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Fiscal Year 1982 Finance Committee Report

Under the

Congressional Budget Act

Prepared by the Staff for the Use of the

COMMITTEE ON FINANCE UNITED STATES SENATE

ROBERT J. DOLE, *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. Authorizing legislation must be reported before May 15.

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 recent years, the Budget Committee has sent letters to each committee requesting that views also be provided with respect to the 5-year budgetary outlook.

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 social security 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. 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.)

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.

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 most recent 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 in 1978, 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 in 1978 so as to require annual appropriations for this purpose. The text of the provision 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 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 its 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. In 1978, 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. In other words, under this interpretation, there would always be one "closed year" for which no revenue change could be considered. 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 would not have been 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

Chart 1

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 1982 (October 1981 to September 1982). The Budget Committee has requested that committees also include their views on the 5-year budgetary outlook. The report sent to the Budget Committee last year is reprinted 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.

Chart 2

Economic Assumptions

(dollars in billions)
(calendar years)

	1980	1981	1982	1983	1984	1985
Gross national product:						
Current dollars	$2,629	$2,920	$3,293	$3,700	$4,098	$4,500
Constant dollars (1972 dollars)	1,482	1,497	1,560	1,638	1,711	1,783
Percent change in constant dollars	−0.1%	1.1%	4.2%	5.0%	4.5%	4.2%
Personal income	2,161	2,399	2,675	2,982	3,276	3,580
Wages and salaries	1,344	1,488	1,667	1,853	2,035	2,221
Corporate profits	243	240	277	322	363	404
Consumer price index: increase over prior year	13.5%	11.1%	8.3%	6.2%	5.5%	4.7%
Unemployment rate	7.2%	7.8%	7.2%	6.6%	6.4%	6.0%

Chart 2

Economic Assumptions

The March 15 report to the Budget Committee that 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 concerning which there reasonably may 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 that may be enacted and its effect on 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 strongly affected by the level of personal income and of corporate profits, and, in the case of payroll tax revenues, by wages and salaries. Personal income tax receipts are also related to the rate of inflation, which lifts individual taxpayers into higher rate brackets and increases the level of revenues. In addition, trends in interest rates and the rate of inflation affect the cost of interest on the public debt.

This chart presents a selection of the most significant economic indicators as estimated in the program for economic recovery submitted in February by President Reagan.

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Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

- Social security cash benefits (see charts 4 and 5):
  - Old-age and survivors insurance (OASI)
  - Disability insurance (DI)
- Supplemental security income for the aged, blind, and disabled (see chart 6)
- Welfare programs for families (see chart 7):
  - Aid to families with dependent children
  - Work incentive program
  - Child support
  - Low-income energy assistance
- Social services (see chart 8)
- Unemployment compensation (see chart 9)
- Health programs (see charts 10–12):
  - Medicare
  - Medicaid
  - Maternal and child health
- Revenue sharing (see chart 13)
- Interest on the public debt (see chart 13)

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. The refundable tax credit having significant budgetary impact in fiscal 1982 is the earned income tax credit. (Note: The Carter budget proposed some additional refundable tax credits.)

Chart 4

Social Security Cash Benefit Trust Funds

(dollars in billions)

Present Law:*	FY 1982	FY 1983	FY 1984	FY 1985	FY 1986
Income	$152.8	$169.9	$186.5	$211.8	$235.1
Outgo	159.8	177.8	193.7	209.3	224.4
Increase or decrease	−7.0	−7.8	−7.2	2.5	10.8
Start-of-year assets as a percent of outgo	17%	11%	6%	2%	3%

*"Present law" reflects economic assumptions resulting from President Reagan's economic recovery program but does not include the direct impact of proposed social security legislation.

Chart 4

Social Security Cash Benefit Trust Funds—Fiscal Years 1982–1986

The cash benefits portion of the social security payroll tax supports the basic social security program for individuals who work in employment covered by that tax and their families. The old-age and survivors insurance program provides retirement benefits when insured workers stop working at or after age 62 and the disability insurance program provides benefits for insured workers of any age if they become so disabled as to be unable to engage in any substantial work activity. Benefits are also provided to the surviving spouse and children of deceased workers and to the dependent spouse and children of disabled or retired workers. (Children's benefits are payable to age 18 or, for children in full-time school attendance to age 22. Benefits for a dependent or surviving spouse are payable if the spouse is aged or is caring for a child under 18.)

Under present law, the social security trust fund programs of old-age, survivors, and disability insurance are projected to experience difficulty in meeting benefit obligations in the near future. In the last Congress, a two-year reallocation (1980 and 1981) between the OASI and DI funds was enacted to prevent a cash flow problem from occurring before the present Congress would have time to address this issue. However, that action only slightly deferred the point at which the funds will not meet benefit obligations. Under the economic assumptions underlying the budget submitted by President Carter in January, that point of inability to meet full benefit obligations was estimated to occur sometime in 1982. The more optimistic assumptions used in the budget of President Reagan would modify that estimate so that the inability to meet benefit obligations fully is estimated to occur in 1983. (The funds are considered to be unable to meet benefit obligations fully if the balance drops below 9 percent of a year's benefits, that is, below one month's benefits.) The economic assumptions underlying the Carter and Reagan budget proposals are shown below. Both sets of assumptions reflect declining inflation rates after 1980 and declining levels of unemployment after 1981.

BUDGET ASSUMPTIONS, 1980-86

[In percent]

	Increase in Consumer Price Index		Benefit increase		Total unemployment rate	
	Reagan	Carter	Reagan	Carter	Reagan	Carter
1980	13.5	13.5	14.3	14.3	7.2	7.2
1981	11.1	12.5	11.6	12.3	7.8	7.8
1982	8.3	10.3	9.3	11.3	7.2	7.5
1983	6.2	8.7	6.6	9.2	6.6	7.1
1984	5.5	7.7	5.8	8.0	6.4	6.7
1985	4.7	7.0	4.9	7.3	6.0	6.3
1986	4.2	6.3	4.4	6.5	5.6	6.0

Although chart 4 shows the overall status of the cash benefits program, there are actually two completely separate trust funds maintained for the disability insurance and old-age and survivors insurance programs. The portion of the social security cash benefits tax allocated to each trust fund is specified by law and, in the absence of legislation, assets may not be transferred between the funds. The tables below show the status of the two separate trust funds under the Reagan budget economic assumptions.

OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND: FISCAL YEARS 1980-1986

[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
1980	$100.1	$103.2	−$3.2	$24.6	27
1981	120.9	122.2	−1.3	23.3	20
1982	130.7	140.6	−9.9	13.4	17
1983	143.3	157.1	−13.7	−.4	9
1984	156.7	171.7	−15.0	−15.4	(1)
1985	175.2	186.0	−10.8	−26.1	−8
1986	193.0	199.6	−6.6	−32.7	−13

1 Less than 0.5.

Source: Social Security Administration.

OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND: FISCAL YEARS 1980–1986

[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
1980	$17.4	$15.3	$2.1	$7.7	37
1981	13.1	17.4	−4.4	3.3	44
1982	22.1	19.2	2.9	6.2	17
1983	26.5	20.7	5.9	12.1	30
1984	29.8	21.9	7.8	19.9	55
1985	36.6	23.3	13.3	33.2	86
1986	42.4	24.8	17.4	50.6	134

Source: Social Security Administration.

Social security tax rates and basis.—The trust fund status shown above includes the impact of additional income which will result from social security tax increases scheduled under present law. The tables below show the tax rates and tax bases which will go into effect under present law. As indicated in these tables, significant increases in the taxes were provided for in the 1977 amendments. At the time those amendments were adopted, the funds were projected to be adequate to meet benefit obligations for many years into the future. However, the 1977 changes did not provide a wide margin for error and the economic situation has turned out to be far less favorable than the assumptions used in 1977.

ADDITIONAL CONTRIBUTION INCOME TO SOCIAL SECURITY TRUST FUNDS: RESULTING FROM 1977 AMENDMENTS (FISCAL YEARS 1982–86)

[In billions]

Fiscal year	Total	Cash benefits programs	Hospital insurance program
1982	23.4	22.2	1.2
1983	26.7	25.3	1.4
1984	29.1	27.6	1.4
1985	40.7	37.9	2.8
1986	46.4	44.3	2.1

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS

[In percent]

Calendar year	Prior law					Present law (1977 amendments)[4]				
	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	4.350	.600	4.95	1.10	6.05	4.330	.750	5.08	1.05	6.13
1980	4.350	.600	4.95	1.35	6.05	4.520	.560	5.08	1.05	6.13
1981	4.300	.650	4.95	1.35	6.30	4.700	.650	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	9.50	5.70	1.35	7.05
1986–89	4.250	.700	4.95	1.50	6.45	4.750	9.50	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	6.150	.850	7.0	1.10	8.1	6.0100	1.0400	7.05	1.05	8.1
1980	6.150	.850	7.0	1.10	8.1	6.2725	0.7775	7.05	1.05	8.1
1981	6.080	.920	7.0	1.35	8.35	7.0250	0.9750	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).
[4] Also reflects 1980 change in OASI/DI allocation in 1980 and 1981.

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	20,400	25,900
1981	22,200	29,700
1982	[1] 24,000	[1] 32,100
1983	[1] 26,400	[1] 35,400
1984	[1] 29,100	[1] 39,000
1985	[1] 31,800	[1] 42,300
1986	[1] 34,200	[1] 45,600

[1] Estimated.

Chart 5

Social Security Cash Benefit Programs Proposed Legislation[1]

(dollars in billions)

	FY 1982	FY 1986
In both budgets:		
Round benefits to nearest dime	–*	–$0.1
Stricter offset for workers' compensation	–*	–0.1
In Reagan budget:		
Reduce benefits for minimum beneficiaries	–$1.0	–1.1
Reduce and phase-out student benefits	–1.0	–1.7
Require more recent work for disability	–0.1	–1.2
Reduce disability benefits by amount of other compensation	–*	–0.1
Eliminates lump-sum death benefit in certain cases	–0.2	–0.2
Eliminates rehabilitation funding	–0.1	–0.1

*Less than $0.05 billion.

[1] Amounts shown reflect net budgetary impact after any offsetting increases in other programs.

Chart 5

Social Security Cash Benefit Programs: Proposed Legislation

Both the January budget submitted by President Carter and the revisions submitted by President Reagan include proposals which would reduce the cost of the social security program. While these proposals would have an impact on the overall financing status of the program, they represent budgetary proposals. Further action will be necessary to address the program's short-range financing difficulties shown in chart 4 and its significant long-range imbalance as projected in the most recent trustees' reports. The amounts shown on chart 5 give net budgetary impact after any offsetting increases in other programs.

PROPOSALS IN CARTER AND REAGAN BUDGET

Round benefits to nearest dime.—In computing initial benefit amounts and in computing subsequent benefit increases, the Social Security Administration is required by present law to round the final benefit amount up to the *next higher* multiple of 10 cents. The budget proposes to modify this rule so as to round benefit amounts to the *nearest* multiple of 10 cents. This change will result in a savings in benefit costs of approximately 5 cents per month per beneficiary at the time of a benefit increase. The change is proposed to become effective starting with the July 1982 cost-of-living increase. This would produce savings of $8 million in fiscal year 1982 rising to $101 million by fiscal year 1986.

Worker's compensation offset.—The disability insurance program now provides for a reduction in social security disability benefits for workers under age 62 to the extent that those benefits, in combination with worker's compensation payments, would exceed 80 percent of predisability earnings. The offset is applied starting with the month in which the disabled individual *reports* receiving worker's compensation benefits. The budget proposes to apply the offset starting with the month in which the benefits are *received* rather than with the month in which receipt is *reported.* The proposal also would continue the offset until the worker reaches age 65 rather than age 62. (However, at age 62 the individual could elect to receive reduced *retirement* benefits against which there is no offset rather than *disability* benefits.) This proposal is estimated to reduce program costs by $37 million in fiscal year 1982 rising to $67 million in savings by fiscal year 1986.

PROPOSALS IN REAGAN BUDGET

Reduce minimum benefits.—Prior to the 1977 amendments, the minimum social security benefit for new beneficiaries increased each year by the same percentage as the CPI. The 1977 amendments froze the minimum at its then existing level of $122. (However, once an individual comes on the benefit rolls at this level, his benefits are indexed to the CPI in the same way as the benefits of all other beneficiaries.) The minimum benefit provides for individuals with very low average earnings a benefit amount which is higher than the basic benefit formula would generate. Low average earnings can result from many years of work at low wages but can also reflect only a few years of attachment to the program.

The 1977 amendments effectively eliminated the minimum benefit as a significant cost item for future beneficiaries, most of whom would qualify for nearly as high a benefit under the regular benefit formula as under the minimum. (An individual with indexed average annual earnings of $1700 will qualify for more than the minimum benefit). Most of the savings from the administration proposal results from the reduction in benefits payable to individuals now on the benefit rolls who qualified for the minimum in previous years. This will result in gross benefit reductions of $1.3 billion in fiscal 1982 rising to $1.5 billion in 1986. These benefit reductions are partially offset by increases in SSI expenditures of $300 million in fiscal year 1982 rising to $400 million in fiscal year 1986.

Reduce and phase out student benefits.—Until 1965, benefits for nondisabled dependent children were payable until the child reached age 18. These benefits are paid to children of retired or disabled beneficiaries and to surviving children of deceased workers. In 1965, the law was amended to continue entitlement for such children up to age 22 in cases where the children were attending school full time. The Reagan budget proposes to reduce the benefit amounts payable to those now receiving benefits on the basis of full-time school attendance. Benefit amounts for current students would be reduced by 25 percent each year. In addition, the administration proposal would end benefits at age 18 for all those who are not yet entitled to benefits as students over age 18. This proposal is estimated to save $1 billion if fiscal year 1982 rising to $2.3 billion by 1986.

Require more recent work for disability.—The social security disability insurance program is intended to replace the earnings under social security which are lost as a result of disability. As a test of whether the disability caused the loss of social security covered earnings, the law includes a recency of employment test. This test requires that an individual have five years of covered employment during the 10 years preceding the point at which he became so disabled as to be unable to work (i.e. 20 quarters of coverage in the 40 calendar quarters prior to meeting the definition of disability). The Reagan administration proposes to adopt a stricter test of recency of employment. Under this test, the individual would also have to show 1½ years of covered employment in the 3 year period prior to becoming unable to work (6 quarters of coverage out of the preceding 13 quarters). This change is estimated to reduce program costs by $120 million in fiscal year 1982 rising to $1,220 million in fiscal 1986.

Reduce disability benefits by the amount of other Federal compensation.—Under present law, disabled beneficiaries who are also entitled to State worker's compensation benefits have their social security disability benefits reduced. In general, this reduction operates to limit the combined benefits to no more than 80 percent of the worker's gross earnings in the period just prior to becoming disabled. The Reagan administration proposal would apply a similar reduction to beneficiaries on the basis of other disability benefits. The administration has not yet provided specifics as to what types of benefits are included. The estimated savings are $6 million in fiscal 1982 rising to $73 million in fiscal 1985.

Eliminate death benefit in certain cases.—Under current law, a payment of $255 towards the cost of funeral expenses is made upon the death of an insured worker regardless of whether there is a surviving family member. The proposal would eliminate the death benefit where there is neither a spouse nor a minor child to receive survivors benefits. The proposal is estimated to save $150 million in FY 82 rising to $200 million in FY 1986.

Eliminate funding of vocational rehabilitation.—The Social Security Act provides for a portion of the disability trust fund to be used to pay for rehabilitation services for beneficiaries with a view to returning them to employment. Similar authority exists for using general funds for the rehabilitation of disabled SSI recipients. The proposal would repeal this authority in both programs saving $87 million in social security trust fund expenditures and $20 million in SSI expenditures.

Chart 6

Social Security Administration Federal Fund Programs*

(dollars in billions)

	FY 1981	FY 1982
Present law:		
Federal fund payment to trust funds	$0.7	$0.8
Supplemental Security Income (SSI)	7.3	8.0
Proposed legislation:		
SSI changes	(**)	−0.1

*Welfare programs for families shown on chart 7.

**Less than $0.05 billion.

Chart 6

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, research activities and supplemental security income (SSI) programs are shown in more detail below:

[In millions]

	Fiscal 1981	Fiscal 1982
OASDI:		
Military wage credits	$521	$703
Benefits for uninsured aged	150	140
ERISA	2	2
Research		4
Total, Federal payment	673	849
SSI:		
Benefits	$6,397	$7,104
Services	68	52
Administration [1]	820	857
Total, SSI	7,285	8,013

[1] Includes $48 million in fiscal 1981 and $25 million in fiscal 1982 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 Carter and Reagan budgets propose to eliminate an annual payment $45 million toward the cost of State supplementation in Wisconsin ($39 million), Massachusetts ($5½ million), and Hawaii ($0.1 million). When the SSI law was first enacted, it included a Federal savings clause payment to assure States that they would not have to increase their expenditures in order to prevent State beneficiaries from suffering a net reduction in benefits as a result of the new program. Although this Federal savings clause payment was expected to gradually phase out as Federal SSI levels increased, subsequent legislation required States to increase State supplemental benefits so as to pass through any Federal cost-of-living increases. This would have resulted in a mandatory increase in State expenditures if the Federal savings clause continued to phase out. To prevent this, the savings clause payments were frozen at the $45 million level which had then been reached. The elimination of this savings clause payment will require that amount of new State expenditure in the affected States unless the implementing legislation specifically allows the affected States the option of reducing their aggregate passthrough by the same amount.

Under current law, SSI eligibility and benefit amounts are determined on a quarterly prospective basis, i.e., based on expected income over the coming 3 months. The Reagan budget proposes to determine eligibility and benefit levels on a monthly retrospective basis, i.e., based on income in the prior month. Recipients would also be required to report their earnings and changes in their circumstances on a monthly basis. This change is estimated to reduce FY 1982 costs by $60 million.

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Chart 7

Welfare Programs for Families

(dollars in billions)

	FY 1981	FY 1982
Present law:		
Aid to families with dependent children:		
welfare payments	$7.1	$7.5
administration	0.8	0.9
Work incentive program	0.4	0.4
Child support:		
Total collections	−0.7	−0.8
Federal share of:		
collections	−0.3	−0.3
administrative costs	0.4	0.5
Low-income energy assistance	1.6	...
Proposed legislation:		
AFDC proposals:		
Carter budget	...	−0.3
Reagan budget	...	*−0.9
Child support proposals:		
Carter budget	...	−0.1
Reagan budget	...	*−0.2
Hardship block grant (replaces low-income energy and AFDC emergency aid)	...	**−0.4
Include titles IV–A and IV–E foster care and adoption assistance in social services block grant (chart 8)	...	−0.1

*Includes all savings in Carter budget.

**Compared with extension of present programs at level proposed in Carter budget.

Chart 7

Welfare Programs for Families

AFDC.—The budget submitted by President Carter 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 $7.9 billion in 1981 and $8.4 billion in 1982. 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. Also included are AFDC foster care and adoption assistance under the new title IV-E program.

[In millions of dollars]

	Fiscal year—	
	1981	1982
Federal costs:		
AFDC payments (including IV-E)	7,037	7,464
Adult assistance in U.S. territories	13	13
Emergency assistance	55	57
Aid to repatriated nationals	2	2
Total benefits	7,107	7,536
State and local administration	784	903

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—	
	1981	1982
Child support collections:		
Total collections	706	820
Federal share	261	303
State and local administration:		
Total costs	539	626
Federal share	419	471

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 548,000 AFDC families and 594,000 non-AFDC families in fiscal year 1981, and 603,000 AFDC and 689,000 non-AFDC families in 1982.

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 Carter and Reagan budget recommend funding for this program at a level of $385 million in fiscal 1982. This is $20 million above the level of funding that was provided for this program in fiscal 1981. The Department of Labor estimates that about 286,000 WIN registrants will be placed in unsubsidized jobs in fiscal 1982 with resultant welfare grant savings of $560 million.

Low-income energy assistance.—To moderate the impact of rising energy costs on low-income families, the Congress authorized the new Low-income Energy Assistance Program as part of the Windfall Profit Tax Act last year. The program is administered by HHS primarily as block grants to States for aid to their needy citizens. This aid can be in the form of direct cash assistance to needy households, direct payments to fuel vendors on behalf of the needy, and payments to public housing building operators. Funding of $1.6 billion was appropriated in FY81; the Carter administration requested $1.85 billion for FY82. The program expires September 30, 1981 unless it is reauthorized. The Reagan budget proposes a new block grant program to substitute for the emergency assistance program and the low-income energy assistance program.

Error rate sanctions.—In accordance with current quality control regulations promulgated under Section 201 (the Michel Amendment) of the 1980 Labor/HEW Appropriations Act, all States are required to reduce their AFDC (and Medicaid) payment error rates to 4 percent by September 30, 1982. Based on actual error rate experience, however, State error rates have not been and are not projected to decline as rapidly as required. The following table compares the error targets under the regulations to current projections of error rates (national weighted average) for fiscal years 1981–83:

[In percent]

	Error target	Current projection
Fiscal year 1981	7.6	9.2
Fiscal year 1982	5.8	8.8
Fiscal year 1983	4.0	8.5

Under the regulations, a State which fails to meet its error target is subject to sanctions equal to the amount of Federal matching funds that would not have been paid if the State had met its target. The Carter and Reagan budgets assume a reduction of $98 million in budget authority and outlays as a result of the projected error rates. Actual impostion of sanctions related to 1981 error rates is assumed to occur in 1982 due to time lags in the reporting of error rate data. The $98 million figure represents the maximum sanction level without consideration of potential waivers for States which can demonstrate a "good faith" effort to reduce error rates.

PROPOSED LEGISLATION

The fiscal 1982 budgets submitted by both President Carter and President Reagan include a number of legislative proposals for changes in existing welfare programs.

AFDC—Carter and Reagan budgets

Assume advance payment of EITC.—Since 1975, the Federal Government has provided a tax credit for low-income workers that reduces the amount of income tax they are liable to pay. Where the credit amounts to more than the income taxes owed, the worker receives a check for the difference. Beginning in 1979, provision was made for the credit to be received in advance through additions to wages. However, individuals still may choose to collect the EITC as a lump sum after year's end. This can result in higher welfare costs. Under the proposal, advance payments would be assumed for purposes of determining the monthly AFDC benefit due a family thereby lowering the monthly welfare payment. The proposal is estimated to save $44 million in fiscal year 1982. It is included in both budgets.

Stepparent income.—Currently States are allowed to count the income of a stepparent in determining a child's AFDC benefit only if the stepparent is legally responsible for stepchildren under State law (two States have such laws). The proposal in the Carter budget would require all States to count the income of a stepparent in determining AFDC eligibility and benefit amounts. It is estimated to save $186 million in FY82 and $148 million in FY86. The proposal in the Reagan budget also includes individuals assuming the role of the spouse. Savings will be greater, but no estimate is available.

$10 payment.—Currently, no matter how small an AFDC benefit is, it is paid. The proposal (in both budgets) would prohibit AFDC payments below $10 a month to eliminate marginal cases that may be on and off the rolls from month to month. Medicaid eligibility would be retained. The estimated savings is negligible.

Retrospective accounting.—Under current law, States are free to determine a family's AFDC eligibility and benefits on the basis of projections of a family's future income and circumstances. Most States use this prospective method. The proposal (in both budgets) would require the States to make the determination on the basis of actual income in the prior month. The proposal would further require beneficiaries to report their earnings on a monthly basis to insure that benefit amounts are based on the most up-to-date information. The proposal is estimated to save $68 million in FY82 rising to $248 million in FY86.

Work expenses and earnings disregard.—Earned income reduces a family's welfare grant except to the extent that it is offset by certain disregards. Current law provides that the first $30 of earned income plus one-third of remaining earnings is disregarded. In addition the full cost of child care and other work-related expenses are deducted before the welfare grant is reduced. The proposal in the Carter budget would provide for the following disregard: the first $70 of monthly earnings: plus 20 percent of gross monthly earnings; plus one-third of remaining earnings; plus child care costs up to $160 per month (adjusted) per child. The 20 percent figure would replace the present law deduction of actual itemized work expenses. The proposal will save $64 million in fiscal 1982 rising to $99 million in fiscal 1986. The proposal in the Reagan budget would provide for the following disregard: $75 for work expenses; $50 per child for child care; $30 and one-third of the remainder of earned income. Work expenses and child care would be standardized and subtracted from earnings before the one-third disregard is applied to insure that income already disregarded as a work expense is not again disregarded as a work incentive. The proposal is estimated to save $177 million in fiscal 1982 rising to $194 million in fiscal 1986.

AFDC—Reagan budget only

Four-month rule.—Under current law, the $30 and one-third income disregard continues to apply for so long as an individual remains on AFDC. The Reagan budget proposes to limit the disregard to four consecutive months. A new 4-month period using this disregard would be available only after the recipient had been off the welfare rolls for 12 consecutive months. Savings are estimated at $52 million in FY82 rising to $57 million in FY86.

150 percent of need limit.—Under current AFDC provisions, there is no limit on the amount of gross income a family may have and still remain on public assistance. The proposal would limit eligibility for AFDC to families with gross income at or below 150 percent of the State's standard of need. Savings are negligible.

Age 18 limit.—Presently, at State option, a dependent child may be defined to include students age 18 through 20 who are regularly attending school (including college). The proposal would amend the definition of "dependent child" to provide assistance to children through age 17, or 18 if completing high school in their 18th year. The proposal is expected to save $125 million in fiscal 1982 rising to $136 million in fiscal 1986.

Strikers.—Current Federal law does not expressly prohibit strikers from AFDC eligibility. The proposal would amend the la to provide that participation in a strike would not constitute good cause to leave, or to refuse to seek or accept employment. Estimated savings total $5 million in each of the fiscal years 1982 through 1986.

Principal earner.—At State option, benefits are provided to intact families with children who are deprived of support due to the unemployment of a parent. Only one parent must be unemployed to meet this eligibility requirement; the other parent may be employed. The proposal would limit eligibility for AFDC U to those intact families in which the principal earner is unemployed. Estimated savings under the proposal are negligible.

Community work programs. Current regulations prohibit States from establishing any programs which would require an AFDC recipient to work in exchange for an AFDC grant. Furthermore, while required to take acceptable employment if offered, the majority of employable AFDC recipients meet this requirement by registering with the WIN program but continue to receive benefits without any further work-related activity. Under the proposal, States would be required to establish community work experience programs and employable recipients, who are unable to find employment in the regular economy, would be required to accept assignment to these programs in which they would perform work in return for AFDC benefits. The proposal will have no savings in FY82 but is estimated to save $37 million in FY83 rising to $98 million in FY86.

College students.—Under current law, an AFDC parent may attend college and, after registering with WIN, these persons are often allowed to continue college rather than being asked to seek employment. The proposal would require AFDC parents who are attending college to seek employment and meet all other work requirements under the AFDC program, unless otherwise exempt. Estimated savings are negligible.

Count food stamps and HUD subsidy.—While State AFDC grants may include an amount for food and shelter, the amount of food stamps a family receives has no bearing on AFDC eligibility or benefit amount and States with consolidated grants must pay the full value for shelter included in the grant even if housing costs are subsidized. The proposal would permit States to take into account in-kind benefits received from food stamps or housing subsidies by reducing the food component of the need standard to the extent it is met by food stamps and to limit the shelter payment by taking the subsidy into account. The proposal is estimated to save $100 million in fiscal 1982 rising to $110 million in fiscal 1986.

Lien provision.—States are currently permitted by regulation to place liens on property and several States do so; Federal law is silent in this regard. The provision would amend the law to allow a State to place a lien on a recipient's house for the value in excess of the average value of all houses in the State. The lien would be satisfied on transfer of ownership of the house, except it would be deferred as long as a member of the household eligible for AFDC continues to reside in the house. Savings are negligible.

Resource limit.—Current law requires that resources be considered in determining AFDC eligibility. States are permitted to establish their own resource limits within the regulatory maximum of $2,000 per person. The proposal would place a limit on allowable resources of $1,000 (equity value) per family. Savings are estimated to be $16 million in FY82 rising to $18 million in FY86.

Lump-sum payments.—Lump-sum payments that meet the definition of income are presently counted as income in the month of receipt and, to the extent retained, resources thereafter. The proposal would require that lump-sum payments be considered available to meet ongoing needs in the AFDC program, i.e., the lump-sum payment shall be considered as income in the month received. If such payment exceeds the standard of need, the household would be ineligible for aid. Any amount of the lump-sum payment that exceeds the monthly needs standard would be divided by the monthly needs standard and the household would be ineligible for aid for the number of months resulting from that calculation. The proposal is expected to save $5 million in FY82 and succeeding fiscal years.

Overpayments.—The law is silent on the issue of overpayments and underpayments, but States are given the option of whether or not to recoup overpayments by regulation. If States recover overpayments they must also pay underpayments. Forty-two States currently have a recovery policy. The proposal would require States to recover overpayments in all instances and to pay underpayments. Recovery of overpayments would be made from current assistance payments, available income and resources, and through the legal process. Corrective payment of underpayments would be treated as a lump-sum payment as above. Estimated savings under the proposal amount to $115 million in fiscal 1982 dropping to $98 million in fiscal 1986.

National recipient file.—Present law requires States to secure certain information (e.g., social security numbers, wage date) which requires some interface with Federal data. Other information which may need verification is available through information systems administered by Federal agencies such as the Social Security Administration. However, there is no central source for this information. The proposal would establish a national recipient file to which all States have access. The proposal would have a small cost during the years of establishment, but savings are expected to result in later years when the system is in place.

Access to information.—Information exchange between various branches and levels of government is now often permitted, but it is made cumbersome and inefficient by certain restrictions on interprogram use of information which can legitimately be secured by each program on its own. The proposal would provide for information exchange and use by any government agency to carry out its public duties. There are no direct Federal costs related to the proposal and some potential savings of unknown magnitude are expected from reduction of error and abuse.

Vendor payments.—States are restricted in their use of vendor payments (direct payments by the welfare agency for housing, utilities, etc.). Vendor payments may not be used in more than 20 percent of the AFDC caseload in a State. The proposal would remove all restrictions on the number of cases in which vendor payments may be made by a State. The proposal has negligible savings.

50-percent match for training.—The Federal Government reimburses States for 75 percent of training expenses for employees (or those preparing for employment) of State or local agencies administering the AFDC program. All other administrative expenses are matched at a 50-percent rate. The proposal would provide that all expenses related to AFDC administration, including training expenses, be matched by the Federal Government at a 50-percent rate. The proposal is estimated to save $21 million in FY82 rising to $27 million in FY86.

Unborn child.—Currently States are allowed to pay AFDC benefits to pregnant women who have no other children. The proposal would restrict such payments to women in the third trimester of pregnancy. Savings are not expected to be very great.

AFDC PROPOSALS

(In millions of dollars)

	Fiscal year 1982	
	Carter	Reagan
Both budgets		
Count presumptive EITC	−44	−44
Count/Stepparent income	−162	−162
(Plus individual assuming role of spouse—Reagan only)		−(**)
Eliminate payments under $10	−(*)	−(*)
Retrospective monthly accounting	−68	−68
Earned income disregard change:		
Carter version	−64	
Reagan version		−177
Reagan only		
4-month rule		−52
150 percent of need limit		−(*)
Age 18 limit		−125
Strikers		−5
Principal earner		−(*)
Community work programs		−37
College students		−(*)
Count food stamps and HUD subsidy		−100
Lien provision		−(*)
Resource limit		−16
Lump-sump payments		−5
Overpayments		−115
National recipient file		***+1
Access to information		−(**)
Vendor payments		−(*)
50 percent match for training		−21
Unborn child		−(*)

*Negligible.
**Unknown.
***Small cost during years of establishment but savings are expected to result in later years when the system is in place.

Child support enforcement—Carter and Reagan budgets

Spousal support.—The Child Support Enforcement program was designed to assist States in enforcing the support obligations of absent parents to their children. In some States, alimony and child support payments are not differentiated by law in the absent parent's support obligation. The proposal (in both budgets) would extend CSE activities to include the collection of spousal support in order to overcome this problem. Such collections are expected to net Federal budgetary savings of $23 million in fiscal 1982 and $19 million in fiscal 1986.

CHILD SUPPORT ENFORCEMENT

(In millions of dollars)

	Fiscal year 1982	
	Carter	Reagan
Both budgets		
Enforcement of spousal support	23	23
Applicant fee for non-AFDC families	45	45
State sharing of incentive payments	61	61
Reagan only		
IRS intercept of tax refunds		27
Prohibit discharge in bankruptcy		17

Non-AFDC applicant fee.—The Child Support Enforcement program was extended to non-AFDC families on the basis that such assistance in collecting legal support might make the difference in their ability to remain off the AFDC rolls. The proposal (in both budgets) would provide for an applicant fee of up to 10 percent of the collection made to be charged to non-AFDC families to defray the cost of such collections. The fees are estimated to reduce Federal costs by $45 million in FY82 rising to $68 million in FY86.

Incentive payments.—States and localities receive incentive payments equal to 15 percent of each child support collection made on behalf of an AFDC family. These incentive payments are deducted fully from the Federal share of collections. The proposal (in both budgets) would deduct the incentive payments from both the State and the Federal share of collections. Savings to the Federal Government are estimated to be $61 million in fiscal 1982 rising to $104 million in fiscal 1986.

Child support enforcement—Reagan budget only

IRS intercept.—The Reagan budget also includes a provision which would require the Internal Revenue Service to halt and collect from an absent parent's Federal income tax refunds the amounts owed for child support arrearages. This proposal is expected to save $27 million in FY 1982.

Bankruptcy prohibition.—Under the original child support enforcement program, individuals were prohibited from discharging child support arrearages in bankruptcy proceedings. In 1978, amendments to the Bankruptcy Act eliminated this prohibition, and since that time more and more individuals have avoided their child support responsibilities by having arrearages discharged in bankruptcy. The proposal would reestablish the prohibition against discharge of child support in bankruptcy. Savings are estimated to increase from $17 million in fiscal 1982 to $41 million in fiscal 1986.

Hardship block grant—Reagan budget only

The Reagan budget proposes to create a new block grant program under which funds would be provided to the States to provide assistance on an emergency basis both in energy-related situations and in other circumstances. This block grant program would be a substitute for the AFDC emergency assistance program which under present law will cost $55 million in FY 1982. The block grant also is intended to replace the low-income energy assistance program. (This program expires at the end of fiscal year 1981. The Carter budget proposed that it be reauthorized and funded at a $1.85 billion level in fiscal year 1982.) The proposed block grant program would be funded at a level $1.4 billion.

Chart 8

Social Services

(dollars in billions)

	FY 1981	FY 1982
Present law:		
Basic grant program (title XX)	$2.9	$3.0
Child welfare services*	0.1	0.2
Training	0.1	0.1
Proposed legislation in Reagan budget:		
Social services block grant (75% of current costs)	---	−0.8
Title XX social services grants and State and local training		
Title IV–B child welfare services and training		

* Carter budget request.

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 program, 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.

Title XX.—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 limit of $2.9 billion in fiscal 1981 rising to $3.3 billion in FY 1985 at the rate of $100 million a year. Of this amount, 8 percent of the total ($240 million in fiscal 1982) is available for child care costs without a matching requirement. Under present law, it is probable that every State will use the entire amount of its title XX matching funds.

Training.—Prior to fiscal year 1980, funds expended by States to train persons employed in the States' title XX services program (or to pay for the education of persons preparing for such employment) were eligible for Federal matching at a 75 percent matching rate on an open-ended entitlement basis. In fiscal years 1980 and 1981, despite statutory language to the contrary, appropriations action intentionally limited funding to $75 million, an amount not sufficient to provide the full 75 percent Federal match. Under legislation enacted last year (Public Law 96-272), effective fiscal year 1982 and thereafter no payment may be made for training or retrainiing expenditures except in accordance with a training plan approved by the Secretary of Health and Human Services. The Carter budget proposes to continue the $75 million appropriations cap, however.

Child welfare services.—Under title IV-B of the Social Security Act, grants to the States are authorized for the purposes of providing child welfare services. Public Law 96–272 restructured the child welfare services program to place greater emphasis on services designed to prevent or remedy the need for long-term foster care. (Prior to the adoption of this legislation, States primarily used Federal funding under this program to fund non-AFDC foster care. This is no longer a permissible use for any new appropriations under this program, i.e., in excess of $56.5 million.) The Carter budget proposes a $220 million funding level for this program for fiscal 1982 and $266 million (the full authorization) for fiscal year 1983.

Proposed legislation.—The Reagan budget proposes placing a number of categorical programs in a social services block grant. Programs in the jurisdiction of the Finance Committee which will be included are title IV–B child welfare services and training titles IV–A and IV–E foster care and adoption assistance maintenance payments, and title XX social services grants and State and local training. Other programs outside the jurisdiction of the Finance Committee will also be included in the block grant. Funding would be limited to 75 percent of 1981 levels on the basis that program overhead would be reduced and overlapping services would be eliminated. The reductions in the title IV–A and IV–E programs resulting from this block grant proposal are shown on chart 7.

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Chart 9

Unemployment Compensation

(dollars in billions)

	FY 1981	FY 1982
Present Law		
PAYROLL TAX ELEMENTS:		
Federal/State tax income and interest	$17.1	$19.5
Tax-funded benefits	20.1	17.9
Administrative costs	2.3	2.2
Deficit	−5.3	−0.6
GENERAL FUND ELEMENTS:		
Advances to the trust fund	2.1	2.8
Federal employee benefits	0.5	0.5
Trade adjustment assistance	2.7	1.5
Proposed Legislation*		
EXTENDED BENEFITS		
Eliminate national trigger	−0.3	−0.7
Redefine unemployment rate	−0.2	−0.6
Modify State triggers	...	...
REGULAR BENEFITS		
Apply strict work test	...	...
GENERAL FUND PROGRAMS		
Reduce trade benefits	...	−1.2
Limit ex-servicemen benefits to involuntary separations	−0.1	−0.2

* Carter Budget included only redefinition of insured unemployment rate.

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) State benefits are generally payable for a minimum of 26 weeks. The trust fund also covers 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 expired and efforts to revive it last year were unsuccessful.) The extended benefits program is now operating in 25 States and Puerto Rico, on the basis of State insured unemployment rates, but the national trigger may be "on" again soon. A national insured unemployment rate of 4.5 percent or more triggers the extended program on in all States. 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.

The chart displays the expected present law status of the program under the Carter budget. The more optimistic economic assumptions underlying the Reagan economic recovery program will result in significantly different totals. Thus far, however, the administration has not provided this information.

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 in the mid-1970's, 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 was able to begin repayments. A repayment of $0.8 billion was made in fiscal year 1979, and $0.25 billion in fiscal 1980. Additional borrowing again became necessary for fiscal 1981 and 1982.

The greater part of the unemployment trust fund consists of the State accounts. Each State imposes a State unemployment tax on employers in the State. The proceeds of this tax are used to pay for regular State benefit costs and half of any extended benefit costs. States are required to maintain the proceeds of State unemployment taxes in accounts held by the Federal unemployment trust fund and may expend from those accounts only for purposes of making benefit payments. Even though these are State funds, they are reflected in the Federal budget since they are held by the Treasury. To a considerable extent, therefore, the existence of surplus or deficit in this portion of the Federal budget depends upon State action in setting tax rates and benefit levels.

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 employer's businesses decline in the face of increased imports. (A related Trade Act provision authorizes adjustment assistance for firms and communities. President Reagan's budget recommends funding for these programs at a fiscal 1982 level of $53 million in budget authority and proposes to move them from the Economic Development Administration to the International Trade Administration. Not mentioned in the Reagan budget is the $42.5 million in loan guarantee authority proposed in the Carter budget.) TAA benefits presently are paid in addition to unemployment insurance benefits. Unemployment benefits are also provided at Federal general revenue expense for former Federal employees and ex-servicemen.

Proposed legislation.—President Carter's budget proposed changing the method of calculating the trigger rate for the extended benefits program by removing claimants of extended benefits from the calculation of insured unemployment rates (this proposal was reported by the Finance Committee in 1980).

President Reagan's budget would also change the trigger rate calculation as well as (1) eliminate the national trigger under which extended benefits are triggered on in all States when the national insured unemployment rate (IUR) is 4.5 percent (this was a Finance Committee proposal which passed the Senate in 1980); and (2) increase both the mandatory and optional State trigger levels for extended benefits. The *mandatory* trigger applies only if the State insured unemployment rate is 20% higher than it was in the corresponding period of the two previous years (averaged). Under present law, when that 20% higher condition is met, extended benefits must be paid if the insured unemployment rate is *4 percent or more*. Under the proposal, this mandatory trigger level would be increased to 5 percent. The *optional* trigger under present law allows States to pay benefits when the 20% higher factor is not met provided that the insured unemployment rate has reached an absolute level of 5 percent. The proposal would increase this to 6 percent. The proposed change in the State triggers would have a deferred effective date and, therefore, no FY 1982 impact.

SAVINGS FROM PROPOSED CHANGES IN EXTENDED BENEFIT TRIGGERS

[dollars in millions]

	Fiscal year—		
	1981	1982	1983
Eliminate national trigger	−297	−657	0
Change IUR definition	−208	−561	−380
Change State triggers	0	0	−92

A third proposal in the Reagan budget would deny State unemployment benefits to individuals, other than those on seasonal or other temporary layoffs, who refuse to accept suitable work after 13 weeks of regular unemployment benefits. This requirement is the same as one approved by the committee last year and enacted but only for benefits involving Federal funding; i.e., extended benefits. Again, this proposal would have no fiscal year 1982 impact because of a deferred effective date. It is estimated to save $285 million in FY 1983. The budget would also deny unemployment benefits to ex-service-members who leave the military services voluntarily after June 1, 1981 (including those who have completed their enlistments but decline to reenlist. Fiscal 1982 savings are estimated at $225 million.

Also included in either budget is a provision passed by the Senate in 1980 to require individuals to have at least 20 weeks of work (or equivalent wages) in the base period to be eligible for extended benefits. This provision, however, would not be effective until after fiscal 1982. Another provision passed by the Senate last year (but not included in either the Reagan or Carter budgets) would allow States to opt into the extended benefit program at insured unemployment rates higher than the current optional rate (5 percent under present law, 6 percent under the Reagan proposal).

The Administration has also proposed amending the Trade Adjustment Assistance program. The proposed changes would require import-affected workers to exhaust their regular State and extended unemployment insurance benefits before receiving payments under the TAA program. Weekly TAA benefit amounts also would be limited to the amount of the worker's weekly regular unemployment insurance benefit.

In the last Congress, the Finance Committee recommended and the Senate approved legislation which would have deferred certain Federal unemployment tax increases which otherwise go into effect to recoup outstanding State loans. The proposal passed last year (but not enacted) would have reduced revenues by \$0.1 billion in fiscal year 1982 rising to \$0.9 billion by fiscal year 1985.

Chart 10

Medicare Trust Funds Under Present Law

(dollars in billions)

	Fiscal Year 1981		Fiscal Year 1982		Fiscal Year 1983	
	Carter	Reagan	Carter	Reagan	Carter	Reagan
Hospital insurance:						
Income	$32.5	$32.8	$39.0	$39.1	$43.9	$43.9
Outgo	27.4	27.7	33.0	33.4	37.7	38.0
Net increase	5.1	5.1	6.0	5.7	6.2	5.8
End-of-year assets	19.6	19.5	25.7	25.2	31.9	31.1
Supplementary medical insurance:						
Income	12.4	12.4	17.8	17.8	19.5	19.3
Outgo	13.0	13.0	15.1	15.1	17.9	17.8
Net increase	−.6	−.6	2.7	2.7	1.6	1.5
End-of-year assets	3.9	3.9	6.6	6.5	8.2	8.0

	Fiscal Year 1984		Fiscal Year 1985		Fiscal Year 1986	
	Carter	Reagan	Carter	Reagan	Carter	Reagan
Hospital insurance:						
Income	$49.1	$48.5	$55.6	$54.5	$64.6	$62.9
Outgo	43.5	43.7	50.2	50.0	58.0	57.0
Net increase	5.6	4.8	5.4	4.4	6.6	5.9
End-of-year assets	37.5	35.9	42.9	40.3	49.5	46.2
Supplementary medical insurance:						
Income	22.2	21.5	25.9	24.6	29.9	28.0
Outgo	21.1	20.7	24.6	23.8	28.4	27.1
Net increase	1.1	.8	1.3	.8	1.5	.9
End-of-year assets	9.3	8.8	10.6	9.6	12.1	10.6

Chart 10

Medicare Trust Funds—Under Present Law

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

The SMI outlay figures for both the Carter and Reagan budgets for 1982–1986 assume savings from certain regulatory changes made administratively with respect to home health agency reimbursement rates and reimbursement for hospital based physicians. The Reagan HI outlay figures for 1982–1986 assume savings from certain regulatory changes made administratively with respect to hospital reimbursement, skilled nursing facility reimbursement, home health agency reimbursement, decreased audit activities and adjustments in the utilization review requirements and PSRO reviews.

The 1980 Trustees Report for the Federal Hospital Insurance Trust Fund concluded that while the fund is not in imminent danger of being unable to pay benefits, adequate growth in the fund (relative to annual disbursements) is not provided for. The report projected that by 1990 disbursements will exceed income and by 1994 the fund will be completely exhausted.

Chart 11

Health Programs: Present Law

(dollars in billions)

	Fiscal Year 1981		Fiscal Year 1982	
	Carter	Reagan	Carter	Reagan
Medicare trust funds:				
Hospital insurance:				
Income	$32.5	$32.8	$39.0	$39.1
Outgo	27.4	27.7	33.0	33.4
Net increase	5.1	5.1	6.0	5.7

Supplementary medical insurance:				
Income	12.4	12.4	17.8	17.8
Outgo	13.0	13.0	15.1	15.1
Net increase	−.6	−.6	2.7	2.7
Federal fund payment to medicare trust funds	9.6	9.6	14.6	14.6
Medicaid	16.5	16.5	18.2	18.2
Maternal and child health	.4	.4	.4	.4

Chart 11

Health Programs: Present Law

MEDICARE

Medicare is a nationwide health insurance program for the aged and certain disabled persons authorized by title XVIII of the Social Security Act. It consists of two parts: Part A, or the Hospital Insurance program, provides protection against the costs of inpatient hospital services and related institutional costs; Part B, or the Supplementary Medical Insurance Program, is a voluntary program which provides protection against the costs of physician services and other medical services.

The Carter budget estimates benefit and administrative outlays under medicare for fiscal year 1982 at $48.1 billion. Of this amount, benefit payments account for $46.7 billion. This represents an increase of 19.0 percent over the fiscal year 1981 benefit payments of $39.1 billion. The Reagan budget projects $48.5 billion in outlays in fiscal year 1982 of which $47.3 billion account for benefit payments.

The primary factor accounting for the increase is inflation in medical care costs, particularly with respect to hospital expenditures.

Inpatient hospital expenditures generally account for about 70 percent of medicare benefit payments. Approximately 20 percent is for physician services, and about 1 percent for skilled nursing facility services. In fiscal year 1982, $33 billion (Carter), $33.4 billion (Reagan) in outlays are estimated under Part A. Part B will account for outlays of $15.1 billion in both budgets.

Income to the trust funds in fiscal year 1982 is estimated at $56.8 billion (Carter), $56.9 billion (Reagan), an excess over outlays of $8.7 billion (Carter) and $8.4 billion (Reagan). Federal payments from general revenues to the trust funds for fiscal year 1982 are $14.6 billion under both budgets. The single largest component of this transfer is general revenue contributions for the SMI program.

MEDICAID

Medicaid is a federally aided, State-designed and administered program authorized by title XIX of the Social Security Act, which provides medical assistance for certain categories of low-income persons who are aged, blind, disabled or members of families with dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided.

Both budgets project total Federal-State medicaid costs for fiscal year 1982 under present law to be $32.4 billion, of which the Federal share is $18.2 billion. Of the Federal amount, $17.4 billion represents payments for benefits, with the remaining $0.9 billion going for State and local administrative costs. The represents an increase in total Federal outlays of 10.6 percent over fiscal year 1981.

States match Federal expenditures under medicaid, with total State expenditures accounting for approximately 44 percent of total program costs. In fiscal year 1982, it is estimated that State medicaid costs will be $14.2 billion, up from $12.8 billion in fiscal year 1981. This represents a 10.9 percent increase in total State expenditures over fiscal year 1981.

MATERNAL AND CHILD HEALTH/CRIPPLED CHILDREN SERVICES

The Maternal and Child Health/Crippled Children Programs provide funds to enable each State to extend and improve services, especially in rural areas and areas of severe economic distress, for (1) reducing infant mortality and otherwise promoting the health status of mothers and children (MCH services), and (2) locating, diagnosing, and treating children suffering from handicapping conditions (CCS Services).

Both budgets include $409 million for the maternal and child health/crippled children programs for fiscal year 1982. Of the 1982 outlays, $357 million is for grants to the States, the same as the fiscal year 1981 amount. The remainder supports research and training related to maternal and child health, and the supplemental security income-disabled children program newly transferred from title XVI to title V for purposes of administration.

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Chart 12

Health Programs: Major Proposed Legislative Changes

(dollars in billions)

	Carter, 1981	Carter, 1982
Carter Proposals:		
MEDICARE		
Nursing cost differential	(*)	−$0.2
Repeal provisions contained in reconciliation bill Public Law 96–499 and Public Law 96–611	(*)	−.2
Voluntary hospital guidelines	−$0.3	−.9
Civil money penalty	---	(*)
Health maintenance organizations	---	(*)
Outpatient psychiatric services	---	(*)
Other proposals	(*)	---

MEDICAID AND MATERNAL AND CHILD HEALTH		
Use of certain wage information in determining eligibility	---	(*)
Civil money penalty	---	(*)
Immediate recovery of medicaid disallowances	(*)	−.1
Impact of AFDC changes	---	(*)
Repeal certain provisions in reconciliation bill Public Law 96–499	(*)	(*)
Child Health Assurance Program (CHAP)	---	+.05

*Less than $0.05 billion.

Chart 12—Continued

Health Programs: Major Proposed Legislative Changes

(dollars in billions)

	Reagan, 1981	Reagan, 1982
Reagan Proposals:		
MEDICARE		
Nursing cost differential	(*)	−$0.2
Repeal certain provisions contained in Public Law 96–499 and Public Law 96–611	(*)	−0.2
Civil money penalty	- - -	(*)
Repeal temporary delay in Periodic Interim Payments (PIP)	+$0.5	−0.5
Eliminate utilization review requirements	(*)	−0.06

MEDICAID AND MATERNAL AND CHILD HEALTH		
CAP on Medicaid	−0.1	−0.9
Immediate recovery of Medicaid disallowances	−0.1	---
Automated eligibility systems	---	(*)
Repeal Title V, include in health services block grant		
Repeal provision in Title XI mandating professional standards review organizations		

*Less than $0.05 billion.

Chart 12

Carter Budget

MEDICARE

The Carter administration submitted six major legislative proposals which would on an aggregate basis reduce medicare outlays. The first proposal would eliminate the routine nursing salary cost differential in determining medicare reimbursement except in cases where evidence supports its use. The estimated savings for FY 1982 are $250 million. A similar proposal was agreed to by this committee last year. The difference was that our proposal would have continued the differential for a specified period of time so that GAO could study the appropriateness of continuing the reimbursement differential.

The second proposal would repeal the following provisions of Public Law 96–499: removal of 100-visit home health limits; occupational therapy as qualifying service; alcohol detoxification services; dental services; outpatient rehabilitation facilities coverage; outpatient physical therapy services; open enrollment and buy-in. Also targeted for repeal is the provision in Public Law 96–611 which provides reimbursement for pneumococcal vaccinations. The estimated savings for FY 1982 are $214 million.

The third proposal is actually an assumption that voluntary hospital cost containment activities will result in substantial savings to the trust fund. The Carter budget assumes a savings of $950 million in FY 1982 as a result of these voluntary efforts.

The Carter budget also proposes to authorize the Secretary to assess a civil monetary penalty against persons found to have filed fraudulent claims against medicare. Savings in FY 1982 are estimated at $9 million.

The fifth and sixth proposals are spending items. The first would alter the method of reimbursement for HMO's and increase medicare expenditures in FY 1982 by $20 million. The second would increase the rate of medicare program payment for outpatient psychiatric services from 50 percent to 80 percent of reasonable charges, and increase the maximum amount payable in a calendar year from $250 to $750. The estimated FY 1982 cost is $20 million.

MEDICAID

The Carter budget proposes to permit the Secretary to release social security wage information to States for use in determining medicaid eligibility, and permit State unemployment agencies to release wage information to the State medicaid agencies. This wage information is currently made available for determination of eligibility for both the AFDC program and the child support program. The savings are estimated to be $14 million in FY 1982.

The Carter budget also proposes to authorize the Secretary to assess a civil monetary penalty against persons found to have filed fraudulent claims against medicaid. Savings in FY 1982 are estimated at $14.3 million.

The third proposal would permit the collection of State medicaid disallowances by the Secretary prior to the completion of the appeals process. Estimated savings in FY 1981 are $25 million, in FY 1982, $100 million.

While the committee agreed to a similar proposal last year, a less restrictive provision was subsequently accepted as a part of Public Law 96–499, the Budget Reconciliation Act. That provision differed in that the State was allowed to retain the amounts disallowed until the completion of the appeals process. If upon conclusion of all appeals, the determination upholds the Secretary's disallowance, the State must return the Federal payments to the Secretary with interest.

The Impact of AFDC Changes item included in the Carter budget assumes savings as a result of the reduction in inappropriate payments for medicaid by revisions to the welfare eligibility requirements. The FY 1982 savings are estimated to be $18 million.

The repeal of the spending provisions contained in the Budget Reconciliation Act, Public Law 96–499, discussed under the medicare section, also results in savings to the medicaid program. In FY 1981 the savings are estimated to be $6 million, in FY 198 , $14 million.

The Carter budget also contains two proposals which would expand the medicaid program. The Child Health Assurance Program (CHAP), which was introduced in the 95th Congress and again in the 96th, proposes to expand and improve the early and periodic screening, diagnosis, and treatment (EPSDT) program under medicaid. The House passed a form of CHAP last year; however, a less expensive Finance Committee reported version was not scheduled for floor action in the Senate. The Carter proposal assumes an effective date for CHAP in the last quarter of 1982 at a cost of $50 million. The estimated FY 1983 cost is $374 million.

The Carter budget also contains a proposal to provide chronically mentally ill persons, who are medicaid eligible, with case-management assistance to secure appropriate community based services. In addition, the budget proposes to guarantee Federal matching for medicaid benefits, for up to six months, for the presumptively disabled. The cost of these two provisions is estimated at $20 million in FY 1982.

Reagan Budget

MEDICARE

At the time of publication limited information was available on the administration's major legislative proposals which would reduce medicare outlays. The first three proposals are the same as those contained in the Carter administration budget proposal previously described.

The fourth proposal would repeal the temporary delay in the periodic interim payment, a provision which was included in PL 96–499. This results in an increase in FY 1981 outlays of approximately $500 million and savings of $522 million in FY 1982.

Details on the remaining provision were not available.

MEDICAID

The Reagan administration proposes to limit Federal financial participation in medicaid to a level of $100 million below the spending level for the current fiscal year. It would allow a 5-percent increase in FY 1982 and adjust the limit on Federal participation in subsequent years by an inflation factor. The proposal would also provide for more State flexibility in administering the program. It is described as an interim program to be replaced by comprehensive medicaid reform.

Details on the proposals related to immediate recovery of medicaid disallowances and automated eligibility systems were not available.

MATERNAL AND CHILD HEALTH

The Reagan administration proposes to further limit Federal expenditures by consolidating a number of categorical health service, planning, and social service programs, including maternal and child health, into block grants to the States at a 25 percent reduction from current spending levels. Further details on the proposal were not available. While the appropriation level is within the jurisdiction of the appropriations committee repeal will of the program will require Finance Committee action.

PROFESSIONAL STANDARDS REVIEW ORGANIZATIONS

The "Social Security Amendments of 1972" provided for the establishment of Professional Standards Review Organizations (PSRO's) throughout the country which are charged with the comprehensive and ongoing review of services provided under medicare, medicaid, and the maternal and child health programs. PSRO's determine, for purposes of reimbursement under these programs, whether services are: (1) medically necessary; (2) provided in accordance with professional standards; and (3) in the case of institutional services, rendered in the appropriate setting.

PSRO's are formed by organizations representing substantial numbers of practicing physicians in 194 geographic areas nationwide.

There are currently 47 fully designated and 140 conditionally designated PSRO's in operation.

The administration budget proposes a phase-out of the PSRO program over the FY 81–83 period. As with the Maternal and Child Health Program Repeal, Finance Committee action will be required to terminate the PSRO program.

OTHER BUDGET SAVING OPTIONS

The following is a list of additional budget saving opportunities that the committee may wish to consider. The items listed are divided into two categories; those approved by the committee during the 96th Congress, and additional items the committee may wish to consider. These items could be used to supplement or supplant the administration's proposed FY 1982 reductions.

	Estimated savings in FY 82 (in millions)
Committee approved provisions:	
Payments to promote closing and conversion of underutilized facilities	$2
Criteria for determining reasonable charge for physician services	$13
Limitation on reasonable cost and reasonable charges for outpatient services	$26
Freedom of choice provision under medicaid	$227
Additional savings provisions:	
Medicare:	
Increase part B deductible from $60 to $75	$210
$60 to $100	$530
Index part B deductible to reflect increases in program costs	NA
Require Part B deductible to be satisfied on an annual basis	$55
Maintain part B premium at constant proportion of program costs (Revenue increase)	$190
Require coinsurance for home health visits under parts A and B	$230
Require coinsurance for home health visits under part B only	$67
Mandate coordination of medicare benefits with private health insurance coverage	$170
Medicaid:	
Eliminate the 50% Federal minimum matching rate	$700
Delete statutory requirements specifying State payment of "reasonable costs" to hospitals	$250
Permit States to require a nominal co-payment on patient initiated services	NA
Allow States to require and collect a family supplementation for patients in nursing homes. Amounts would be shared between Federal and State governments based on Federal matching rates	NA

Tax revenue proposals:	Estimated savings in FY 82 (in millions)
Limit tax deduction for employer-paid health insurance contributions to $120 per month for family coverage..	$1, 900
Repeal current itemized deductions of up to $150 for health insurance premiums	$400
Increase threshold for medical expense deductions from 3% of adjusted gross income to 10%	$2, 200

NA—Not available.

Chart 13

(dollars in billions)

	FY 1981	FY 1982
Revenue sharing		
Present law	$4.6	$4.6
Interest*		
(Committee decisions on deficit and debt limit determine estimate)	80.4	89.2

*Figures for interest on the public debt are based on projections in the Carter administration budget for FY 1982.

Chart 13

Revenue Sharing; Interest on the Public Debt

GENERAL REVENUE SHARING

General revenue sharing has become a central part of the Federal Government's efforts to assist State and local governments. In 1980, Congress approved legislation to extend this program through September 30, 1983. Under this program, provision has been made for outlays in each of the fiscal years 1981, 1982, and 1983 of $4.6 billion. This amount is distributed to local governments, and represents a reduction of $2.3 billion from the level of funding during the previous entitlement period. The reduction is the result of the elimination of the States from the program on an entitlement basis. Since the inception of this program, total payments of $56 billion have been made to both local and State governments, covering calendar years 1972 through 1980 and ending with the September 1980 payment.

In extending general revenue sharing through 1983 Congress authorized payments to State governments in fiscal year 1982 and fiscal year 1983 only if Congress appropriated funds for such payments. In addition, such payments would be contingent on the recipient State government forgoing or returning to the Treasury an equivalent dollar amount in other Federal categorical grant funds. Any State that elected to make this trade-off would be limited to the amount of revenue sharing funds for which it would be eligible under the existing formula for distributing general revenue sharing funds to State governments. The Reagan administration has not indicated whether it will request an appropriation for a State share in fiscal year 1982.

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt are estimated in the Carter administration budget for fiscal year 1982 to rise from $94.1 billion in fiscal year 1981 to a level of $106.5 billion in fiscal year 1982. These projected increases result from the financing of budget deficits from each of these years and from Federal borrowing to finance off-budget Federal entities. In addition, net outlays for interest on the public debt, as identified in chart 13, reflect offsetting payments to Federal trust funds. The net outlays for interest on the public debt amount to $80.4 billion in FY 1981 and $89.2 billion in FY 1982. When the committee has completed its decisions on revenues, expendditures, and the budget deficits, the appropriate interest figures can be calculated.

It should be noted that the budget assumes that interest rates will decline as the rate of inflation falls. The interest outlay estimate therefore assumes that the 91-day bill rate will decline gradually from 14.5 percent, the prevailing rate at the time the estimates were made, to an average of about 13.5 percent in calendar year 1981 and 11 percent in calendar year 1982. The Reagan administration has not submitted an estimate of the interest on the public debt for fiscal year 1981 or 1982. However, the President's program for economic recovery assumes that the 91-day bill rate will decline to an average of about 11.1 percent in calendar year 1981 and 8.9 percent in calendar year 1982. These assumptions could mean lower outlays for interest on the public debt than those projected in the Carter administration budget.

Chart 14

Revenues: Present Law

(dollars in billions)

	FY 1981		FY 1982	
	Carter budget	Reagan budget	Carter budget	Reagan budget
Individual income tax	$284.5	$284.0	$334.5	$334.4
Corporation income tax	66.8	66.9	73.3	70.0
Social insurance taxes	184.8	186.4	214.2	214.1
Excise taxes	40.6	43.4	53.5	53.5
Estate and gift taxes	6.9	6.9	7.7	7.6
Customs duties	7.4	7.4	7.8	7.8
Other revenues	14.0	13.8	15.5	14.2
TOTAL	605.0	608.8	706.5	701.6

Chart 14

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The Carter budget estimates that in fiscal year 1981, these revenues will yield a total of $605.0 billion under present law. The Reagan budget estimates these revenues for the same period at $608.8 billion. For fiscal year 1982, the Carter budget projects a revenue yield of $706.5 billion under present law. The Reagan budget estimates revenues of $701.6 billion for fiscal year 1982.

Under the Reagan administration projections, income taxes paid by individuals would amount to $334.4 billion for fiscal year 1982. Revenues from this source would account for the largest single source of Federal revenues, representing 47 percent of total Federal revenues.

Income taxes paid by corporations would provide $70.0 billion for fiscal year 1982.

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 estimated by the Reagan administration to total $214.1 billion. Receipts from these sources would account for approximately 30 percent of total Federal revenue.

Excise taxes imposed on selected commodities, services, and activities including crude oil production would provide $53.5 billion during fiscal year 1982.

Estate and gift taxes imposed on the value of property held at death and inter vivos transfers of property would amount to $7.6 billion.

Customs duties, levied on imports would provide $7.8 billion.

The Reagan administration estimates that other taxes and miscellaneous receipts would total $14.2 billion.

Chart 15

REVENUES: PROPOSED LEGISLATION

(dollars in billions)

	FY 1981	FY 1982
Reagan administration proposals:		
Individual income tax rate reduction	–6.4	–44.2
Accelerated cost recovery for business assets	–2.5	–9.7
Airport and airway user taxes	+0.2	+1.9
Inland waterway user taxes	0	+0.2
Taxation of Federal employee injury compensation	(*)	+0.1
Railroad retirement payroll taxes	0	+0.3
Total	–8.6	–51.4

Carter administration proposals:		
Social Security tax credit	0	−8.5
Revised depreciation allowance	−2.9	−9.0
Other tax reductions	−0.2	−0.7
Motor fuels and highway use taxes	+3.5	+14.6
Withholding on interest and dividends	0	+3.9
Foreign tax credit	+1.4	+0.5
Airport and airway taxes	+0.2	+1.4
Other tax increases	+0.4	+3.2
Total	+2.4	+5.3

*$50 million or less.

Chart 15

Revenue: Proposed Legislation

REAGAN ADMINISTRATION PROPOSALS

The Reagan administration has proposed substantial income tax reductions which will have their initial impact during fiscal years 1981 and 1982.

Rate reductions for individuals.—The proposed tax cut includes a reduction in individual income tax rate schedules by approximately 30 percent to be phased in over a period commencing on July 1, 1981 and ending in calendar year 1984. Compared with present law, individual tax rates will be reduced by 5 percent during calendar year 1981. Tax rates will be reduced by an additional 10 percent in calendar years 1982 and 1983. Tax rates will be reduced by an additional 5 percent in 1984.

These reductions in individual tax rates are estimated by the administration to reduce Federal revenues by $6.4 billion in fiscal year 1981 and by $44.2 billion in fiscal year 1982.

Accelerated cost recovery system.—The second principal provision in the administration's tax proposal is a system which permits business taxpayers to recover the cost of certain investments on an accelerated basis, in lieu of the historical cost depreciation based upon actual deterioration or obsolescence.

The proposal would create three mandatory classes of tangible personal property on which taxpayers would be entitled to rapid cost recovery over periods of 3, 5, and 10 years, depending upon the nature and use of such property. Although certain owner-occupied structures would also be entitled to accelerated cost recovery over 10 years, depreciable real property would in general be subject to straight-line cost recovery over periods of 15 or 18 years. Additionally, the availability of the investment tax credit would be expanded.

These provisions would be phased-in commencing on January 1, 1981 with all provisions fully effective by January 1, 1985.

The accelerated cost recovery system is estimated by the administration to reduce revenues by $2.5 billion in fiscal year 1981 and $9.7 billion in fiscal year 1982.

Other administration proposals.—The administration has indicated additional areas in which it will propose legislation affecting Federal revenue receipts in fiscal years 1981 and 1982.

(1) *Airport and airway user taxes.*—The administration has proposed the following excise taxes beginning July 1, 1981; an increase in the air passenger ticket tax from 5 percent to 9 percent of the ticket price, a 5 percent freight waybill tax, a 20 percent tax on aviation fuels

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used by noncommercial aviation, and other unspecified miscellaneous taxes. These increases in aviation taxes are estimated to increase Federal revenues by $200 million in fiscal year 1981 and by $1.9 billion in fiscal year 1982.

(2) *Inland waterway user taxes.*—The administration has proposed increases in the tax on fuel used in inland waterway commercial barge operations. These tax increases would become effective on July 1, 1981 and would increase Federal revenues by $200 million in fiscal year 1982.

(3) *Taxation of Federal employee injury compensation.*—The administration has proposed to make the entire amount of benefits received under the Federal employee injury program subject to Federal income tax. This proposal is estimated to increase receipts by $18 million in fiscal year 1981 and $0.1 billion in fiscal year 1982.

(4) *Railroad Retirement Program.*—The administration has proposed an increase in railroad retirement payroll taxes which is estimated to raise Federal revenues by $300 million in fiscal year 1982.

(5) *Black lung disability trust fund.*—The Black Lung Disability Trust Fund was established to provide benefits to persons medically disabled by black lung disease. It was intended to be financed by a coal production excise tax. Currently, the benefits are paid from general revenues through repayable advances to the trust fund. There is, however, little prospect of repayment. The administration has proposed to restrict benefit entitlements to those who are truly disabled by black lung disease and to ensure the program is financed by a reasonable levy on the coal industry. Specific details have not been announced. The Finance Committee would have jurisdiction over any proposal to change the amount of the coal production tax.

(6) *Federal highway programs.*—The administration has proposed an extension of the highway trust fund taxes scheduled to expire September 30, 1984. This extension would have no effect on Federal revenues in fiscal year 1982.

(7) *Other user fees.*—The administration has proposed the imposition of fees beginning in 1982, to cover the cost of direct and indirect services provided by the U.S. Coast Guard to recreational boat owners and the maritime industry. The administration has also proposed an increase in fees paid by users of deepwater ports. For budget purposes, the administration has classified these fees as proprietary receipts and have offset them against outlays in the transportation and natural resources and environment functions.

CARTER ADMINISTRATION PROPOSALS

The Carter administration budget for fiscal year 1982 included several provisions to reduce certain taxes, and others which would impose additional taxes.

The tax reduction proposals included: a simplified and liberalized form of depreciation for business assets; a partially refundable investment tax credit; an income tax credit for social security taxes paid, refundable to State and local governments, nonprofit organizations and businesses with no tax liability; an expansion of the earned income tax credit from 10% to 12%, and a tax deduction to offset part of the tax liability incurred by families with two wage earners.

The proposals were estimated to reduce Federal revenues by $3.1 billion in fiscal year 1981 and by $18.2 billion in fiscal year 1982.

The tax increases included a 10 cent per gallon increase in the excise tax on gasoline and diesel fuels and reinstatement of the airport and airway trust fund taxes in modified form. The Carter budget also included provisions to withhold taxes on interest and dividends at a rate of 15%, to limit the foreign tax credit for foreign taxes on income from oil and gas extraction; to restrict tax-exempt financing for certain private purpose activities; to impose the employer social security tax on tips earned by their employees: and to withhold tax at a rate of 10% on compensation received by independent contractors.

These proposals, together with others, were estimated to increase Federal receipts by $5.5 billion in fiscal year 1981 and by $23.6 billion in fiscal year 1982.

Thus, the tax proposals contained in the Carter budget would increase Federal revenues by $2.5 billion in fiscal year 1981 and by $5.3 billion in fiscal year 1982.

OTHER PROPOSALS

Both the Reagan administration and several members of the committee have indicated interest in a variety of additional tax proposals. These include indexation of individual tax rates and other statutory fixed dollar limitations in the tax laws, redress of the so-called "marriage penalty," expansion of the availability of the charitable deduction, tax relief for Americans working overseas, a tuition tax credit, additional incentives for savings through expanding the availability of Individual Retirement Accounts and similar tax-deferred accounts, and relief from the estate and gift tax.

The committee may also wish to consider extending the targeted jobs credit which expires at the end of 1981 and the $200 exclusion of interest and dividends for individuals which expires at the end of 1982.

In the last Congress, the Finance Committee recommended and the Senate approved legislation which would have deferred certain Federal unemployment tax increases which otherwise go into effect to recoup outstanding State loans. The proposal passed last year (but not enacted) would have reduced revenues by $0.1 billion in fiscal year 1982 rising to $0.9 billion by fiscal year 1985.

Several ongoing simplification projects will likely result in proposed legislation, including reform of Subchapter S governing electing small business corporations.

A number of targeted tax credits and other incentives for research and development, investment in urban areas, private sector job creation, energy conservation, and expansion of the availability of the investment tax credit have been proposed.

The committee may also consider a variety of other proposals affecting individual and corporate taxation.

Allowance for minor income tax and tariff bills.—The budget resolutions set an overall floor on revenues, and this floor is, after the second resolution, enforceable by points 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.

Chart 16

Tax Expenditures: Present Law

(dollars in billions)

	FY 1981	FY 1982
Commerce and housing credit	$98.2	$115.1
Income security	51.8	59.7
General purpose fiscal assistance	25.3	31.0
Education, training, employment, and social services	14.7	17.0
Health	19.9	23.2
Energy	6.6	7.3
International affairs	2.7	3.0
Other tax expenditures	7.6	8.2

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 deductions, deferrals, and credits in the tax structure. With this information, consideration of the budget may 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 Carter administration as a special analysis in the 1982 budget is reproduced in appendix C.

The Budget Act defines a tax expenditure as the revenue loss arising from special exemptions, exclusions, or deductions from gross income, a special credit, a preferential rate of tax, or a deferral of tax. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term applies to selective, rather than general, tax deductions.

This definition of "tax expenditure" is imprecise. The imprecision in definition, as well as a possible implication that the Government owns all income, has resulted in substantial controversy. Because of the difficulty of achieving precision, the staff approach has been to be as comprehensive as is reasonable in deciding whether a provision should be included as a tax expenditure item. A listing of a provision as a "tax expenditure" is not intended to imply approval or disapproval, or judgment about the effectiveness, of any provision. A listing simply reflects present law and, by implication, present public policy.

If the various tax expenditure figures in the two columns were added, they would total $226.8 billion in fiscal year 1981 and $264.5 billion in fiscal year 1982. 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 any one item were to be repealed. Some taxpayers have the choice of using other tax expenditures, if they want to reduce their tax liability. Other taxpayers would be required to pay higher taxes, absent existence of a tax expenditure provision.

Chart 17

Debt Limit

(dollars in billions)

(Carter administration projections)

Temporary debt limit through Sept. 30, 1981	$985.0
Reagan administration estimate of debt subject to limit Sept. 30, 1981	987.4
Plus:	
Federal funds deficit for FY 1982	66.7
Off-budget agency spending financed by Treasury	16.7
Other financing	−1.6
Equals:	
Debt subject to limit Sept. 30, 1982	1,071.2

Chart 17

Debt Limit

Under existing law, the debt limit is $985 billion until September 30, 1981. The temporary limit expires September 30, 1981. In the absence of further legislation, the debt ceiling would decline on that date to its permanent level of $400 billion.

For fiscal year 1982 the Reagan administration assumes that the debt subject to limit would reach $1,071.2 billion on September 30, 1982. Underlying these estimates are the legislative proposals and economic assumptions set forth in the Economic Recovery Program proposed by President Reagan and in the budget revisions proposed by the Reagan administration for fiscal year 1982.

The fiscal year 1982 needs as estimated by the Reagan administration 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 in the budget totals. In general, trust fund surpluses are invested in government securities and therefore do not serve to reduce the debt subject to limit even though they do reduce the unified budget deficit.

APPENDIX A

Committee on Finance 1980 Report to the Budget Committee With Respect to Fiscal Year 1981

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., March 4, 1980.

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 1981 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 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 the revenue and outlays estimates.

TABLE 1.—FINANCE COMMITTEE RECOMMENDATIONS CONCERNING BUDGET AUTHORITY AND OUTLAYS UNDER COMMITTEE JURISDICTION: FISCAL 1981

[In billions of dollars]

Functional category	Budget authority	Outlays
450 Community and regional development	0.1	0.1
550 Education, training, employment, and social services	3.9	3.8
New legislation	+.5	+.5
500 Health	61.5	54.3
New legislation	+.4	—.3
600 Income security	168.5	173.9
New legislation	+.8	+.5
850 General purpose fiscal assistance	.2	1.9
New legislation	+7.9	+6.1
900 Interest	80.1	80.1

Expenditure programs.—The Committee on Finance has jurisdiction over a variety of programs which involve expenditures. These include such income maintenance programs as social security, supplemental security income, unemployment compensation, and welfare programs for families. Health programs under Finance Committee jurisdiction include Medicare, Medicaid, and maternal and child health, as well as national health insurance proposals. Other programs, within the Committee's jurisdiction which involve expenditure of Federal funds include social services and revenue sharing. Interest on the public debt, which on a gross basis will account for some $79 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. Except in the health function, the overall total is consistent with that proposed by the President but the Committee expects that in many instances it may attempt to achieve that goal in different programs or through proposals different from those indicated in the President's budget.

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 developing its estimates for this function the Committee has taken into account the requirements for providing adequate funding for these three programs. The Committee notes that the present law funding level shown in the table actually represents a decline from the 1979 level since the title XX program was increased to a $2.9 billion level for fiscal 1979 but would revert to $2.5 billion in and after fiscal 1980 in the absence of further legislation. Legislation is now pending in conference which could require the funding shown for new legislation in this category.

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 1981 assume that net outlay reductions totalling $0.3 billion will be achieved in this category. The President's budget estimated gross savings of some $1.1 billion and net savings of $0.8 billion in Finance Committee health programs. The Committee believes that its estimate represents a more realistic assessment of the maximum that can be achieved in this area. The Committee's estimate is based on legislation already approved by the Committee plus an allowance for further legislation it may consider later this year.

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. Under the revised budget conventions adopted in 1978 the refundable aspects of tax credits are now treated as expenditure items. As a result, the income security category estimates now include the refundable part of the earned income tax credit. The Committee recommendation for this function indicates allowance for legislative changes which would on a net basis increase outlays by $0.5 billion. As with the health function, the Committee's estimate reflects both legislation already approved by the Committee and an allowance for additional legislative actions which may be considered.

General purpose fiscal assistance.—This function of the budget includes general revenue sharing, countercyclical and targeted revenue sharing, and other items such as payments to Puerto Rico of amounts equal to certain tax collections. The countercyclical revenue sharing program expired at the end of fiscal year 1978, and the general revenue sharing program will expire at the end of fiscal year 1980. The President's budget has recommended a new targeted revenue sharing program and an extension of the general revenue sharing program. The Committee recommendation that $7.9 billion be allowed for possible new legislation in this budget function would be sufficient to accommodate the outlays resulting from such legislation.

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 $79.4 billion.

TABLE 2.—FISCAL YEAR 1981 FINANCE COMMITTEE REVENUE RECOMMENDATIONS

	Billions
Present law	$581.2
Allowance for legislation (net)	18.8
Present law and legislation	600.0

Revenues.—The different types of Federal revenues include individual and corporate income 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 1981 estimates total revenues of $600 billion. The Committee on Finance recommends that this same overall revenue total be adopted for purposes of the first concurrent budget resolution. The Committee's estimate of $18.8 billion in revenues under new legislation includes estimated net revenue impact of +$17.3 billion under the conference agreement on H.R. 3919, the Crude Oil Windfall Profit Tax Act of 1979. The conference agreement on that legislation establishes Congressional intent as to the distribution of revenues generated by that tax under current or future assumptions as to the price of oil. Except as provided in that conference agreements, the Committee recommends that, if revenues increase above $600 billion as a result of changing economic conditions, any such additional revenues be devoted to tax relief or to a reduction in the deficit and not be used for spending increases.

The revenue estimate of the Finance Committee 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.

The Committee also wishes to note that it does not have any plans to consider proposals to tax social security benefits.

Budget deficit.—Table 3 shows the overall budgetary impact of the recommendations of the Committee on Finance concerning the fiscal year 1981 Congressional budget resolution.

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 $879 billion. This temporary limit expires on May 31, 1980, and in the absence of further legislation the debt ceiling would decline to the $400 billion permanent level. The projected deficit for fiscal year 1980 will increase the debt subject

TABLE 3.—BUDGETARY IMPACT OF FINANCE COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	Revenues	Outlays	Deficit
Present law [1]	581	610	
President's budget	600	616	16
Finance Committee recommendations	600	616	16

[1] 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.

to limit to a level of $934 billion on the basis of the President's budget. The Budget Committee may 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 PRESIDENT'S BUDGET

	Billions
Debt subject to limit as of Sept. 30, 1980	$887
Plus:	
Federal funds deficit for fiscal year 1980	46
Off-budget agency spending financed by Treasury and other financing	1
Equals: Debt subject to limit as of Sept. 30, 1981	934

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 the President's budget. In doing so, however, the Committee does not either endorse or reject

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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 simply transmits as its report the tax expenditure listing included in Special Analysis G of the President's budget.

Five-year budgetary outlook.—The magnitude and timing of savings or expenditures which may result from changes in the law to be recommended by the Committee during the upcoming session of the Congress will depend heavily on the exact nature of each specific legislative change. This result is arrived at only after the entire process of substantive consideration by the Committee and the Congress. Moreover, the budgetary estimates presented in this letter are net amounts which the Committee may ultimately achieve through a combination of legislative changes involving both increased costs in some cases and cost reductions in others. For example, in both the health and income security categories there are a number of proposals which the Committee may be asked to consider for program changes which would involve increased costs.

Similarly, the revenue goal for the coming fiscal year is a net figure whose detailed composition and future year impact can be determined only after the Committee has completed the legislative consideration of various competing proposals. In future years as in past years, it may be anticipated that revenue goals will be established which vary from year to year depending upon the changing economic needs and conditions of the country.

The Committee recognizes that the Congressional Budget Act requires the Budget Committees to undertake an analysis of the five-year budgetary outlook and include projections in their reports on the budget resolution. This is a useful and appropriate element in Congressional consideration of broad budgetary perspectives. However, for the reasons cited above, the Committee believes that an attempt by substantive committees to provide detailed projections of the likely impact of legislative changes on future fiscal years would be a highly speculative exercise if done prior to actual legislative consideration. The Committee does recognize the importance of future year budgetary impact projections and believes that the Budget Act and the Standing Rules of the Senate properly impose on substantive committees the obligation to make such projections when they have completed legislative consideration and are reporting a measure to the Senate.

To assist the Budget Committee in carrying out its responsibilities for long-range projections, I am enclosing a copy of Finance Committee Print 96–31 which includes present law projections of certain trust fund programs (see pages 18 and 52). Present law revenue projections appear in the President's budget on pages 61 and 71.

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.*

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

Contents. October 1 of such year. The concurrent resolution shall set forth—

(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.

(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—

Periodic reports.

Contents.

(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 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.

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.

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—

Submittal to congressional committees.

(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)."

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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
(Except From the Special Analyses of the Budget of the United States, pages 226–230)

Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1980	1981	1982	1980	1981	1982
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel	...	...	...	1,470	1,585	1,715
Exclusion of military disability pensions	...	...	...	135	170	200
International affairs:						
Exclusion of income earned abroad by United States citizens	...	...	...	555	640	665
Deferral of income of domestic international sales corporations (DISC)	1,430	1,600	1,830	...	...	...
Deferral of income of controlled foreign corporations	450	480	520	...	...	...
General science, space, and technology:						
Expensing of research and development expenditures	1,760	2,015	2,230	35	40	45
Energy:						
Expensing of exploration and development costs:						
Oil and gas	1,505	1,875	1,895	670	860	1,030
Other fuels	20	25	25	...	...	...
Excess of percentage over cost depletion:						
Oil and gas	370	545	535	1,120	1,580	1,725
Other fuels	455	530	540	20	20	25
Capital gains treatment of royalties on coal	10	10	10	70	80	90
Exclusion of interest on State and local government industrial development bonds for certain energy facilities	*	*	5	*	*	5
Residential energy credits:						
Supply incentives	*	*	5	55	115	190
Conservation incentives	...	...	...	430	425	420
Alternative, conservation and new technology credits:						
Supply incentives	140	220	290	10	15	20
Conservation incentives	190	305	375	...	...	...
Alternative fuel production credit	5	25	55	...	...	...
Alcohol fuel credit[1]	...	*	*	...	*	10
Energy credit for intercity buses[2]	*	5	5	...	...	...
Natural resources and environment:						
Expensing of exploration and development costs, nonfuel minerals	20	25	25	...	...	...
Excess of percentage over cost depletion, nonfuel minerals	345	390	380	15	15	15
Exclusion of interest on State and local government pollution control bonds	425	490	500	210	230	255

Table G-1 TAX EXPENDITURE ESTIMATES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1980	1981	1982	1980	1981	1982
Exclusion of payments in aid of construction of water, sewage, gas and electric utilities	60	110	110	....	....	....
Five-year amortization on pollution control facilities	15	35	65	....	....	....
Tax incentives for preservation of historic structures	10	20	30	25	45	70
Capital gains treatment of iron ore	10	10	10	10	10	10
Capital gains treatment of certain timber income	420	470	535	120	135	150
Investment credit and seven-year amortization for reforestation expenditures	....	*	10	....	*	*
Agriculture:						
Expensing of certain capital outlays	75	80	85	430	475	545
Capital gains treatment of certain income	20	25	25	385	405	425
Deductibility of noncash patronage dividends and certain other items of cooperatives	540	625	630	−175	−190	−200
Exclusion of certain cost-sharing payments	....	....	....	30	75	80
Commerce and housing credit:						
Dividend and interest exclusion	....	....	....	430	1,325	3,170
Exclusion of interest on State and local industrial development bonds	730	1,000	1,245	180	230	310
Exemption of credit union income	110	115	125	....	....	....
Excess bad debt reserves of financial institutions	470	340	470	....	....	....
Exclusion of interest on life insurance savings	....	....	....	3,490	4,080	4,770
Deductibility of interest on consumer credit	....	....	....	4,745	5,260	6,040
Deductibility of mortgage interest on owner-occupied homes	....	....	....	15,615	19,805	25,295
Deductibility of property tax on owner-occupied homes	....	....	....	7,310	8,915	10,920
Exclusion of interest on State and local housing bonds for owner-occupied housing	245	470	655	202	370	565
Expensing of construction period interest and taxes	555	585	615	140	160	160
Excess first-year depreciation	50	50	55	135	145	150
Depreciation on rental housing in excess of straight line	75	80	80	310	330	350
Depreciation on buildings (other than rental housing) in excess of straight line	135	140	150	120	125	135
Asset depreciation range	2,880	3,585	3,895	150	180	225
Capital gains (other than agriculture, timber, iron ore and coal)	715	940	1,020	15,415	16,230	18,990
Deferral of capital gains on home sales	....	....	....	1,010	1,110	1,220

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

(In millions of dollars)

Description	Fiscal years: Corporations			Individuals		
	1980	1981	1982	1980	1981	1982
Exclusion of capital gains on home sales for persons age 55 and over				535	590	650
Capital gains at death				4,750	5,085	5,440
Surtax exemption (through 1978)	110					
Reduced rates on the first $100,000 of corporate income	7,210	7,395	7,590			
Investment credit, other than ESOP's and rehabilitation of structures and energy	15,200	16,395	17,340	3,050	3,130	3,425
Investment credit for rehabilitation of structures						
Amortization of start-up costs		*	10		20	65
Transportation:						
Five-year amortization on railroad rolling stock	−40	−40	−40			
Deferral of tax on shipping companies	75	75	75			
Community and regional development:						
Five-year amortization for housing rehabilitation	5	10	15	10	15	20
Investment credit for rehabilitation of structures	120	145	160	60	65	65
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income				355	410	490
Exclusion of interest on State and local student loan bonds	30	55	85	15	25	40
Parental personal exemption for students age 19 or over				1,030	1,045	1,055
Exclusion of employee meals and lodging (other than military)				350	380	410
Employer educational assistance				30	35	40
Exclusion of contributions to prepaid legal services plans				20	35	10
Investment credit for ESOP's	695	770	820			
Deductibility of charitable contributions (education)	305	310	310	785	950	1,150
Deductibility of charitable contributions, other than education and health	375	385	385	5,895	7,135	8,6[illegible]0
Maximum tax on personal service income				1,320	1,655	2,16[illegible]
Credit for child and dependent care expenses				885	1,025	1,175
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs	45	50	50	5	10	10
General jobs credit	190	85	25	*		
Targeted jobs credit	130	255	150	25	50	30

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

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1980	1981	1982	1980	1981	1982
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care				12,075	14,165	16,610
Deductibility of medical expenses				3,150	3,580	4,080
Exclusion of interest on State and local hospital bonds	285	395	450	140	185	220
Deductibility of charitable contributions (health)	190	195	190	1,180	1,425	1,725
Income security:						
Exclusion of social security benefits:						
Disability insurance benefits				690	815	955
OASI benefits for retired workers				6,890	9,020	11,265
Benefits for dependents and survivors				1,015	1,250	1,480
Exclusion of railroad retirement system benefits				320	380	435
Exclusion of workmen's compensation benefits				2,200	2,675	3,260
Exclusion of special benefits for disabled coal miners				90	100	105
Exclusion of untaxed unemployment insurance benefits				3,350	5,275	4,530
Exclusion of public assistance benefits				390	465	510
Exclusion of disability pay				170	170	170
Net exclusion of pension contributions and earnings:						
Employer plans				19,785	23,605	27,905
Plans for self-employed and others				1,925	2,105	2,305
Exclusion of other employee benefits:						
Premiums on group term life insurance				1,675	1,855	2,055
Premiums on accident and disability insurance				90	100	105
Income of trusts to finance supplementary unemployment benefits				15	20	20
Additional exemption for the blind				30	30	30
Additional exemption for elderly				2,040	2,260	2,505
Tax credit for the elderly				130	125	120
Deductibility of casualty losses				570	715	895
Earned income credit [3]				720	635	755
Exclusion of interest on State and local housing bonds for rental housing	135	195	240	175	235	315
Veterans benefits and services:						
Exclusion of veterans disability compensation				1,065	1,300	1,575
Exclusion of veterans pensions				75	85	95
Exclusion of GI bill benefits				190	180	160

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

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1980	1981	1982	1980	1981	1982
General government:						
Credits and deductions for political contributions	...	...	...	80	100	80
General purpose fiscal assistance:						
Exclusion of interest on general purpose State and local debt	3,300	4,035	4,315	1,625	1,885	2,165
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	...	...	...	14,690	18,405	23,060
Tax credit for corporations receiving income from doing business in United States possessions	905	1,005	1,095	...	...	...
Interest:						
Deferral of interest on savings bonds	...	...	...	80	−75	335
Memorandum						
Combined effect of provisions disaggregated above:						
Capital gains	1,175	1,455	1,600	22,295	23,645	26,975
Exclusion of interest on State and local debt	7,150	9,025	10,020	3,565	4,340	5,195
Deductibility of State and local nonbusiness taxes	...	...	...	20,495	25,480	31,680
Deductibility of charitable contributions	870	890	885	7,860	9,510	11,505
Itemized deductions [4]	...	...	...	40,915	50,955	62,315
Deductibility of mortgage interest and property tax on owner-occupied homes	...	...	...	22,170	28,065	35,465
Benefits for the elderly [5]	...	...	...	10,320	12,965	15,760
Fringe benefits [6]	...	...	...	35,010	41,335	48,550
Government benefits and payments [7]	...	...	...	18,280	23,765	26,450

*$5 million or less. All tax expenditure estimates have been rounded to the nearest $5 million.

[1] In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of $50 million in 1980, $120 million in 1981, and $190 million in 1982.

[2] In addition, the exemption from excise tax for buses, bus parts and certain items used in connection with buses results in a reduction in excise tax receipts of $40 million in 1980, $50 million in 1981, and $50 million in 1982.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is: 1980, $1,275 million; 1981, $1,205 million; 1982, $1,115 million.

[4] Interest on consumer loans, mortgage interest and property taxes on owner-occupied homes, charitable contributions, medical expenses, casualty losses, nonbusiness State and local taxes other than on owner-occupied homes.

[5] Exclusion of social security and railroad retirement plus the additional exemption and tax credit for the elderly.

[6] Employer contributions for medical insurance, medical care, pensions and earnings plus premiums on group life, accident and disability insurance.

[7] Exclusion of military benefits, allowances, and disability pensions, OASDI disability insurance; OASI for retirees, dependents and survivors; Railroad retirement, workman's compensation, benefits for disabled coal miners; untaxed unemployment benefits, public assistance benefits, veterans disability compensation, pensions and GI bill benefits.