller funding of the work incentive (WIN) program under existing law and under proposed legislation will be effective in reducing AFDC expenditures.

The President's budget anticipates legislation to reduce the costs of the old-age, survivors, and disability insurance program by some $0.6 billion. The Committee notes that action on major social security legislation has already been completed during this Congress. That legislation included the elimination of certain low-priority benefit features which would otherwise have cost $1.2 billion in calendar year 1979. The Committee intends to continue to review the social security program and to recommend appropriate legislative changes to eliminate any costs which result from unnecessary and undesirable provisions. It would not, however, be realistic to assume that such legislation will be enacted to provide additional reductions in this program for fiscal year 1979. The Committee recommends that the savings shown in the President's budget not be incorporated into the development of the Congressional budget resolution.

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General purpose fiscal assistance.—This function of the budget includes general revenue sharing, countercyclical revenue sharing, and other items such as payments to Puerto Rico of amounts equal to certain tax collections. The countercyclical revenue sharing program is scheduled to expire at the end of fiscal year 1978, but the President's budget has recommended its extension through September 30, 1979. The President's tax recommendations include features which would involve some expenditures in this category in the form of subsidies related to municipal bonds issued on a taxable basis. The Committee recommendations that $1.1 billion be allowed for possible new legislation in this budget function would be sufficient to accommodate the outlays resulting from such legislation if it is determined to be appropriate when that legislation is considered substantively. The Committee notes that the President's proposed bond subsidy program apparently would take a form requiring a multi-year appropriation for which several billion dollars in additional budget authority would be necessary. We have not yet had the opportunity to decide whether such a program will be a part of our tax recommendation nor, if agreed to, the exact form of such a program. We therefore feel that it would be appropriate at this time to limit the budget authority allowed for such a contingency to what would be necessary to cover the first year's outlays.

Interest.—The interest function in the budget includes interest on the public debt, interest payments on certain tax refunds, and certain offsetting interest receipts. The Committee estimates that present law, as modified by legislative proposals of President Carter not within this Committee's jurisdiction, will involve gross interest on the public debt of $55.4 billion. The Committee also estimates that the increased deficit resulting from the revenue and outlay recommendations in this letter would increase that interest by a further $0.4 billion.

TABLE 2.—FISCAL YEAR 1979 FINANCE COMMITTEE REVENUE ESTIMATES

[In billions of dollars]

Present law	[1]472.2
Allowance for legislation (net)	−44.0
Present law and legislation	428.2

[1] The committee, for purposes of this report, has accepted the President's budget estimates of present law revenues. It is noted, however, that those estimates do not include the $200,000,000 in fiscal year 1979 revenues attributable to the recently enacted tax on coal under the Black Lung Benefits Revenue Act of 1977, and it is also understood that the budget does not reflect the increased outlays resulting from the companion legislation modifying the Black Lung program

Revenues.—The different types of Federal revenues include individual and corporate incomes taxes, social insurance taxes, excise taxes, estate and gift taxes, and customs duties. For purposes of this report, all Federal receipts have been treated as revenues; those receipts in the President's budget which do not fall within the Finance Committee's jurisdiction have been accepted without change.

The President's budget for fiscal year 1979 proposes revenue reductions totaling $32.6 billion as compared with present law. The Committee has not yet had an opportunity to deal with the President's specific recommendations. We have already acted on certain revenue measures, such as the tuition tax credit proposal which has been reported to the Senate, and the energy tax package which is presently before a committee of conference. The Committee notes that, in addition to the President's recommendations, a number of other proposals are likely to be considered which would affect revenues from individual and corporate income, social insurance, and other taxes. In order to accommodate the net impact of legislative action which may be taken in these areas, the Committee recommends that the budget allow for new legislation reducing revenues by $44 billion in fiscal 1979.

The revenue estimate of the Finance Committee includes an assumption that, if it becomes necessary to reenact the Sugar Act, the Committee will propose a renewal of the sugar excise tax which would offset any payments under the act to growers. The estimate also includes an allowance to cover minor tax and tariff legislation. The Committee notes that setting a budget resolution revenue total at exactly the level of expected revenues could result in an unfortunate procedural barrier to the consideration of minor tax and tariff bills which have only negligible revenue implications. While such bills have essentially no budgetary impact, they are technically inconsistent with the budget resolution (and after the second budget resolution may be subject to a point of order). To deal with this situation, the Committee on Finance strongly recommends that the revenue total in the budget resolution be set at a level $0.1 billion below the level of revenues otherwise anticipated.

Budget deficit.—Table 3 shows the overall budgetary impact of the recommendations of the Committee on Finance concerning the fiscal year 1978 Congressional budget resolution.

TABLE 3.—BUDGETARY IMPACT OF FINANCE COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	Revenues	Outlays	Deficit
Present law [1]	472.2	498.5	–26.4
President's budget	439.6	500.2	–60.6
Finance Committee recommendation	428.2	501.5	–73.4

[1] Does not include impact of recent Black Lung legislation. See footnote to table 2. For purposes of this table, "present law" outlay totals include proposed legislation in the President's budget which is not within the jurisdiction of the Committee on Finance.

Public debt limit.—The permanent debt limit under existing law is $400 billion. In addition, there is a temporary debt limit in effect which brings the overall limit to $752 billion. This temporary limit expires on March 31, 1978, and in the absence of further legislation the debt ceiling would decline to the $400 billion permanent level. The projected deficit for fiscal year 1979 will increase the debt subject to limit to a level of $880 billion under the recommendations of the Committee on Finance contained in this letter. Except for those recommendations, this estimate is computed on the basis of the President's budget. The Budget Committee may, therefore, find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

TABLE 4.—PUBLIC DEBT LIMIT ESTIMATES

[In billions of dollars]

Debt subject to limit as of September 30, 1978	778
Plus:	
Federal funds deficit for fiscal year 1979	87
Off-budget agency spending financed by Treasury and other financing	15
Equals: Debt subject to limit as of September 30, 1979	880

Tax expenditures.—The Congressional Budget Act of 1974 defines "tax expenditures" as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." In the Committee's view, the question of whether a given revenue provision represents a special or a normal application of tax policy is one which in many instances cannot be objectively resolved. For this reason, the Committee feels that the only way in which it can comply with the Budget Act's requirement that it present its estimates with respect to tax expenditures is by listing all items which have been so designated. In doing so, however, the Committee does not either endorse or reject the contention that any or all of these items designated as tax expenditures represent a departure from normal tax policy.

For the reason stated above, the Finance Committee accepts at face value the .ax expenditure listing included in Special Analysis G of the President's budget.

The Finance Committee staff is available to answer any additional questions you may have on these estimates.

With every good wish, I am

Sincerely,

RUSSELL B. LONG, *Chairman.*

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U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., April 4, 1978.

Hon. EDMUND S. MUSKIE,
Chairman, Committee on the Budget, U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for additional information concerning the budgetary implications of legislation within the jurisdiction of the Committee on Finance for years beyond the upcoming fiscal year which was the subject of the March 10, 1978 letter transmitting the views and estimates of the Committee on Finance as required by section 301(c) of the Congressional Budget Act.

As indicated in the March 10 letter, the Committee on Finance anticipates the enactment of significant legislation affecting revenues and affecting expenditures under the programs within the Committee's jurisdiction. In that letter, the Committee has attempted to assess the fiscal 1979 budgetary impact of the actions it may take in these areas. These actions will also affect the budget for subsequent years although the likely budgetary impact for those years will depend very heavily on the exact nature of the legislative changes, most of which remain to be considered at a later date. The information below discusses the future year budgetary implications of legislation within Finance Committee jurisdiction to the extent that it is feasible to do so. I am also attaching a copy of a committee print which includes certain projections of future year program levels referred to in the matter below.

EXPENDITURE PROGRAMS

Education, training, employment, and social services.—Programs in this category include the title XX social services program, the child welfare services program, the work incentive program, and the employment services program funded through the unemployment trust fund. The amount of funding for the title XX program is limited by a permanent ceiling in the law which has been set at $2.5 billion since 1972. A temporary increase of $2.7 billion was provided for fiscal years 1977 and 1978 and the Committee has reported legislation to make the $2.7 billion a permanent ceiling. Further increases for fiscal 1979 or future years would occur only as a result of specific legislative change. The child welfare services program would be funded at a level of approximately $0.1 billion under the President's fiscal 1979 budget. The Committee has reported legislation modifying the program in ways which it anticipates would lead to requests for full funding of the program at its $266 million authorization level within a few years. The work incentive program was funded last year at a level of $0.4 billion. The Committee has reported legislation which would authorize additional funding to a level of $1.1 billion for fiscal year 1979 and $1.5 billion for future years. Funding for the employment services program through the unemployment trust fund becomes available under a formula which allocates a portion of the Federal Unemployment Tax to the Unemployment Administration Account.

Health.—Major programs in this category are medicare, medicaid, and maternal and child health. Present law projections for five fiscal years for the medicare programs appear on page 42 of the attached committee print. Similar growth patterns might be expected in the medicaid program although the costs of that program are somewhat more susceptible to variation because of State control over program content and eligibility. The maternal and child health program is governed by a specific authorization level of $0.4 billion. The Committee has under consideration legislation designed to reduce the costs of the medicare and medicaid programs over the next several years; however, the timing and level of the reductions will be feasible to estimate only after the Committee has completed action on the measure.

Income security.—The major income security programs are social security, unemployment compensation, supplemental security income, and aid to families with dependent children. The estimated 5 year projections of the social security program appear on page 16 of the enclosed committee print. Changes to these estimates may be possible but will depend on legislation to be developed over the next few years. The unemployment compensation program's costs will depend primarily on the level of unemployment experienced over the coming years. The public assistance programs have been relatively stable in the past year or two and the cost of these programs—particularly the Aid to Families with Dependent Children program—can be significantly reduced as a result of legislation the Committee has already recommended in H.R. 7200 and S. 2779.

General purpose fiscal assistance.—The major programs in this category are general revenue sharing and countercyclical revenue sharing. The general revenue sharing program's expenditure levels are limited by existing legislation to $6.8 billion for each fiscal year through fiscal 1980; the program will then expire unless extended by subsequent legislation. The countercyclical revenue sharing program expires at the end of fiscal year 1978, but the President has proposed a two-year extension. The need for such a program in future years and the program's funding level will depend heavily on the economic situation.

REVENUES

Revenue projections for the next five years appear on page 11 of the President's budget. At this time, the only action taken by the Committee which would significantly modify the present law projections is the reporting of H.R. 3946 which would reduce revenues by $0.9 billion in fiscal 1979, $1.4 billion in fiscal 1980, $2.8 billion in fiscal 1981, $4.5 billion in fiscal 1982, and $5.3 billion in fiscal 1983. As indicated in the letter of March 10, 1978, the Committee anticipates further action in the revenue area to result in a total revenue reduction of $44 billion for fiscal year 1979. It can be expected that the legislation providing for those reductions will also result in reduced revenues in subsequent years but the extent of those future year reductions can only be estimated after the Committee has had an opportunity to determine the nature of the revenue reduction it will propose.

With every good wish, I am

Sincerely,

RUSSELL B. LONG,
Chairman.

APPENDIX B

Excerpt From Public Law 93-344—The Congressional Budget and Impoundment Control Act of 1974

TITLE III—CONGRESSIONAL BUDGET PROCESS

TIMETABLE

31 USC 1321.

SEC. 300. The timetable with respect to the congressional budget process for any fiscal year is as follows:

On or before:	Action to be completed:
November 10	President submits current services budget.
15th day after Congress meets	President submits his budget.
March 15	Committees and joint committees submit reports to Budget Committees.
April 1	Congressional Budget Office submits report to Budget Committees.
April 15	Budget Committees report first concurrent resolution on the budget to their Houses.
May 15	Committees report bills and resolutions authorizing new budget authority.
May 15	Congress completes action on first concurrent resolution on the budget.
7th day after Labor Day	Congress completes action on bills and resolutions providing new budget authority and new spending authority.
September 15	Congress completes action on second required concurrent resolution on the budget.
September 25	Congress completes action on reconciliation bill or resolution, or both, implementing second required concurrent resolution.
October 1	Fiscal year begins.

ADOPTION OF FIRST CONCURRENT RESOLUTION

31 USC 1322.

SEC. 301. (a) ACTION TO BE COMPLETED BY MAY 15.—On or before May 15 of each year, the Congress shall complete action on the first concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth—

Contents.

(1) the appropriate level of total budget outlays and of total new budget authority;

(2) an estimate of budget outlays and an appropriate level of new budget authority for each major functional category, for contingencies, and for undistributed intragovernmental transactions, based on allocations of the appropriate level of total budget outlays and of total new budget authority;

(3) the amount if any, of the surplus or the deficit in the budget which is appropriate in light of economic conditions and all other relevant factors;

(4) the recommended level of Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;

(5) the appropriate level of the public debt, and the amount, if any, by which the statutory limit on the public debt should be increased or decreased by bills and resolutions to be reported by the appropriate committees; and

(6) such other matters relating to the budget as may be appropriate to carry out the purposes of this Act.

(b) ADDITIONAL MATTERS IN CONCURRENT RESOLUTION.—The first concurrent resolution on the budget may also require—

(1) a procedure under which all or certain bills and resolutions providing new budget authority or providing new spending authority described in section 401(c)(2)(C) for such fiscal year shall not be enrolled until the concurrent resolution required to be reported under section 310(a) has been agreed to, and, if a reconciliation bill or reconciliation resolution, or both, are required to be reported under section 310(c), until Congress has completed action on that bill or resolution, or both; and

(2) any other procedure which is considered appropriate to carry out the purposes of this Act.

Not later than the close of the Ninety-fifth Congress, the Committee on the Budget of each House shall report to its House on the implementation of procedures described in this subsection. Report to Congress.

(c) VIEWS AND ESTIMATES OF OTHER COMMITTEES.—On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses— Submittal to congressional committees.

(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and

(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year.

The Joint Economic Committee shall also submit to the Committees on the Budget of both Houses, its recommendations as to the fiscal policy appropriate to the goals of the Employment Act of 1946. Any other committee of the House or Senate may submit to the Committee on the Budget of its House, and any other joint committee of the Congress may submit to the Committees on the Budget of both Houses, its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within its jurisdiction or functions. 60 Stat. 23. 15 USC 1021 note.

(d) HEARINGS AND REPORT.—In developing the first concurrent resolution on the budget referred to in subsection (a) for each fiscal year, the Committee on the Budget of each House shall hold hearings and shall receive testimony from Members of Congress and such appropriate representatives of Federal departments and agencies, the general public, and national organizations as the committee deems desirable. On or before April 15 of each year, the Committee on the Budget of each House shall report to its House the first concurrent resolution on the budget referred to in subsection (a) for the fiscal year beginning on October 1 of such year. The report accompanying such concurrent resolution shall include, but not be limited to— Concurrent resolution, development. Report to Congress. Contents.

(1) a comparison of revenues estimated by the committee with those estimated in the budget submitted by the President;

(2) a comparison of the appropriate levels of total budget outlays and total new budget authority, as set forth in such concurrent resolution, with total budget outlays estimated and total new budget authority requested in the budget submitted by the President;

(3) with respect to each major functional category, an estimate of budget outlays and an appropriate level of new budget authority for all proposed programs and for all existing programs (including renewals thereof), with the estimate and level for existing programs being divided between permanent authority and funds provided in appropriation Acts, and each such division being subdivided between controllable amounts and all other amounts;

(4) an allocation of the level of Federal revenues recommended in the concurrent resolution among the major sources of such revenues;

(5) the economic assumptions and objectives which underlie each of the matters set forth in such concurrent resolution and alternative economic assumptions and objectives which the committee considered;

(6) projections, not limited to the following, for the period of five fiscal years beginning with such fiscal year of the estimated levels of total budget outlays, total new budget outlays, total new budget authority, the estimated revenues to be received, and the estimated surplus or deficit, if any, for each fiscal year in such period, and the estimated levels of tax expenditures (the tax expenditures budget) by major functional categories;

(7) a statement of any significant changes in the proposed levels of Federal assistance to State and local governments; and

(8) information, data, and comparisons indicating the manner in which, and the basis on which, the committee determined each of the matters set forth in the concurrent resolution, and the relationship of such matters to other budget categories.

MATTERS TO BE INCLUDED IN JOINT STATEMENT OF MANAGERS; REPORTS BY COMMITTEES

31 USC 1323. SEC. 302. (a) ALLOCATION OF TOTALS.—The joint explanatory statement accompanying a conference report on a concurrent resolution on the budget shall include an estimated allocation, based upon such concurrent resolution as recommended in such conference report, of the appropriate levels of total budget outlays and total new budget authority among each committee of the House of Representatives and the Senate which has jurisdiction over bills and resolutions providing such new budget authority.

Subdivisions. (b) REPORTS BY COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to—

(1) the Committee on Appropriations of each House shall, after consulting with the Committee on Appropriations of the other House, (A) subdivide among its subcommittees the allocation of budget outlays and new budget authority allocated to it in the joint explanatory statement accompanying the conference report on such concurrent resolution, and (B) further subdivide the amount with respect to each such subcommittee between controllable amounts and all other amounts; and

(2) every other committee of the House and Senate to which an allocation was made in such joint explanatory statement shall, after consulting with the committee or committees of the other House to which all or part of its allocation was made, (A) subdivide such allocation among its subcommittees or among programs over which it has jurisdiction, and (B) further subdivide the amount with respect to each subcommittee or program between controllable amounts and all other amounts.

Each such committee shall promptly report to its House the subdivisions made by it pursuant to this subsection. Congressional committees' report of subdivisions.

(c) SUBSEQUENT CONCURRENT RESOLUTIONS.—In the case of a concurrent resolution on the budget referred to in section 304 or 310, the allocation under subsection (a) and the subdivisions under subsection (b) shall be required only to the extent necessary to take into account revisions made in the most recently agreed to concurrent resolution on the budget.

FIRST CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR PUBLIC DEBT LIMIT IS CONSIDERED

SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution (or amendment thereto) which provides— 31 USC 1324.

(1) new budget authority for a fiscal year;

(2) an increase or decrease in revenues to become effective during a fiscal year;

(3) an increase or decrease in the public debt limit to become effective during a fiscal year; or

(4) new spending authority described in section 401(c)(2)(C) to become effective during a fiscal year;

until the first concurrent resolution on the budget for such year has been agreed to pursuant to section 301.

(b) EXCEPTIONS.—Subsection (a) does not apply to any bill or resolution—

(1) providing new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

(2) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution to which subsection (a) applies may at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred, accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar. Resolution referral. Report to Senate.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and minority leader or their designees, and the time on any debatable motion or appeal shall be limited to twenty minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion Debate, time limitation.

or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to the bill or resolution to which the resolution so agreed to applies.

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

31 USC 1325. SEC. 304. At any time after the first concurrent resolution on the budget for a fiscal year has been agreed to pursuant to section 301, and before the end of such fiscal year, the two Houses may adopt a concurrent resolution on the budget which revises the concurrent resolution on the budget for such fiscal year most recently agreed to.

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

31 USC 1326. SEC. 305. (a) PROCEDURE IN HOUSE OF REPRESENTATIVES AFTER REPORT OF COMMITTEE; DEBATE.—

(1) When the Committee on the Budget of the House has reported any concurrent resolution on the budget, it is in order at any time after the tenth day (excluding Saturdays, Sundays, and legal holidays) following the day on which the report upon such resolution has been available to Members of the House (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the concurrent resolution. The motion is highly privileged and is not debatable. An amendment to the motion is not in order, and it is not in order to move to reconsider the vote by which the motion is agreed to or disagreed to.

Debate, time limitation. (2) General debate on any concurrent resolution on the budget in the House of Representatives shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the concurrent resolution is not in order, and it is not in order to move to reconsider the vote by which the concurrent resolution is agreed to or disagreed to.

(3) Consideration of any concurrent resolution on the budget by the House of Representatives shall be in the Committee of the Whole, and the resolution shall be read for amendment under the five-minute rule in accordance with the applicable provisions of rule XXIII of the Rules of the House of Representatives. After the Committee rises and reports the resolution back to the House, the previous question shall be considered as ordered on the resolution and any amendments thereto to final passage without intervening motion; except that it shall be in order at any time prior to final passage (notwithstanding any other rule or provision of law) to adopt an amendment (or a series of amendments) changing any figure or figures in the resolution as so reported to the extent necessary to achieve mathematical consistency.

(4) Debate in the House of Representatives on the conference report or any concurrent resolution on the budget shall be limited to not more than 5 hours, which shall be divided equally between the majority and minority parties. A motion further to limit debate is not debatable. A motion to recommit the conference report is not in order, and it is not in order to move to reconsider the vote by which the conference report is agreed to or disagreed to. Debate, time limitation.

(5) Motions to postpone, made with respect to the consideration of any concurrent resolution on the budget, and motions to proceed to the consideration of other business, shall be decided without debate.

(6) Appeals from the decisions of the Chair relating to the application of the Rules of the House of Representatives to the procedure relating to any concurrent resolution on the budget shall be decided without debate.

(b) PROCEDURE IN SENATE AFTER REPORT OF COMMITTEE; DEBATE; AMENDMENTS.—

(1) Debate in the Senate on any concurrent resolution on the budget, and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 50 hours, except that, with respect to the second required concurrent resolution referred to in section 310(a), all such debate shall be limited to not more than 15 hours. The time shall be equally divided between, and controlled by, the majority leader and the minority leader or their designees. Debate, time limitation.

(2) Debate in the Senate on any amendment to a concurrent resolution on the budget shall be limited to 2 hours, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, and debate on any amendment to an amendment, debatable motion, or appeal shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution, except that in the event the manager of the concurrent resolution is in favor of any such amendment, motion, or appeal, the time in opposition thereto shall be controlled by the minority leader or his designee. No amendment that is not germane to the provisions of such concurrent resolution shall be received. Such leaders, or either of them, may, from the time under their control on the passage of the concurrent resolution, allot additional time to any Senator during the consideration of any amendment, debatable motion, or appeal.

(3) A motion to further limit debate is not debatable. A motion to recommit (except a motion to recommit with instructions to report back within a specified number of days, not to exceed 3, not counting any day on which the Senate is not in session) is not in order. Debate on any such motion to recommit shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the concurrent resolution.

(4) Notwithstanding any other rule, an amendment, or series of amendments, to a concurrent resolution on the budget proposed in the Senate shall always be in order if such amendment or series of amendments proposes to change any figure or figures then contained in such concurrent resolution so as to make such concurrent resolution mathematically consistent or so as to maintain such consistency.

(c) ACTION ON CONFERENCE REPORTS IN THE SENATE.—

(1) The conference report on any concurrent resolution on the budget shall be in order in the Senate at any time after the third day (excluding Saturdays, Sundays, and legal holidays) following the day on which such a conference report is reported and is available to Members of the Senate. A motion to proceed to the consideration of the conference report may be made even though a previous motion to the same effect has been disagreed to.

Debate, time limitation.

(2) During the consideration in the Senate of the conference report on any concurrent resolution on the budget, debate shall be limited to 10 hours, to be equally divided between, and controlled by, the majority leader and minority leader or their designees. Debate on any debatable motion or appeal related to the conference report shall be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the conference report.

(3) Should the conference report be defeated, debate on any request for a new conference and the appointment of conferees shall be limited to 1 hour, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee, and should any motion be made to instruct the conferees before the conferees are named, debate on such motion shall be limited to one-half hour, to be equally divided between, and controlled by, the mover and the manager of the conference report. Debate on any amendment to any such instructions shall be limited to 20 minutes, to be equally divided between and controlled by the mover and the manager of the conference report. In all cases when the manager of the conference report is in favor of any motion, appeal, or amendment, the time in opposition shall be under the control of the minority leader or his designee.

(4) In any case in which there are amendments in disagreement, time on each amendment shall be limited to 30 minutes, to be equally divided between, and controlled by, the manager of the conference report and the minority leader or his designee. No amendment that is not germane to the provisions of such amendments shall be received.

Conference report, submittal to Congress.

(d) REQUIRED ACTION BY CONFERENCE COMMITTEE.—If, at the end of 7 days (excluding Saturdays, Sundays, and legal holidays) after the conferees of both Houses have been appointed to a committee of conference on a concurrent resolution on the budget, the conferees are unable to reach agreement with respect to all matters in disagreement between the two Houses, then the conferees shall submit to their respective Houses, on the first day thereafter on which their House is in session—

(1) a conference report recommending those matters on which they have agreed and reporting in disagreement those matters on which they have not agreed; or

(2) a conference report in disagreement, if the matter in disagreement is an amendment which strikes out the entire text of the concurrent resolution and inserts a substitute text.

(e) CONCURRENT RESOLUTION MUST BE CONSISTENT IN THE SENATE.—It shall not be in order in the Senate to vote on the question of agreeing to—

(1) a concurrent resolution on the budget unless the figures then contained in such resolution are mathematically consistent; or

(2) a conference report on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

SEC. 306. No bill or resolution, and no amendment to any bill or resolution, dealing with any matter which is within the jurisdiction of the Committee on the Budget of either House shall be considered in that House unless it is a bill or resolution which has been reported by the Committee on the Budget of that House (or from the consideration of which such committee has been discharged) or unless it is an amendment to such a bill or resolution. 31 USC 1327.

HOUSE COMMITTEE ACTION ON ALL APPROPRIATION BILLS TO BE COMPLETED BEFORE FIRST APPROPRIATION BILL IS REPORTED

SEC. 307. Prior to reporting the first regular appropriation bill for each fiscal year, the Committee on Appropriations of the House of Representatives shall, to the extent practicable, complete subcommittee markup and full committee action on all regular appropriation bills for that year and submit to the House a summary report comparing the committee's recommendations with the appropriate levels of budget outlays and new budget authority as set forth in the most recently agreed to concurrent resolution on the budget for that year. 31 USC 1328. Summary report, submittal to House.

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

SEC. 308. (a) REPORTS ON LEGISLATION PROVIDING NEW BUDGET AUTHORITY OR TAX EXPENDITURES.—Whenever a committee of either House reports a bill or resolution to its House providing new budget authority (other than continuing appropriations) or new or increased tax expenditures for a fiscal year, the report accompanying that bill or resolution shall contain a statement, prepared after consultation with the Director of the Congressional Budget Office, detailing— 31 USC 1329. Contents.

(1) in the case of a bill or resolution providing new budget authority—

(A) how the new budget authority provided in that bill or resolution compares with the new budget authority set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of budget outlays, associated with the budget authority provided in that bill or resolution, in each fiscal year in such period; and

(C) the new budget authority, and budget outlays resulting therefrom, provided by that bill or resolution for financial assistance to State and local governments; and

(2) in the case of a bill or resolution providing new or increased tax expenditures—

(A) how the new or increased tax expenditures provided in that bill or resolution will affect the levels of tax expenditures under existing law as set forth in the report accompanying the first concurrent resolution on the budget for such fiscal year, or, if a report accompanying a subsequently agreed to concurrent resolution for such year sets forth such levels, then as set forth in that report; and

(B) a projection for the period of 5 fiscal years beginning with such fiscal year of the tax expenditures which will result from that bill or resolution in each fiscal year in such period.

No projection shall be required for a fiscal year under paragraph (1) (B) or (2)(B) if the committee determines that a projection for that fiscal year is impracticable and states in its report the reason for such impracticability.

Periodic reports.

Contents.

(b) UP-TO-DATE TABULATION OF CONGRESSIONAL BUDGET ACTIONS.—The Director of the Congressional Budget Office shall issue periodic reports detailing and tabulating the progress of congressional action on bills and resolutions providing new budget authority and changing revenues and the public debt limit for a fiscal year. Such reports shall include, but are not limited to—

(1) an up-to-date tabulation comparing the new budget authority for such fiscal year in bills and resolutions on which Congress has completed action and estimated outlays, associated with such new budget authority, during such fiscal year to the new budget authority and estimated outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year and the reports submitted under section 302;

(2) an up-to-date status report on all bills and resolutions providing new budget authority and changing revenues and the public debt limit for such fiscal year in both Houses;

(3) an up-to-date comparison of the appropriate level of revenues contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of revenues for such year (including new revenues anticipated during such year under bills and resolutions on which the Congress has completed action); and

(4) an up-to-date comparison of the appropriate level of the public debt contained in the most recently agreed to concurrent resolution on the budget for such fiscal year with the latest estimate of the public debt during such fiscal year.

Report.

(c) FIVE-YEAR PROJECTION OF CONGRESSIONAL BUDGET ACTION.—As soon as practicable after the beginning of each fiscal year, the Director of the Congressional Budget Office shall issue a report projecting for the period of 5 fiscal years beginning with such fiscal year—

(1) total new budget authority and total budget outlays for each fiscal year in such period;

(2) revenues to be received and the major sources thereof, and the surplus or deficit, if any, for each fiscal year in such period; and

(3) tax expenditures for each fiscal year in such period.

COMPLETION OF ACTION ON BILLS PROVIDING NEW BUDGET AUTHORITY AND CERTAIN NEW SPENDING AUTHORITY

31 USC 1330.

SEC. 309. Except as otherwise provided pursuant to this title, not later than the seventh day after Labor Day of each year, the Congress shall complete action on all bills and resolutions—

(1) providing new budget authority for the fiscal year beginning on October 1 of such year, other than supplemental, deficiency, and continuing appropriation bills and resolutions, and other than the reconciliation bill for such year, if required to be reported under section 310(c); and

(2) providing new spending authority described in section 401 (c)(2)(C) which is to become effective during such fiscal year.

Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

SECOND REQUIRED CONCURRENT RESOLUTION AND RECONCILIATION PROCESS

SEC. 310. (a) REPORTING OF CONCURRENT RESOLUTION.—The Committee on the Budget of each House shall report to its House a concurrent resolution on the budget which reaffirms or revises the concurrent resolution on the budget most recently agreed to with respect to the fiscal year beginning on October 1 of such year. Any such concurrent resolution on the budget shall also, to the extent necessary— 31 USC 1331.

(1) specify the total amount by which—

(A) new budget authority for such fiscal year;

(B) budget authority initially provided for prior fiscal years; and

(C) new spending authority described in section 401(c)(2)(C) which is to become effective during such fiscal year,

contained in laws, bills, and resolutions within the jurisdiction of a committee, is to be changed and direct that committee to determine and recommend changes to accomplish a change of such total amount;

(2) specify the total amount by which revenues are to be changed and direct that the committees having jurisdiction to determine and recommend changes in the revenue laws, bills, and resolutions to accomplish a change of such total amount;

(3) specify the amount by which the statutory limit on the public debt is to be changed and direct the committees having jurisdiction to recommend such change; or

(4) specify and direct any combination of the matters described in paragraphs (1), (2), and (3).

Any such concurrent resolution may be reported, and the report accompanying it may be filed, in either House notwithstanding that that House is not in session on the day on which such concurrent resolution is reported. Filing.

(b) COMPLETION OF ACTION ON CONCURRENT RESOLUTION.—Not later than September 15 of each year, the Congress shall complete action on the concurrent resolution on the budget referred to in subsection (a).

(c) RECONCILIATION PROCESS.—If a concurrent resolution is agreed to in accordance with subsection (a) containing directions to one or more committees to determine and recommend changes in laws, bills, or resolutions, and—

(1) only one committee of the House or the Senate is directed to determine and recommend changes, that committee shall promptly make such determination and recommendations and report to its House a reconciliation bill or reconciliation resolution, or both, containing such recommendations; or

(2) more than one committee of the House or the Senate is directed to determine and recommend changes, each such committee so directed shall promptly make such determination and recommendations, whether such changes are to be contained in a reconciliation bill or reconciliation resolution, and submit such recommendations to the Committee on the Budget of its House, which upon receiving all such recommendations, shall report to its House a reconciliation bill or reconciliation resolution, or both, carrying out all such recommendations without any substantive revision.

Reconciliation resolution.

For purposes of this subsection, a reconciliation resolution is a concurrent resolution directing the Clerk of the House of Representatives or the Secretary of the Senate, as the case may be, to make specified changes in bills and resolutions which have not been enrolled.

(d) COMPLETION OF RECONCILIATION PROCESS.—Congress shall complete action on any reconciliation bill or reconciliation resolution reported under subsection (c) not later than September 25 of each year.

(e) PROCEDURE IN THE SENATE.—

(1) Except as provided in paragraph (2), the provisions of section 305 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

Debate, time limitation.

(2) Debate in the Senate on any reconciliation bill or resolution reported under subsection (c), and all amendments thereto and debatable motions and appeals in connection therewith, shall be limited to not more than 20 hours.

(f) CONGRESS MAY NOT ADJOURN UNTIL ACTION IS COMPLETED.—It shall not be in order in either the House of Representatives or the Senate to consider any resolution providing for the adjournment sine die of either House unless action has been completed on the concurrent resolution on the budget required to be reported under subsection (a) for the fiscal year beginning on October 1 of such year, and, if a reconciliation bill or resolution, or both, is required to be reported under subsection (c) for such fiscal year, unless the Congress has completed action on that bill or resolution, or both.

NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

31 USC 1332.

SEC. 311. (a) LEGISLATION SUBJECT TO POINT OF ORDER.—After the Congress has completed action on the concurrent resolution on the budget required to be reported under section 310(a) for a fiscal year, and, if a reconciliation bill or resolution, or both, for such fiscal year are required to be reported under section 310(c), after that bill has been enacted into law or that resolution has been agreed to, it shall not be in order in either the House of Representatives or the Senate to consider any bill, resolution, or amendment providing additional new budget authority for such fiscal year, providing new spending authority described in section 401(c)(2)(C) to become effective during such fiscal year, or reducing revenues for such fiscal year, or any conference report on any such bill or resolution, if—

(1) the enactment of such bill or resolution as reported;

(2) the adoption and enactment of such amendment; or

(3) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of revenues set forth in such concurrent resolution.

(b) DETERMINATION OF OUTLAYS AND REVENUES.—For purposes of subsection (a), the budget outlays to be made during a fiscal year and revenues to be received during a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

SEC. 401. (a) LEGISLATION PROVIDING CONTRACT OR BORROWING AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(A) or (B) (or any amendment which provides such new spending authority), unless that bill, resolution, or amendment also provides that such new spending authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts. 31 USC 1351.

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

(1) It shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which provides new spending authority described in subsection (c)(2)(C) (or any amendment which provides such new spending authority) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.

(2) If any committee of the House of Representatives or the Senate reports any bill or resolution which provides new spending authority described in subsection (c)(2)(C) which is to become effective during a fiscal year and the amount of new budget authority which will be required for such fiscal year if such bill or resolution is enacted as so reported exceeds the appropriate allocation of new budget authority reported under section 302(b) in connection with the most recently agreed to concurrent resolution on the budget for such fiscal year, such bill or resolution shall then be referred to the Committee on Appropriations of that House with instructions to report it, with the committee's recommendations, within 15 calendar days (not counting any day on which that House is not in session) beginning with the day following the day on which it is so referred. If the Committee on Appropriations of either House fails to report a bill or resolution referred to it under this paragraph within such 15-day period, the committee shall automatically be discharged from further consideration of such bill or resolution and such bill or resolution shall be placed on the appropriate calendar.

Referral to Appropriations Committee.

Discharge from consideration.

Placement on calendar.

(3) The Committee on Appropriations of each House shall have jurisdiction to report any bill or resolution referred to it under paragraph (2) with an amendment which limits the total amount of new spending authority provided in such bill or resolution. Committee jurisdiction.

(c) DEFINITIONS.—

(1) For purposes of this section, the term "new spending authority" means spending authority not provided by law on the effective date of this section, including any increase in or addition to spending authority provided by law on such date.

(2) For purposes of paragraph (1), the term "spending authority" means authority (whether temporary or permanent)—

(A) to enter into contracts under which the United States is obligated to make outlays, the budget authority for which is not provided in advance by appropriation Acts;

(B) to incur indebtedness (other than indebtedness incurred under the Second Liberty Bond Act) for the repayment of which the United States is liable, the budget authority for which is not provided in advance by appropriation Acts; and 40 Stat. 288. 31 USC 774.

(C) to make payments (including loans and grants), the budget authority for which is not provided for in advance by appropriation Acts, to any person or government if, under the provisions of the law containing such authority, the United States is obligated to make such payments to persons or governments who meet the requirements established by such law.

Such term does not include authority to insure or guarantee the repayment of indebtedness incurred by another person or government.

(d) EXCEPTIONS.—

(1) Subsections (a) and (b) shall not apply to new spending authority if the budget authority for outlays which will result from such new spending authority is derived—

49 Stat. 620. 42 USC 1305.

(A) from a trust fund established by the Social Security Act (as in effect on the date of the enactment of this Act); or

(B) from any other trust fund, 90 percent or more of the receipts of which consist or will consist of amounts (transferred from the general fund of the Treasury) equivalent to amounts of taxes (related to the purposes for which such outlays are or will be made) received in the Treasury under specified provisions of the Internal Revenue Code of 1954.

68A Stat. 3. 26 USC 1 et seq.

(2) Subsections (a) and (b) shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority.

86 Stat. 919. 31 USC 1221 note.

(3) Subsections (a) and (b) shall not apply to new spending authority to the extent that—

(A) the outlays resulting therefrom are made by an organization which is (i) a mixed-ownership Government corporation (as defined in section 201 of the Government Corporation Control Act), or (ii) a wholly owned Government corporation (as defined in section 101 of such Act) which is specifically exempted by law from compliance with any or all of the provisions of that Act; or

59 Stat. 600; 87 Stat. 1005. 31 USC 856. 59 Stat. 597; 86 Stat. 1274. 31 USC 846.

(B) the outlays resulting therefrom consist exclusively of the proceeds of gifts or bequests made to the United States for a specific purpose.

REPORTING OF AUTHORIZING LEGISLATION

31 USC 1352.

SEC. 402. (a) REQUIRED REPORTING DATE.—Except as otherwise provided in this section, it shall not be in order in either the House of Representatives or the Senate to consider any bill or resolution which, directly or indirectly, authorizes the enactment of new budget authority for a fiscal year, unless that bill or resolution is reported in the House or the Senate, as the case may be, on or before May 15 preceding the beginning of such fiscal year.

(b) EMERGENCY WAIVER IN THE HOUSE.—If the Committee on Rules of the House of Representatives determines that emergency conditions require a waiver of subsection (a) with respect to any bill or resolution, such committee may report, and the House may consider and adopt, a resolution waiving the application of subsection (a) in the case of such bill or resolution.

(c) WAIVER IN THE SENATE.—

(1) The committee of the Senate which reports any bill or resolution may, at or after the time it reports such bill or resolution, report a resolution to the Senate (A) providing for the waiver of subsection (a) with respect to such bill or resolution, and (B) stating the reasons why the waiver is necessary. The resolution shall then be referred to the Committee on the Budget of the Senate. That committee shall report the resolution to the Senate, within 10 days after the resolution is referred to it (not counting any day on which the Senate is not in session) beginning with the day following the day on which it is so referred accompanied by that committee's recommendations and reasons for such recommendations with respect to the resolution. If the committee does not report the resolution within such 10-day period, it shall automatically be discharged from further consideration of the resolution and the resolution shall be placed on the calendar.

Referral to Budget Committee.

Report to Senate.

Discharge from consideration.

Placement on calendar.

(2) During the consideration of any such resolution, debate shall be limited to one hour, to be equally divided between, and controlled by, the majority leader and the minority leader or their designees, and the time on any debatable motion or appeal shall be limited to 20 minutes, to be equally divided between, and controlled by, the mover and the manager of the resolution. In the event the manager of the resolution is in favor of any such motion or appeal, the time in opposition thereto sha'l be controlled by the minority leader or his designee. Such leaders, or either of them, may, from the time under their control on the passage of such resolution, allot additional time to any Senator during the consideration of any debatable motion or appeal. No amendment to the resolution is in order.

Debate, time limitation.

(3) If, after the Committee on the Budget has reported (or been discharged from further consideration of) the resolution, the Senate agrees to the resolution, then subsection (a) of this section shall not apply with respect to that bill or resolution referred to in the resolution.

(d) CERTAIN BILLS AND RESOLUTIONS RECEIVED FROM OTHER HOUSE.—Notwithstanding the provisions of subsection (a), if under that subsection it is in order in the House of Representatives to consider a bill or resolution of the House, then it shall be in order to consider a companion or similar bill or resolution of the Senate; and if under that subsection it is in order in the Senate to consider a bill or resolution of the Senate, then it shall be in order to consider a companion or similar bill of the House of Representatives.

(e) EXCEPTIONS.—

(1) Subsection (a) shall not apply with respect to new spending authority described in section 401(c)(2)(C).

(2) Subsection (a) shall not apply with respect to new budget authority authorized in a bill or resolution for any provision of the Social Security Act if such bill or resolution also provides new spending authority described in section 401(c)(2)(C) which, under section 401(d)(1)(A), is excluded from the application of section 401(b).

(f) STUDY OF EXISTING SPENDING AUTHORITY AND PERMANENT APPROPRIATIONS.—The Committees on Appropriations of the House of Representatives and the Senate shall study on a continuing basis those provisions of law, in effect on the effective date of this section, which provide spending authority or permanent budget authority. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

Report to Congress.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

Submittal to congressional committees.

SEC. 403. The Director of the Congressional Budget Office shall, to the extent practicable, prepare for each bill or resolution of a public character reported by any committee of the House of Representatives or the Senate (except the Committee on Appropriations of each House), and submit to such committee—

(1) an estimate of the costs which would be incurred in carrying out such bill or resolution in the fiscal year in which it is to become effective and in each of the 4 fiscal years following such fiscal year, together with the basis for each such estimate; and

(2) a comparison of the estimate of costs described in paragraph (1) with any available estimate of costs made by such committee or by any Federal agency.

The estimate and comparison so submitted shall be included in the report accompanying such bill or resolution if timely submitted to such committee before such report is filed.

JURISDICTION OF APPROPRIATIONS COMMITTEES

SEC. 404. (a) AMENDMENT OF HOUSE RULES.—Clause 2 of rule XI of the Rules of the House of Representatives is amended by redesignating paragraph (b) as paragraph (e) and by inserting after paragraph (a) the following new paragraphs:

"(b) Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

Post, p. 322.

"(c) The amount of new spending authority described in section 401(c)(2)(A) and (B) of the Congressional Budget Act of 1974 which is to be effective for a fiscal year.

"(d) New spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

(b) AMENDMENT OF SENATE RULES.—Subparagraph (c) of paragraph 1 of rule XXV of the Standing Rules of the Senate is amended to read as follows:

"(c) Committee on Appropriations, to which committee shall be referred all proposed legislation, messages, petitions, memorials, and other matters relating to the following subjects:

"1. Except as provided in subparagraph (r), appropriation of the revenue for the support of the Government.

"2. Rescission of appropriations contained in appropriation Acts (referred to in section 105 of title 1, United States Code).

"3. The amount of new spending authority described in section 401(c)(2)(A) and (B) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act).

"4. New advance spending authority described in section 401(c)(2)(C) of the Congressional Budget Act of 1974 provided in bills and resolutions referred to the committee under section 401(b)(2) of that Act (but subject to the provisions of section 401(b)(3) of that Act)."

* * * * * * *

EXERCISE OF RULEMAKING POWERS

SEC. 904. (a) The provisions of this title (except section 905) and of titles I, III, and IV and the provisions of sections 606, 701, 703, and 1017 are enacted by the Congress— 31 USC 1301 note.

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply, and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

(b) Any provision of title III or IV may be waived or suspended in the Senate by a majority vote of the Members voting, a quorum being present, or by the unanimous consent of the Senate. Waiver. Ante, pp. 306, 317.

(c) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV or section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be. Appeals.

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APPENDIX C

Tax Expenditures by Function
(Excerpt From the Special Analyses of the Budget of the United States, pages 207–211)

Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION

(In millions of dollars)

Description	Fiscal Years					
	Corporations			Individuals		
	1978	1979	1980	1978	1979	1980
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	1,260	1,370	1,470
Exclusion of military disability pensions	....	....	....	115	120	130
International affairs:						
Exclusion of income earned abroad by United States citizens	....	....	....	565	530	555
Deferral of income of domestic international sales corporations (DISC)	1,000	1,170	1,260	....	....	....
Deferral of income of controlled foreign corporations	585	530	445	....	....	....
Special rate for Western Hemisphere trade corporations	25	15	5	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures	1,360	1,550	1,745	25	30	35
Energy:						
Expensing of exploration and development costs	1,010	1,060	1,160	380	430	505
Excess of percentage over cost depletion	1,115	1,190	1,265	385	435	485
Capital gains treatment of royalties on coal	10	10	10	55	65	75
Residential energy credits	....	....	....	....	715	435
Alternative, conservation and new technology credits	....	220	390	....	*	*
Natural resources and environment:						
Exclusion of interest on state and local government pollution control bonds	170	200	220	175	215	240
Exclusion of payments in aid of construction of water, sewage, gas and electric utilities	10	10	60	....	....	....
Five-year amortization on pollution control facilities	−40	−25	−10	....	....	....
Tax incentives for preservation of historic structures	*	5	5	*	5	5
Capital gains treatment of certain timber income	275	315	355	75	90	100
Capital gains treatment of iron ore	5	10	10	5	10	10
Agriculture:						
Expensing of certain capital outlays	75	75	75	445	445	430
Capital gains treatment of certain income	10	10	10	350	365	385

See footnote at end of table.

Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal Years					
	Corporations			Individuals		
	1978	1979	1980	1978	1979	1980
Agriculture—Continued						
Deductibility of noncash patronage dividends and certain other items of cooperatives	500	505	540	−175	−170	−175
Exclusion of certain cost-sharing payments	....	....	....	....	*	30
Commerce and housing credit:						
Dividend exclusion	....	....	....	440	450	450
Exclusion of interest on State and local industrial development bonds	215	240	280	220	255	305
Exemption of credit union income	80	90	100	....	....	....
Excess bad debt reserves of financial institutions	755	780	855	....	....	....
Deductibility of mortgage interest on owner-occupied homes	....	....	....	7,595	8,225	9,290
Deductibility of property tax on owner-occupied homes	....	....	....	5,495	5,920	6,615
Deductibility of interest on consumer credit	....	....	....	2,350	2,585	2,945
Expensing of construction period interest and taxes	500	525	555	140	90	145
Excess first-year depreciation	45	50	50	130	135	135
Depreciation on rental housing in excess of straightline	75	70	65	300	290	285
Depreciation on buildings (other than rental housing) in excess of straight line	145	135	135	130	120	120
Asset depreciation range	2,130	2,460	2,880	110	130	150
Capital gains (other than agriculture, timber, iron ore and coal)	525	555	625	7,125	7,520	10,150
Deferral of capital gains on home sales	....	....	....	955	1,125	1,010
Capital gains at death	....	....	....	8,120	9,015	10,005
Surtax exemption (through 1978)	5,225	3,070	135	....	....	....
Reduced rates on the first $100,000 of corporate income	....	3,270	6,940	....	....	....
Investment credit, other than ESOP's and rehabilitation of structures	10,870	13,405	15,370	2,250	2,665	3,090
Investment credit for rehabilitation of structures	....	55	120	....	10	60
Transportation:						
Deductibility of nonbusiness State gasoline taxes	....	....	....	920	350	....
Five-year amortization on railroad rolling stock	−40	−40	−40	....	....	....
Deferral of tax on shipping companies	80	75	70	....	....	....

See footnote at end of table.

Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal Years					
	Corporations			Individuals		
	1978	1979	1980	1978	1979	1980
Community and regional development:						
Five-year amortization for housing rehabilitation	10	5	5	10	10	10
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income	...	...	...	255	355	365
Parental personal exemption for students age 19 or over	...	...	...	780	935	1,020
Exclusion of employee meals and lodging (other than military)	...	...	...	300	325	350
Employer educational assistance	...	...	...	...	20	30
Exclusion of contributions to prepaid legal services plans	...	...	...	10	15	20
Investment credit for ESOP's	315	385	450	...	...	...
Deductibility of charitable contributions (education)	275	320	355	655	710	795
Deductibility of charitable contributions, other than education and health	345	395	440	4,905	5,320	5,965
Maximum tax on personal service income	...	...	...	1,090	1,335	1,625
Credit for child and dependent care expenses	...	...	...	550	610	705
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs	15	55	120	*	5	40
General jobs credit	1,475	1,035	215	985	860	...
Targeted jobs credit	...	125	345	...	15	135
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care	...	...	...	7,105	8,255	9,595
Deductibility of medical expenses	...	...	...	2,785	2,890	3,120
Expensing of removal of architectural and transportation barriers to the handicapped	10	10	*	...	...	...
Deductibility of charitable contributions (health)	170	195	220	980	1,065	1,195
Income security:						
Exclusion of social security benefits:						
Disability insurance benefits	...	...	...	515	615	735
OASI benefits for retired workers	...	...	...	4,635	5,455	6,430
Benefits for dependents and survivors	...	...	...	730	825	940
Exclusion of railroad retirement system benefits	...	...	...	275	275	305

See footnote at end of table.

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Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal Years					
	Corporations			Individuals		
	1978	1979	1980	1978	1979	1980
General purpose fiscal assistance—Continued						
Deductibility of nonbusiness state and local taxes (other than on owner-occupied homes and gasoline)	....	....	....	9,950	10,935	12,450
Tax credit for corporations receiving income from doing business in United States possessions	685	685	730	....	....	....
Interest:						
Deferral of interest on savings bonds	....	....	....	620	615	625
Memorandum						
Combined effect of provisions disaggregated above:						
Capital gains	825	900	1,010	16,795	18,490	22,270
Exclusion of interest on state and local debt	3,590	4,135	4,695	2,315	2,680	3,045
Deductibility of state and local nonbusiness taxes	....	....	....	15,065	15,915	17,655
Deductibility of charitable contributions	790	910	1,015	6,540	7,095	7,955

* Asterisk denoted items indicate tax expenditures below $2.5 million. All tax expenditure estimates have been rounded off to the nearest $5 million.

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