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Finance Committee Report

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COMMITTEE ON FINANCE
UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*

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SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

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

The major provisions affecting the Finance Committee are the following:

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

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

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

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

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

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

1. Overall View

OUTLINE OF CONGRESSIONAL BUDGET PROCESS UNDER PUBLIC LAW 93-344

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

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

WAIVER OF RULES REGARDING BUDGET PROCEDURE

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

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

LEGISLATION WHICH RESULTS IN ADDITIONAL FEDERAL SPENDING

Annual report to Budget Committee.—Each year, prior to the consideration of the first concurrent resolution on the budget, each committee is required to make a report to the Budget Committee estimating the amount of additional Federal spending during the coming fiscal year which will result from legislation under the committee's jurisdiction. This report is due no later than March 15. In 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.

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

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

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

In 1979, a situation again arose in which the first budget resolution assumed the enactment of legislation in Finance Committee jurisdiction to produce cut-backs in present law spending programs well in excess of what the Committee on Finance considered realistically achievable. This situation was aggravated by the fact that the House and Senate conferees on the budget resolution utilized significantly different assumptions as to both the present law base and the required savings underlying the budget resolution. In July, 1979, the Finance Committee informed the Budget Committee of its views as to a realistic level of savings to be assumed in the second budget resolution. The Budget Committee, however, took the position that the second resolution should not readjust the first resolution targets in the light of what then seemed achievable through the ordinary legislative processes. Instead, the Budget Committee reported a second resolution which would continue to mandate most of the sayings adopted as a target in the first resolution and proposed to achieve those savings by invoking the reconcilitation procedure under which named committees are directed in the budget resolution to immediately report legislation meeting certain budgetary goals. Although the House of Representatives was unwilling to agree to using this reconciliation procedure, the second resolution, as adopted, assumes the full level of savings, creating the difficult budgetary situation described below under the heading "Status of Fiscal 1980 Budget Process."

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 1.—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 interaretation, 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.

STATUS OF FISCAL 1980 BUDGET PROCESS

At the beginning of each session of Congress, the primary focus of the budget process is usually the upcoming fiscal year which will start in October and for which the first budget resolution will be adopted about May. During the current fiscal year. which began on the preceding October 1, budgetary issues are controlled by the already-adopted second concurrent budget resolution. If that resolution has reasonably accommodated the legislation proceding through Congress. no further action with respect to it is required of legislative committees.

In the case of the second concurrent budget resolution for 1980, however, the situation is somewhat different than it has been in previous years. That resolution as approved by the Congress on November 28, 1979, establishes spending limits which cannot be met unless legislation is enacted to significantly reduce the cost of existing programs. In adopting this resolution, the Senate included in it a reconciliation instruction which would have required committees to immediately report out the legislation achieving the required savings. The Senate reconciliation instruction was not agreed to by the House of Representatives. However, the resolution as adopted by the Congress includes a strong statement directing committees to fulfill the savings mandate and indicating that a third budget resolution would not be adopted simply to compensate for the failure to achieve those savings. This section of S. Con. Res. 53 reads as follows:

SENSE OF THE CONGRESS ON RECONCILIATION SAVINGS

SEC. 3. It is the sense of the Congress that there shall be no third budget resolution or any other revision of the budget figures contained in this Resolution unless justified by significantly changed national or international developments beyond the power of Congress to control and not foreseen in the development of the second budget resolution for fiscal year 1980.

Failure to achieve in a timely fashion the savings assumed in the second budget resolution will crowd out funding for other priorities in the budget and may require rescission of already enacted appropriations to stay within the budget ceilings.

Therefore, Congress calls upon the committees named in the Senate-passed instructions to make the savings assumed within the totals of this Resolution and calls upon all other committees of the Congress to exercise the maximum restraint in spending and maximum effort toward savings in order that important national priorities will not be crowded out by the failure to make those savings.

The Committee on Finance has acted to fulfill the requirements of the second budget resolution for 1980. Legislation has been reported by the Committee and passed by the Senate to reduce costs in the social security disability program and in the AFDC program. (Estimates made at the time this legislation was reported projected fiscal year 1980 savings of $37 million in social security and $63 million in welfare programs.) In the health category, the committee has reported legislation which will have a net impact of saving $0.7 billion in fiscal year 1980. The committee has also reported unemployment compensation legislation with net savings of $0.3 billion, and the committee has indicated that it will offer an amendment to reduce the State share of general revenue sharing in fiscal year 1980 by $0.2 billion. With these savings the Committee would fulfill its obligations under the second budget resolution to produce savings and would also be able to accommodate certain proposals which it has also already reported for new spending. These proposals are in the areas of child health, trade adjustment assistance, supplemental security income and social services. In the case of social services the Senate passed bill provides for a $2.7 billion ceiling for fiscal 1980, but the committee has determined that a $2.9 billion level can be accommodated if the savings items are adopted.

While the committee has acted on the required budgetary savings under the second resolution, comparable action on many of these proposals has not been taken in the House, and a substantial proportion of the committee's proposals have not been considered yet by the Senate. If these savings proposals are not enacted, the legislation proposed by the Committee to increase certain programs might face Budget Act opposition and, in some circumstances conference reports on said legislation could be subject to a point of order.

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 1981 (October 1980 to September 1981). 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.

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CHART 2

Economic Assumptions
(dollars in billions)

	1979	1980	1981
Gross national product:			
Current dollars	$2,369	$2,567	$2,842
Constant dollars (1972 dollars)	1,431	1,423	1,448
Percent change in constant dollars	2.3%	-0.6%	1.7%
Personal income	1,923	2,109	2,314
Wages and salaries	1,227	1,342	1,478
Corporate profits	238	228	242
Consumer price index: increase over prior year	11.4%	11.8%	9.2%
Unemployment rate	5.8%	7.0%	7.4%

Chart 2

Economic Assumptions

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

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

CHART 3

Major Expenditure Programs under Finance Committee Jurisdiction

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

Chart 3

Major Expenditure Programs Under Finance Committee Jurisdiction

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

Under a revision in the Congressional budget procedures adopted in the 95th Congress, refundable tax credits are now treated as revenue items insofar as they serve to reduce tax liability and as "outlay" items insofar as they exceed tax liability. Because such provisions are in fact considered by the committee and the Congress in the context of revenue legislation, however, they are discussed in this document at the same point as other revenue items. The refundable tax credit having significant budgetary impact in fiscal 1981 is the earned income tax credit.

CHART 4

Social Security Cash Benefit Trust Funds
(dollars in billions)

	FY1981	FY1982	FY1983	FY1984	FY1985
Present Law:					
Income	$131.7	$151.4	$170.9	$191.2	$220.9
Outgo	138.6	156.9	174.8	193.3	212.2
Increase or decrease	-6.9	-5.6	-3.8	-2.1	+8.7
Start-of-year assets as a percent of outgo	22%	15%	11%	8%	6%

Chart 4

Social Security Cash Benefit Trust Funds—Fiscal Years 1981–1985

The social security trust fund programs of old-age, survivors, and disability insurance are projected to decline substantially over the next 5 years since benefit payments out of the funds are expected to exceed income into the trust funds by a total of $18.4 billion over the period. The status of the combined cash benefits trust funds as shown in the table is based on the assumptions underlying the President's budget. These assumptions reflect declining inflation rates after 1980 and declining levels of unemployment after 1981 as shown below:

BUDGET ASSUMPTIONS, 1980–85

[In percent]

	Increase in Consumer Price Index	Benefit increase	Total unemployment rate
1980	11.8	13.0	7.0
1981	9.2	9.9	7.4
1982	8.2	8.4	6.8
1983	7.4	7.7	5.9
1984	6.8	7.1	5.1
1985	6.1	6.3	4.3

These assumptions do not necessarily represent the most likely future behavior of the economy. The basis for these projections is explained on pages 33 and 34 of the President's Budget as follows:

> * * * *the longer range assumptions for the period 1982 to 1985 are not forecasts of probable economic conditions.* Instead, they are projections that *assume* progress in moving toward the goals of a more fully employed economy and greater price level stability.
>
> * * * the long-range economic assumptions presented in this budget are consistent with a new schedule, presented in the [*1980*] *Economic Report*, for attaining the goals of the 1978 act [Full Employment and Balanced Growth Act of

1978 (Humphrey-Hawkins Act)]. The achievement of the 4 percent unemployment rate is postponed by 2 years [from the corresponding date in last year's budget] to 1985, and the 3 percent inflation goal is postponed by 3 years beyond that.

Even under these somewhat optimistic assumptions, however, the combined cash benefit trust funds have inadequate reserves to maintain cash flow throughout the 5-year period 1981–1985. By January of 1983, the combined funds are projected to have dropped below the level of one month's benefits which is the absolute minimum necessary to be able to meet benefit obligations. Moreover, the cash benefits funds are actually maintained as two separate trust funds: old-age and survivors insurance (OASI) and disability insurance (DI). The OASI fund is projected to drop to a level equal to less than 1 month's benefit during the last quarter of calendar year 1981. On the basis of these projections some legislative action would be necessary to assure that benefit payments can be met throughout 1981. The tables below show the status of the separate OASI and DI trust funds:

OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND: FISCAL YEARS 1978–1985

[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
1978	76.8	81.2	−4.4	31.0	44
1979	86.9	90.1	−3.2	27.7	34
1980	99.5	104.0	−4.5	23.2	27
1981	111.2	121.2	−9.9	13.3	19
1982	127.4	137.6	−10.3	3.1	10
1983	143.6	153.6	−10.0	−6.9	2
1984	160.2	169.9	−9.7	−16.7	...
1985	182.5	186.4	−3.9	−20.6	...

Source: Social Security Administration.

OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND: FISCAL YEARS 1978–1985

[Dollar amounts in billions]

Fiscal year	Income	Outgo	Net change in fund	Fund at end of year	Fund at start of year as a percent of outgo during year
1978........	12.8	12.7	.1	4.4	33
1979........	15.2	13.9	1.3	5.6	32
1980........	17.4	15.4	2.0	7.7	36
1981........	20.5	17.4	3.1	10.7	44
1982........	24.0	19.3	4.7	15.4	55
1983........	27.4	21.2	6.2	21.6	73
1984........	31.0	23.4	7.6	29.2	92
1985........	38.4	25.8	12.6	41.8	113

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 1980–85)

[In billions]

Fiscal year	Total	Cash benefits programs	Hospital insurance program
1979....................	$3.3	$4.1	−$0.8
1980....................	8.9	8.6	.2
1981....................	16.1	15.5	.6
1982....................	22.8	21.7	1.1
1983....................	26.3	25.0	1.3
1984....................	29.7	28.2	1.5
1985....................	42.6	39.6	3.0

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS

[In percent]

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

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

ANNUAL EARNINGS SUBJECT TO SOCIAL SECURITY TAX

Year	Under prior law	Present law (1977 amendments)
1977	$16,500	$16,500
1978	17,700	17,700
1979	18,900	22,900
1980	20,400	25,900
1981	[1] 22,200	29,700
1982	[1] 24,300	[1] 32,400
1983	[1] 26,400	[1] 35,400
1984	[1] 29,100	[1] 39,000
1985	[1] 31,800	[1] 42,900

[1] Estimated.

CHART 5

Social Security Administration Federal Fund Programs*
(dollars in billions)

	FY 1980	FY 1981
Present law:		
Federal fund payment to trust funds	$0.7	$0.7
Supplemental Security Income (SSI)	6.4	6.9
Proposed legislation:		
SSI changes in President's budget	**	**
Pending legislation (H.R. 3236, H.R. 3434)	**	**

* Welfare programs for families shown on chart 7.
** Less than $0.05 billion.

Chart 5

Social Security Administration Federal Fund Programs

Present law.– The social security programs of old-age, survivors, and disability insurance are supported almost entirely by payroll deductions applicable to employers, employees, and self-employed persons. Certain transitional provisions enacted in 1966, however, provide relatively small benefits to persons over age 72 who did not have the opportunity to become insured for regular benefits. The cost of these benefits is reimbursed to the trust fund from general revenues. Similarly, a general fund payment is made into the trust funds to cover the cost of certain additional credits granted to military personnel. The Social Security Administration also carries out certain functions under the Employee Retirement Income Security Act of 1974 (ERISA) and receives reimbursement from the general fund for the costs involved. For fiscal 1981, the Administration is proposing to undertake a research study of income and participation in Social Security Act programs. This will be funded through the trust funds and partially reimbursed from general funds.

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 1980	Fiscal 1981
OASDI:		
Military wage credits	$511	$521
Benefits for uninsured aged	164	150
ERISA	2	2
Research		4
SSI:		
Total	6,371	6,903
Benefits	5,635	6,130
Services	56	56
Administration [1]	680	717

[1] Includes $40 million in fiscal 1980 and $4 million in fiscal 1981 for Federal payments to States because of Federal errors in administering State supplementary programs.

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

Proposed legislation.—The President's budget includes an allowance of $17 million for new legislation in SSI. This amount relates to the costs of implementing the disability amendments now pending in conference. The major cost item represents increases in SSI which, for low-income persons, would offset the new benefit limitations under the social security disability program.

The committee has reported 2 bills (both of which have been passed by the Senate and are pending in conference) which affect SSI program costs. These are the social security disability bill, H.R. 3236, and the social services bill, H.R. 3434. The estimated impact of these 2 bills on SSI costs are an increase of $24 million in fiscal 1980 and of $41 million in fiscal 1981. These costs represent the net total from a variety of separate provisions, including new administrative costs related to changes in the disability program, offsetting SSI increases because of the limitations placed on social security disability benefits, and the impact of provisions designed to remove certain disincentives to reemployment of disabled SSI recipients. Also, included is a 3-year extension of the $30 million program of services for disabled children who are SSI recipients. These estimates also reflect costs savings from provisions in H.R. 3236 designed to limit benefits otherwise payable to aliens and certain windfall benefits which occur because of dual entitlement to social security and SSI disability benefits.

CHART 6

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

	FY 1981	FY 1985
President's budget:		
Widow's benefit retroactivity	*	*
Stricter offset for workmen's compensation	*	-$0.1
Apply employer social security tax to all tips**	*	*
Withhold social security tax from certain contractors**	$0.2	0.3
Disability legislation:		
President's budget	-0.1	-1.2
Senate bill	+0.1	-0.6
Monthly retirement test	+0.1	+0.1

* less than $0.05 billion
** amount shown is revenue increase

Chart 6

Social Security Cash Benefit Programs: Proposed Legislation

DISABILITY LEGISLATION

The President's budget for fiscal year 1981 assumes enactment of the disability legislation, H.R. 3236, which is now pending in conference. The estimates carried in the President's budget reflect the higher savings attributable to the House version of the bill. The Congressional Budget Office estimates of the bill as passed by the Senate are shown in the tables below. Table 1 shows the total estimated budgetary impact of the entire bill; table 2 shows the impact on the disability insurance program alone.

TABLE 1.—ESTIMATED NET COSTS OR SAVINGS TO THE FEDERAL BUDGET OF H.R. 3236, AS AMENDED BY THE SENATE

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Direct spending provisions:						
Estimated budget authority	4	0	–6	–4	11	46
Estimated outlays	–38	105	31	–105	–318	–519
Amounts subject to appropriation action:						
Required budget authority	1	54	102	105	137	112
Estimated outlays	1	54	102	105	137	112
Net budget impact: Net change in deficit	–37	159	133	0	–181	–407

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TABLE 2.—ESTIMATED CHANGE IN DISABILITY INSURANCE OUTLAYS AND BUDGET AUTHORITY OF H.R. 3236, AS PASSED BY THE SENATE

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Estimated budget authority	4	1	−1	8	31	70
Estimated outlays	−43	75	−40	−207	−413	−604

TABLE 3.—ESTIMATED CHANGE IN MEDICARE OUTLAYS AND BUDGET AUTHORITY OF H.R. 3236, AS PASSED BY THE SENATE

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Estimated budget authority		−1	−5	−12	−20	−24
Estimated outlays	5	30	71	102	95	85

TABLE 4.—ESTIMATED CHANGE IN OUTLAYS AND BUDGET AUTHORITY FOR FEDERAL INCOME MAINTENANCE PROGRAMS OF H.R. 3236, AS PASSED BY THE SENATE.

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Required budget authority:						
SSI	−5	14	44	30	12	−2
AFDC	6	41	60	80	127	113
Other [1]		−1	−2	−5	−2	1
Total	1	54	102	105	137	112
Estimated outlays:						
SSI	−5	14	44	30	12	−2
AFDC	6	41	60	80	127	113
Other [1]		−1	−2	−5	−2	1
Total	1	54	102	105	137	112

[1] Includes medicaid.

TABLE 5.—ESTIMATED COSTS AND SAVINGS TO THE DISABILITY INSURANCE TRUST FUND OF MAJOR PROVISIONS OF H.R. 3236, AS PASSED BY THE SENATE[1]

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Combined provisions to limit total family benefit and reduce the number of dropout years for younger workers	−54	−185	−339	−482	−617	−735
Eliminate waiting period for terminally ill workers		210	235	260	280	300
65 percent preadjudicative review by fiscal year 1983	1	3	−9	−49	−120	−190
Review of continuing disability cases once every 3 yr	3	8	22	1	−23	−50
More detailed notices of denials	0	13	18	19	20	21
Costs to DI of other sections	7	26	33	44	47	50
Total DI trust fund savings-estimated outlays	−43	75	−40	−207	−413	−604

[1] Savings to the DI Trust Fund are partially offset by costs to other income maintenance and health programs. The impact on these other programs of the sections relating primarily to the DI program is shown in table 6. In addition, certain provisions of this bill affect the SSI and AFDC programs. These estimates are shown in subsequent sections of the cost estimate.

TABLE 6.—ESTIMATED CHANGE IN OUTLAYS TO THE HI AND SMI TRUST FUNDS AND TO OTHER FEDERAL INCOME MAINTENANCE PROGRAMS FROM PROVISIONS OF H.R. 3236 WHICH PRIMARILY AFFECT THE SSA DISABILITY PROGRAM, AS PASSED BY THE SENATE

[In millions of dollars]

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
Cap on family benefits and reduced number of dropout years:						
Federal income maintenance programs: Estimated Outlays [1]	9	34	60	84	103	123
2d 12 mo trial work period and 3-yr extension of medicare:						
HI: Estimated outlays [2]	3	19	47	71	78	86
SMI: Estimated outlays [2]	2	13	31	48	52	57
Increased review of initial DI awards and reconsiderations:						
HI: Estimated outlays [2]	0	0	0	−1	−6	−13
SMI: Estimated outlays [2]	0	0	0	−1	−4	−9
Periodic review of continuing DI cases:						
HI: Estimated outlays [2]		−1	−4	−9	−15	−21
SMI: Estimated outlays [2]		−1	−3	−6	−10	−15
Supplemental Security Income [1 3]	2	16	26	16	4	−10
Total estimated outlays	16	80	157	202	202	198

[1] Required budget authority for these income maintenance programs is equal to the increase in estimated outlays. They are included in the summary table 4.

[2] Lower net interest into the HI and SMI trust funds from higher levels of spending. This reduces estimated budget authority for these programs, and is reported in table 3.

[3] These costs to SSI represent administration estimates resulting from provisions to increase the review of DI determinations, implementation of the periodic review of continuing DI cases, and for more detailed denial notices. The bill requires that the Social Security Administration review a stated percentage of all disability determinations made by State agencies for Title II. While no such requirement is explicitly stated for title XVI determinations, this estimate assumes that the Social Security Administration will also increase the percentage of title XVI determinations reviewed parallel to that required for title II.

OTHER PROPOSALS IN THE BUDGET

The President's budget also includes a number of other proposals. Those with significant budgetary impact are described below:

Retroactive benefits for widows.—The 1977 social security amendments provided that individuals would no longer be permitted to claim retroactive benefits (that is, for months prior to the month in which they apply) if those benefits would be subject to actuarial reduction (because the individual was under age 65). The President's budget proposes to modify this limitation so as to permit 1 month of retroactivity in the case of applicants for widow's benefits. The proposal would increase the costs of the program by $7 million in fiscal 1981 and by $10 million in fiscal 1985.

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 pre-disability 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 $31 million in fiscal year 1981 rising to $57 million in savings by fiscal year 1985.

Social security taxes on tips.—Under present law, employers are not generally required to pay the employer social security tax on compensation received in the form of tips (however, employers are required to pay the employer tax to the extent that tips are used to meet the Federal minimum wage requirement). The President's budget proposes a change in the law which would require employers to pay the full employer tax on all tips earned by their employees. It is estimated that this change would result in increased revenues to the social security program of $24 million in fiscal year 1981 increasing to $49 million in fiscal year 1985.

Withholding tax for independent contractors.—For employees, social security taxes are required to be withheld from their wages. Self-employed individuals, however, do not have taxes withheld, but rather pay their self-employed social security tax as a part of their annual income tax return. The President's budget proposes that for certain types of independent contractors there be a flat rate—10 percent—withheld from compensation paid to them for their services. While this change would not increase tax liability, it would have a budgetary impact in that it would accelerate collections and tend to reduce the level of noncompliance. The estimated additional social security trust fund revenues from this proposal are $166 million in fiscal year 1981 rising to $333 million in fiscal year 1985. The total budgetary impact of the proposal in fiscal year 1981 is an increase of $0.6 billion in revenues.

MONTHLY RETIREMENT TEST PROVISIONS

The 1977 Social Security Amendments generally eliminated the monthly exception to the social security retirement test. Under the general retirement test rules, social security benefits for persons under age 72 are reduced when *annual* earnings exceed a certain amount ($5,000 in 1980 for persons age 65–71). Prior to the 1977 amendments, there was a *monthly* exemption under which full benefits were paid for any month in which an individual did not have substantial earnings (more than 1/12 of the annual exempt amount) and did not engage in substantial self-employment activity.

The objective of the 1977 amendment was to prevent situations in which two individuals with the same annual earnings would receive different amounts of benefit payments solely because one individual had the earnings spread evenly throughout the year while the other had his earnings concentrated in some portion of the year. The amendment was made in a manner, however, which also had several other, apparently unintended, effects. For example, individuals who had previously made use of the monthly exception and subsequently retired after 1977 were denied benefits for the entire year of retirement even if they retired in September or October. Similarly, persons receiving benefits as children during the first half of the year who later graduated and went to work could be required because of their subsequent earnings to repay the benefits they had received from January through June. The new law also caused a benefit loss for retired insurance agents and other retired self-employed persons on the basis of their receiving certain types of deferred earnings such as renewal commissions.

The House of Representatives during the last session passed legislation, H.R. 5295, designed to modify the impact of this change in the law. This bill which is now pending in the Finance Committee would have a significant budgetary impact as indicated in the table below. The fiscal 1981 impact is shown on Chart 6 as $0.1 billion on the assumption that all or part of the first-year impact would be deferred to fiscal 1981.

OASDI COST ESTIMATES FOR A BILL MODIFYING THE RETIREMENT TEST MONTHLY MEASURE—H.R. 5295 AS PASSED BY THE HOUSE OF REPRESENTATIVES, FISCAL YEARS 1980–85

[In millions]

Provision	Additional OASDI benefit payments in fiscal years 1980–85					
	1980 [1]	1981	1982	1983	1984	1985
1. For persons receiving mother's or child's benefits, provide for application of monthly measure in year in which entitlement to such benefits is terminated	$25	$26	$29	$31	$33	$36
2. Provide that an individual applying for medicare at age 65 does not also have to apply for retirement benefits at the same time	[2] −5	1	3	7	10	13
3. Exclude all self-employment deferred income earned prior to entitlement	24	12	14	15	16	17
4. For all beneficiaries, provide for application of monthly measure in the 1st year after 1977 in which a "nonwork" month occurs	50	8	2	([3])	([3])	([3])
Total for H.R. 5295	94	47	48	53	59	66

[1] Payments in 1980 include all additional benefits for months prior to 1980.
[2] The estimated initial reduction in benefits is due to later filing of applications for OASI benefits.
[3] Less than $500,000.

NOTES

1. The estimates for each provision reflect the effects of the provisions that precede it in the table.
2. The bill is assumed to be enacted in February 1980.
3. The above estimates are based on the assumptions in the President's 1981 budget.

Source: Social Security Administration, Office of the Actuary, Jan. 29, 1980.

OTHER PROPOSALS

Tax relief.—Despite the projections for the trust funds as shown in chart 4, there has been concern over the impact of social security tax increases becoming effective in 1981. This concern was reflected in the Committee's inclusion in the windfall profit tax legislation (H.R. 3919) of a Taxpayer Trust Fund designed to set aside sufficient revenues to offset the approximately $18 billion 1981 social security tax increase (including $11 billion in *fiscal* 1981). The Committee action on H.R. 3919 left for future resolution the question of whether any such tax relief would be in the form of a reduction in social security taxes or in some other form (such as the method used by Congress in 1978 of offsetting reductions in income taxes). In view of the adverse condition of the trust funds over the next several years, a reduction in social security taxes would necessitate some other action to assure that the trust funds would be able to meet their benefit obligations. In other words, benefits would have to be reduced or some other source of funds would have to be provided or there would have to be some combination of reduced benefits and new funding sources.

Benefit reduction proposals.—A number of proposals have been considered at various times to reduce benefit costs. Among these are the phasing out of benefits for children aged 18–22 who are in school, limiting the aggregate benefits payable under social security and other public programs, particularly in the case of disability programs, and slowing the future growth of the social security program.

Other revenue sources.—Benefit reduction proposals, if enacted, could result in significant savings to the program. However, such proposals tend to be drawn in such a way as to minimize the impact on persons already on the benefit rolls and on those who are very close to the point of eligibility. As a result, the early year savings are frequently much less than the long-range savings. Consequently, it is likely that any significant reduction in present law payroll-tax revenues would have to be coupled with some new revenue sources at least over the next few years. One source of new revenues would be the inclusion in the program of groups presently exempt from social security coverage—primarily public employees and employees of nonprofit organizations. (A study of the feasibility of such an approach was commissioned by the Congress in the 1977 Amendments.) There has also been some discussion in recent years of the possibility of establishing a value-added tax which would substitute, in part at least, for social security tax revenues. Another proposal has been to divert all or part of the payroll tax which now supports the Medicare program of hospital insurance to the cash benefits program. To the extent that this was done, either the costs of that program would have to be met through another form of increased taxes, or the Federal deficit would be increased.

Coordination of disability benefits.—As indicated above, the President's budget includes a recommendation for tightening the application of the existing-law workers' compensation offset provision. In its consideration of the pending disability legislation (H.R. 3236), the Committee indicated an intention to review the possibility of broadening that provision to apply to other types of public disability programs. The Committee requested the General Accounting Office to conduct a review of this matter and indicated an intent that hearings be held this year on possible legislative changes designed to coordinate the overall benefits provided under all public disability programs with a view to preventing situations in which total benefits exceed the worker's predisability net earnings.

CHART 7

Welfare Programs for Families
(dollars in billions)

	FY1980	FY1981
Present law:		
Aid to families with dependent children: welfare payments	$6.3	$6.9
administration	0.7	0.8
Child support:		
Total collections	-0.7	-0.9
Federal share of: collections	-0.3	-0.4
administrative costs	0.3	0.3
Work Incentive Program	0.4	0.4
Proposed legislation in President's budget:		
Limit work expense deduction	*	-0.1
Child support changes	*	-0.1
Other proposals	*	*
Welfare reform	--	+0.8
Senate-passed legislation:		
H.R.3236, H.R.3434	-0.1	-0.2

* less than $0.05 billion

Chart 7

Welfare Programs for Families

AFDC.—The budget submitted by the President in January estimates that the costs of benefits and administration under the aid to families with dependent children (AFDC) and certain other related programs will be $7.1 billion in fiscal 1980 and $7.7 billion in fiscal 1981. Included in the total shown for AFDC are expenditures for adult assistance in Guam, Puerto Rico, and the Virgin Islands, emergency assistance for families, and aid for certain repatriated American nationals.

[In millions of dollars]

	Fiscal year—	
	1980	1981
Federal costs:		
AFDC payments	6,300	6,864
Adult assistance in U.S. territories	4	4
Emergency assistance	43	46
Aid to repatriated nationals	1	1
Total benefits	6,348	6,915
State and local administration	748	812

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—	
	1980	1981
Child support collections:		
Total collections	715	858
Federal share	293	352
State and local administration:		
Total costs	374	413
Federal share	280	310

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 581,000 AFDC families and 534,000 non-AFDC families in fiscal year 1980, and 639,000 AFDC families in 1981.

WIN.—Also closely related to the AFDC program is the work incentive (WIN) program which is aimed at enabling AFDC families to become self-supporting through employment. The budget submitted in January recommends funding for this program at a level of $385 million in fiscal 1981. This is $20 million above the level of funding that was provided for this program in fiscal 1980 but is the same as the fiscal 1979 funding level. The administration estimates that about 280,000 WIN registrants will be placed in jobs in fiscal 1981 with resultant welfare grant savings of $560 million.

PROPOSED LEGISLATION

The President's budget contains a number of legislative proposals for changes in existing welfare programs. These changes relate to: (1) limiting the earned income disregard; (2) disallowing the disregard when income is not timely reported; (3) prorating AFDC benefits to take account of the contribution toward shelter costs made by household members who are not themselves recipients of AFDC; (4) several child-support program modifications; and (5) increased Federal funding for welfare costs in Guam, Puerto Rico, and the Virgin Islands. These proposals have already been considered by the committee in this Congress and been approved by the Senate (with modifications) in legislation now awaiting conference action. The savings impact of these two bills (H.R. 3434 and H.R. 3236) as estimated by the Congressional Budget Office at the time the bills were reported is shown in the following table.

PROVISIONS OF SENATE-PASSED BILLS WITH FISCAL IMPACT ON WELFARE PROGRAMS FOR FAMILIES

	Fiscal year 1980	Fiscal year 1981
H.R. 3236 provisions:		
Matching for antifraud activities	+11	+23
IRS child support collections for nonwelfare families	−6	−5
Access to wage information for child support purposes	−6	−6
Matching for certain court personnel costs for child support	+1	+2
AFDC management information matching	+4	+17
H.R. 3434 provisions:		
Limitation on AFDC foster care matching	−5	−3
Child support matching for nonwelfare families	[1] +47	−3
Limit disregard of earned income in calculating AFDC benefits	−110	−184
Disallow disregard for earnings not reported timely	−11	−19
Consider stepparent's income in calculating AFDC benefits	−21	−34
Consider ineligible household member's contribution to shelter costs in calculating AFDC benefits	−19	−60
Provide increased matching for welfare programs in territories	+52	+52
Total budgetary impact on welfare program costs	−63	−220

[1] Includes $50,000,000 which has now been enacted as Public Law 96–178.

Welfare reform.—Legislation pending before the Committee includes the House-passed welfare reform bill, H.R. 4904. The President's budget includes as a contingency $850 million for the implementation of welfare reform legislation. Several members of the Finance Committee have sponsored legislation involving a different approach to welfare reform which would replace the current openended Federal matching of the State costs for Aid to Families with Dependent Children with a Federal block grant system. The bill includes both fiscal relief for States and funding for increased benefits in low per capita income States. The measure also includes a five-year, eight-State demonstration project to test the State's ability to create their own family welfare program as an alternative to AFDC without regard to Federal requirements and limitations.

Chart 8

Social Services
(dollars in billions)

	FY1980	FY1981
Present law:		
Basic grant program (title XX)	$2.5	$2.5
Child welfare services	0.1	0.1
Training	0.1	0.1
Proposed legislation in President's budget:		
Increase in child welfare services	+0.1	+0.1
Permanent increase in title XX ceiling	+0.4	+0.4
H.R. 3434:		
Title XX ceiling	+0.2	+0.4
Child welfare services	--	+0.1

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.

Under title XX of the Social Security Act, States providing social services such as child care, family planning, and homemaker services to welfare recipients and other low-income persons are entitled to claim Federal matching grants for such expenditures. For most services $3 in Federal funding under this program is available to match each $1 of non-Federal funding; however, Federal funding is subject to an overall annual limit of $2.5 billion allocated on a population basis. In fiscal year, 1979 an additional $400 million in Federal funding was available under a provision included in the 1978 tax-cut bill, Public Law 95-600. As of October 1, 1979, the ceiling has reverted to $2.5 billion pending completion of conference action on further legislation, as described below.

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

PROPOSED LEGISLATION

Basic title XX program.—The President's budget proposes to restore the 1979 $2.9 billion funding level for the title XX services program in both fiscal year 1980 and fiscal year 1981. Legislation related to this program has already been passed by the Senate and is now pending in conference (H.R. 3434). The Senate version of the bill would set the title XX ceiling at $2.7 billion in fiscal 1980, $2.9 billion in fiscal 1981, with increases thereafter of $0.1 billion per year up to a maximum of $3.3 billion for fiscal 1985 and thereafter. (The House version of the bill would raise the ceiling to $3.1 billion in and after 1980.)

Although the Senate-passed bill incorporated a $2.7 billion title XX ceiling for 1980, the Finance Committee subsequently reported a budget allocation which assumed a $2.9 billion level. (To achieve that level, however, cost reductions were assumed in other programs. These cost savings items have been approved by the committee but many of them have not yet been passed by the Senate.)

Child welfare services.—The President's Budget proposes an appropriation of $56.5 million for the existing law child welfare services program. This is the same amount as has been appropriated in recent years. However, the budget indicates that a supplemental appropriation will be submitted for an additional $62,850,000 in fiscal 1980 and $107,050,000 in fiscal 1981 to implement the changes in this program under the legislation (H.R. 3434) which is now pending in conference. Under the Senate version of the bill, the program would be changed to advanced funding so that any additional amounts appropriated in fiscal 1980 would first become available for expenditure in fiscal 1981.

Training.—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) are eligible for Federal matching at a 75 percent matching rate. The statute is written as an open-ended entitlement which is not subject to the $2.5 billion ceiling on other title XX costs.

Despite the entitlement nature of this program, the fiscal 1980 appropriations action intentionally limited funding to $75 million, an amount not sufficient to provide the full 75 percent Federal match. H.R. 3434, as passed by the Senate and now pending conference action, would establish a fiscal year 1980 limit equal to 4 percent of each State's title XX ceiling with a guarantee that funding would not be reduced below fiscal 1979 levels. The bill does not address 1981 in the expectation that further legislation would be considered for years after 1980.

The President's budget proposes to accept the $75 million level for fiscal 1980 (except that a $14 million supplemental appropriation is requested to cover prior year claims). This compares with the approximately $124 million that would be needed to provide the full 75 percent Federal match (including prior year claims).

For fiscal year 1981, the President proposes a level of $116 million, representing a proposal to set each State's limit on Federal funds for training at 4 percent of its title XX services ceiling.

CHART 9

Unemployment Compensation
(dollars in billions)

	FY1980	FY1981
PRESENT LAW		
Unemployment trust fund:		
Income	$17.2	$19.1
Outgo	15.8	18.5
Net change	+1.4	+0.6
End-of-year assets	16.5	17.1
Federal funds:		
Advances to trust funds	-0.9	-0.4
Trade adjustment assistance	0.4	0.4
Federal employee benefits	0.5	0.6
PROPOSED LEGISLATION		
Increase trade adjustment assistance (H.R.1543)	+0.1	+0.2
H.R.4612:		
Modify pension offset	+0.1	+0.1
Cost saving provisions	-0.3	-0.2
H.R.4007 (State loans)**	--	0.2

*less than $0.05 billion

**amount shown is revenue loss

Chart 9

Unemployment Compensation

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

When Federal and State tax collections are insufficient to meet benefit costs in the short run, the Federal unemployment trust fund is authorized to borrow from the general fund of the Treasury with the advances being subject to later repayment. Because of heavy levels of unemployment in the mid-1970s, 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 has been able to begin repayments. A repayment of $0.8 billion was made in fiscal year 1979 and $0.9 billion in fiscal 1980.

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 employers' businesses decline in the face of increased imports. (A related Trade Act provision authorizes adjustment assistance for firms and communities. The President's budget recommends funding for these programs at a fiscal 1981 level of $98 million in budget authority plus about $180 million in loan guarantee authority.) Unemployment benefits are also provided at Federal general revenue expense for former Federal employees and ex-servicemen.

Proposed legislation.—The committee has reported to the Senate two bills which would modify unemployment compensation programs. H.R. 1543, which amends the trade adjustment assistance program:

1. To broaden the coverage of workers and firms who may be eligible for trade adjustment assistance benefits;
2. To increase certain trade adjustment assistance benefits to workers and firms;
3. To accelerate the certification process and provision of benefits to workers and firms; and
4. To encourage more effective programs by authorizing industrywide studies and increased technical assistance.

At the time the bill was reported in October 1979, it was estimated to result in increased program costs of $145 million for fiscal 1980 and $174 million for fiscal 1981.

The committee also reported H.R. 4612 with several amendments related to the unemployment compensation program. The provisions of this bill and estimated budgetary impact are as shown below:

[In millions of dollars]

	Fiscal year—	
	1980	1981
Elimination of national trigger for extended benefit program	−300	—
Permit States to set optional extended benefit trigger at any insured unemployment rate at 5 percent or higher	−10	90
Limit unemployment for exservicemen to those with at least 1 yr of service	−25	−35
Encourage States not to provide benefits for first week of unemployment	−10	−20
Provide incentives for Federal agencies to contest improper benefit claims by their employees	0	−10
Limit offset for pension payments to pensions based on recent employment	+50	+90

Source: CBO estimate of H.R. 4612, as reported.

In addition to the legislation which has been reported by the committee relative to unemployment compensation programs there is pending in committee a House-passed measure dealing with the repayment of loans made to the States by the Federal accounts in the Unemployment Trust Fund. Under permanent law, States may receive interest free loans if their own accounts are inadequate to meet benefit obligations. Unless those loans are repaid within a period of approximately 2 years, however, the effective Federal tax rate on employers in the State is increased to recoup the loan. Because of heavy borrowing in recent years, a three-year additional deferral of the recoupment provision was enacted. However, that provision has now expired and several States face increased tax rates. H.R. 4007, as passed by the House, would permit States to continue to defer repaying the total loan provided that they repaid at least as much as would be generated by the increased tax. Since the increased tax represents true additional revenue to the Federal budget while a repayment is an intrafund transaction between the State and Federal accounts in the trust fund, the bill would result in a revenue loss. At the time the bill was reported in the House, the revenue loss was estimated at $400 million for 1981 rising to $789 million by 1984. Because a number of States have now repaid their loans in full, the revenue loss would be less—approximately $195 million for fiscal 1981.

CHART 10

Health Programs: Existing Law

(dollars in billions)

	FY 1980	FY 1981
Medicare trust funds:		
Hospital insurance:		
Income	$25.5	$32.5
Outgo	23.2	26.5
Net increase	2.3	6.0
Supplementary medical insurance:		
Income	10.4	12.5
Outgo	10.3	12.1
Net increase	0.1	0.4
Federal fund payment to Medicare trust funds	8.0	9.6
Medicaid	14.1	15.5
Maternal and child health	0.4	0.4

Chart 10

Health Programs: Existing Law

MEDICARE

Benefit and administrative outlays under medicare are estimated for fiscal year 1981 at $39.1 billion. Of this amount, benefit payments account for $38.0 billion. This represents an increase of 16 percent over the fiscal year 1980 benefit payments of $32.8 billion. The primary factor accounting for the increase is inflation in medical care costs.

Hospital insurance expenditures generally account for about 70 percent of the medicare benefit payments. In fiscal year 1981, $27.0 billion in outlays (including $26.5 billion in benefit outlays) are estimated under Part A (hospital insurance). Part B, the supplemental medical insurance program, will account for outlays of $12.1 billion (of which $11.5 billion is benefit payments).

Income to the trust funds in fiscal year 1981 is estimated at $45 billion, an excess over outlays of $5.9 billion. Federal payments from general revenues to the trust funds for fiscal year 1981 are $9.6 billion.

MEDICAID

Total Federal-State medicaid costs for fiscal year 1981 are projected under present law to be $27.5 billion, of which the Federal share is $15.5 billion. Of the Federal amount, $14.7 billion represents payments for benefits, with the remaining $0.8 billion going for administrative costs. This represents an increase in total Federal outlays of 10 percent over fiscal year 1980.

States match Federal expenditures under the medicaid program, with total State expenditures accounting for approximately 45 percent of total program costs. In fiscal year 1981, State medicaid costs are estimated to be $12 billion, up from $11 billion in fiscal year 1980.

MATERNAL AND CHILD HEALTH

The budget includes $394 million for the maternal and child health programs for fiscal year 1981, $14 million more than for fiscal 1980. Of the 1981 outlays, $313 million is for formula grants to the States, with the remainder supporting project grants, sudden infant death programs and research and training related to maternal and child health. The formula grant request represents an increase of $13 million over the fiscal year 1980 appropriated amount of $300 million.

CHART 11

Medicare Trust Funds Under Present Law

(dollars in billions)

	FY1981	FY1982	FY1983	FY1984	FY1985
Hospital Insurance:					
Income	$32.5	$38.9	$44.3	$50.0	$57.3
Outgo	26.5	30.3	34.5	39.3	44.8
Net increase	6.0	8.6	9.8	10.7	12.5
End-of-year assets	21.7	30.3	40.2	50.8	63.4
Supplementary Medical Insurance:					
Income	12.5	14.9	17.3	19.9	22.8
Outgo	12.1	14.3	16.6	19.2	22.0
Net increase	0.4	0.6	0.7	0.7	0.8
End-of-year assets	5.4	6.0	6.7	7.4	8.3

Chart 11

Medicare Trust Funds—Under Present Law

This chart shows the status of the two medicare trust funds in each of the next 5 fiscal years. The data in this chart are based on current law. The outlay figures for 1981 assume that certain regulatory changes made administratively will save $0.7 billion, primarily in hospital reimbursement modifications.

It should be noted that existing tax rates are not sufficient to finance the hospital insurance program over the long term. In the absence of the regulatory changes proposed in the budget, the hospital insurance trust fund will be completely exhausted in about 1992. If the regulatory changes are made and are fully effective, the fund will be exhausted at a somewhat later date.

CHART 12

Health Programs: Proposed Changes
(dollars in billions)

	FY 1980	FY 1981
President's budget:		
MEDICARE:		
Hospital cost containment	--	-$0.7
Nursing cost differential	--	-0.2
Cost sharing for working aged	--	-0.2
Other changes	--	*
MEDICAID:		
Child health assurance program	*	+0.4
Coverage of clinic services	--	+0.1
Hospital cost containment	--	-0.1
Other changes	*	-0.1

*Less than $0.05 billion

Chart 12

Health Programs: Proposed Changes

Medicare.—As in the budget for 1978, 1979, and 1980, the administration proposes to limit increases in total revenues of non-Federal hospitals. This reduction would result in a decrease of $680 million in medicare expenditures in fiscal year 1981. To achieve these reductions, the proposal would apply caps to increases in hospital spending.

The staff believes that it is unrealistic to expect enactment of the proposed hospital cost containment legislation. The administration's proposal was tabled by the committee on July 12, 1979, and rejected by the House of Representatives on November 15, 1979.

The administration again proposes legislation that would require employers with elderly employees, and the elderly self-employed, to share with the Federal Government the cost of hospital insurance. This proposal, estimated to reduce costs by $170 million, was considered and rejected by the House Committee on Ways and Means.

Medicaid.—The President's budget proposes legislation to expand and improve the early and periodic screening, diagnosis, and treatment ("EPSDT") program under medicaid. The proposed expansion is the Child Health Assurance Program (CHAP). Less costly legislation with similar objectives was approved by the Finance Committee last year. Outlays under the administration proposal for fiscal year 1981 are estimated to be $403 million, as compared to $229 million under the committee-approved bill.

Staff comment.—Despite differences in content and, in certain cases, the basis for estimating cost effects, the legislation that the committee has reported would achieve savings for fiscal year 1981 of approximately the same order of magnitude as the administration budget proposes. S. 1204, related to the establishment of a Child Health Assessment Program (CHAP) and to medicaid matching for the territories, would increase Federal outlays by $261 million in fiscal year 1981. H.R. 934, the Medicare-Medicaid Administrative and Reimbursement Reform Act, would reduce Federal spending in fiscal 1981 by $882 million. The net impact of the committee's two bills is, therefore, to reduce costs for fiscal year 1981 by $621 million as compared to $760 million under the administration's budget.

CHART 13

(dollars in billions)

	FY1980	FY1981
Revenue sharing		
General revenue sharing:		
Present law	$6.9	--
Committee budget recommendation	-0.2	--
Administration proposed extension	--	$6.9
Countercyclical revenue sharing:		
Pending legislation	0.3	1.0
Administration proposed extension	0.3	1.0
Interest		
(Committee decisions on deficit and debt limit determine estimate)	63.3	67.2

Chart 13

Revenue Sharing; Interest on the Public Debt

GENERAL AND COUNTERCYCLICAL REVENUE SHARING

General revenue sharing has become a central feature of the Federal Government's efforts to assist State and local governments. In 1976, the Congress approved legislation to extend this program through September 30, 1980. Under this program, provision has been made for outlays in each of the fiscal years 1979 and 1980 of $6.9 billion. One-third of these amounts is distributed to State governments and two-thirds to local governments. Since the inception of this program total payments of $52 billion have been made to these governments, covering calendar years 1972 through 1979. The administration has proposed an extension of the general revenue sharing program for an additional five years at $6.9 billion per year.

The distribution of funds to States would be contingent upon the creation of State commissions for the purpose of assessing changes that can be made to improve the capacity of governments to provide essential public services. Also proposed are revisions to the local allocation formula to target funds to more needy localities.

The committee has approved an amendment to be offered to reduce general revenue sharing for State governments for fiscal year 1980 by $225 million.

Countercyclical revenue sharing, approved in July 1976 and extended through September 30, 1978 by the Intergovernmental Anti-Recession Assistance Act, provided for outlays in fiscal year 1978 of $1.5 billion. Under this program funds were distributed to State and local governments with high unemployment (exceeding 4.5 percent) when the national unemployment rate for the two preceding quarters exceeded 6 percent. This program was not extended beyond September 30, 1978. The administration has proposed enactment of a targeted fiscal assistance program for 1980 and a countercyclical fiscal assistance program to provide general purpose funds to needy State and local governments when national unemployment is 6.5 percent or more.

Proposed outlays for targeted fiscal assistance would be $250 million in 1980 and $1.0 billion in 1981.

The Senate has approved S. 566 which provides targeted fiscal assistance to fiscally distressed local governments for fiscal year 1980.

As approved by the Senate, the targeted fiscal assistance program would authorize $340 million to these units of government during fiscal year 1980. The measure also includes a countercyclical assistance program which would authorize the distribution of up to $1 billion. These funds would be distributed if national unemployment were to reach 6.5 percent for any calendar quarter in fiscal year 1980.

The House of Representatives has amended this measure and has authorized the distribution of $200 million of targeted fiscal assistance for fiscal year 1980 and has proposed an anti-recession fiscal assistance program triggered by two consecutive calendar quarters in which real wages and salaries and real GNP declined.

INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt are estimated in the President's budget to rise from $73.3 billion in fiscal year 1980 to a level of $79.4 billion in fiscal year 1981. These projected increases result from the financing of budget deficits for each of these years and from Federal borrowing to finance off-budget Federal entities. When the committee has completed its decisions on revenues, expenditures, and the budget deficits, the appropriate interest figures can be calculated.

It should be noted that this year's budget assumes that interest rates will decline as the rate of inflation falls. The interest outlay estimate therefore assumes the 91-day bill rate will decline gradually from 12.0 percent, the prevailing rate at the time the estimates were made, to an average of about 10.5 percent in calendar year 1980 and 9.0 percent in calendar year 1981.

BUDGETARY TREATMENT OF REFUNDABLE CREDITS

In previous years, refundable tax credits were treated in their entirety as revenue reductions for purposes of the congressional budget process. This treatment has no impact one way or the other on the total budgetary surplus or deficit but was of some procedural importance since refundable tax credits are dealt with in the context of revenue legislation which follows somewhat different Budget Act procedural requirements than expenditure legislation. Starting with the last Congress, however, the budget procedures were modified to treat the refundable aspects of tax credits as "expenditures" rather than as revenue reductions. For purposes of this document, however, the budgetary aspects of refundable tax credits are discussed in the context of the other revenue items to which they are related. The only significant refundable tax credit item for fiscal 1981 is the earned income tax credit discussed in connection with chart 14.

CHART 14

Revenues: Present Law
(dollars in billions)

	FY 1980	FY 1981
Individual income tax*	$239.1	$274.9
Corporation income tax	73.3	74.8
Social insurance taxes	162.2	186.9
Excise taxes	18.5	18.0
Estate and gift taxes	5.8	5.9
Customs duties	7.6	8.4
Other revenues	10.9	12.1
TOTAL	517.4	581.0

*The refundable part of the earned income tax credit (not reflected in these numbers) involves "outlays" of $1.7 billion in FY 1980 and $1.6 billion in FY 1981

Chart 14

Revenues: Present Law

Federal revenues are in large part composed of receipts from income and payroll taxes. The administration budget estimates that in fiscal year 1980 these revenues will yield a total of $517.4 billion under present law. For fiscal year 1981, the administration budget projects a revenue yield of $581.0 billion under present law.

Income tax paid by individuals are estimated to amount to $274.9 billion for fiscal year 1981. Revenues from this source, which account for the largest single source of Federal revenues, will amount to 47.3 percent of total Federal revenue.

Income taxes paid by corporations are estimated at $74.8 billion for fiscal year 1981.

Social insurance taxes and contributions, composed of social security and other payroll taxes, unemployment insurance taxes and deposits, Federal employee retirement contributions, and premium payments for supplementary medical insurance, are expected to total $186.9 billion. Receipts from these sources will account for approximately 32.2 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities are expected to provide $18.0 billion during fiscal year 1981.

Estate and gift taxes imposed on the value of property held at death and inter vivos transfers of property are projected to produce $5.9 billion.

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

Other taxes and miscellaneous receipts are expected to total $12.1 billion.

Cash management.—The administration has proposed several initiatives to require taxpayers to make income tax payments closer to the time when tax liabilities are incurred, to require employers to deposit taxes withheld from employees on a more timely basis, and to accelerate the payment schedule of customs duties and tobacco excise taxes. It is estimated that these cash management initiatives will increase receipts by $3 billion in 1981.

Employer deposits of taxes.—Under current law, the times at which withheld income and payroll taxes and the employer's share of payroll taxes must be remitted to the Treasury depend on the amount of such taxes withheld by the employer. The larger the accumulated taxes, the sooner they must be paid. The proposed changes, which can be accomplished by administrative action would accelerate the deposits by large employers. At the same time, the changes would give relief to about 550,000 very small employers (quarterly withheld taxes of less than $1,000), who would pay their entire liability in one quarterly payment; and the frequency of required deposits would be reduced for an additional 980,000 employers. Employers with quarterly withheld taxes of $1,000 to $13,000 would be required to make only one deposit per month. These changes, which would be phased in during calendar years 1981 and 1982, are expected to increase receipts by $2.6 billion in 1981, $1.8 billion in 1982, and $600 million in 1983.

The administration is also proposing to accelerate the collections of customs duties and tobacco excise taxes beginning in 1981. Importers and brokers currently have 10 days to submit customs duties after they have been collected. The collection of tobacco excise taxes from large manufacturers could also be accelerated. Currently, these taxes are due within 15 days after each semimonthly collection period. The revised regulations would require payment within 3 days after each weekly collection period. These changes, which can be accomplished by administrative action, will increase receipts by $400 million in 1981, but will have no significant effect on receipts in subsequent years.

CHART 15

Revenues: Proposed Legislation
(dollars in billions)

	FY 1980	FY 1981
President's budget:		
Individual taxes:		
Energy tax credits, etc.	-$0.4	-$1.1
Estimated tax payments	--	+0.1
Tax-exempt housing bonds	--	+0.2
Independent contractors	--	+0.6
Corporation taxes:		
Energy tax credits, etc.	-2.0	-6.0
Foreign tax credit (oil and gas extraction income)	+0.9	+0.7
Estimated tax payments	--	+1.4
Tax-exempt housing bonds	+0.1	+0.7
Social insurance taxes:		
Railroad retirement taxes	--	+0.3
Excise taxes:		
Windfall profits tax	+7.7	+20.9
Airport and Airway Trust Fund	--	+1.1
Other:		
Oil and hazardous substances	--	+0.2
• Allowance for minor bills	-0.1	-0.1

Chart 15

Revenues: Proposed Legislation

The administration's proposed budget contains several tax proposals which will have their initial impact during fiscal years 1980 and 1981.

Windfall profit tax.—The President has by Executive Order provided for the phased decontrol of domestic oil prices beginning June 1, 1979, and ending with the expiration of price control authority on September 30, 1981. As part of the decontrol program, a windfall profit tax on domestic producers of crude oil was proposed. Several energy tax credits and a change in the existing foreign tax credit on oil and gas extraction were also proposed. These proposals, are estimated to result in a net increase in receipts of $6.2 billion in 1980 and $14.4 billion in 1981.

The windfall profit tax was proposed to become effective January 1, 1980. Because the proposed windfall profit tax is an excise tax, it is deductible for income tax purposes. The reduction in income tax revenues which results is included under "Energy tax credits, etc." and is estimated to be $300 million for 1980 and $700 million for 1981.

The House and Senate have passed their own versions of a windfall profit tax; differences between the two are being resolved by a Conference Committee. It is anticipated that a windfall profit tax will be enacted early in 1980.

Energy tax credits.—The proposed energy program includes several income tax credits to stimulate the conservation and production of energy. These credits are estimated to reduce receipts by $100 million in 1980 and $300 million in 1981.

Individuals' payments of estimated taxes.—Under current law, individuals whose tax liabilities exceed withheld taxes by $100 or more are required to make estimated tax payments 4 times a year. Generally, so long as estimated tax payments plus withheld taxes exceed 80% of tax liabilities shown on the tax return, no penalty is imposed.

Taxpayers who make estimated tax payments would be required to increase the minimum percentage of liabilities to be met by withheld and estimated payments from 80 to 85%. The amount by which liabilities must exceed withheld payments before estimated payments are required would be increased from $100 to $300 and the penalties for underestimation of tax when estimated tax payments are not required would be eliminated.

These proposed changes are estimated to increase receipts by $100 million in 1981; $300 million in 1982, and $100 million in 1983.

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

The administration supports legislation to ban the use of tax-exempt bonds for owner-occupied housing. The ban would apply to such bonds issued after April 25, 1979, with exceptions allowed for bonds in process as of that date. The administration is also proposing to restrict the use of tax-exempt bonds for multifamily housing to projects in which at least 20 percent of the residents qualify as low-income under present HUD definitions.

This proposal is estimated to increase receipts by $100 million in 1980, $800 million in 1981, $2.5 billion in 1982, and $5.2 billion in 1983.

Energy tax credits.—The proposed energy program includes several tax credits for businesses as well as individuals. These credits are to encourage conservation of energy and the production of energy from oil shale, tight sands, Devonian shale, coal seams and geopressured brine. These credits, as well as the deduction for the windfall profit tax for corporate income tax purposes, are estimated to reduce receipts by $2.0 billion for 1980 and $6.0 billion for 1981.

Foreign tax credit on oil and gas extraction.—The administration has proposed legislation to limit any offset against U.S. taxes for foreign taxes on oil and gas extraction income to only U.S. taxes on that income rather than U.S. taxes on all foreign source income. This proposal is estimated to increase receipts by $900 million in 1980 and $700 million in 1981, 1982 and 1983.

Corporation income tax payments.—Corporations are generally required to pay 80% of their corporate income tax liability through estimated tax payments. For corporations that keep accounts on a calendar year basis, the estimated tax payments are due on the fifteenth of April, June, September, and December. The remainder of the tax liability is due in two equal installments after the close of the year, payable on March 15 and June 15.

The required level of estimated tax payments has several exceptions. A major one is that corporations can make estimated payments on the basis of the previous year's tax liability. Thus, a corporation with a loss in the preceding year need not pay estimated tax.

The Administration proposes legislation to raise the required level of estimated tax payments from 80 to 85% and to require corporations with calendar year accounting to pay the liability remaining at the end of the year in a single payment due on March 15.

The administration would also modify the provision that allows corporations to make estimated payments on the basis of the prior year's tax liability. Large corporations would be required to make estimated payments that are at least 60% of the current year liability, if that amount exceeds the prior year liability.

In addition, estimated corporate tax payments would be made on the first of the month rather than the 15th. This would be achieved by accelerating two of the estimated payments by one-half month and by delaying the other two by one-half month.

These changes would be phased in during calendar years 1981 and 1982 and are estimated to add $1.4 billion to receipts in 1981, $3.4 billion in 1982, and $1.4 billion in 1983.

Railroad retirement.—In order to alleviate funding problems of the railroad retirement trust fund, increases in the payroll taxes have been recommended which will become effective January 1, 1981. The major change will be to eliminate the $1,850 per month ceiling for the employer contribution of the payroll tax. Receipts in fiscal year 1981 would be increased by $300 million.

Windfall Profit tax.—As noted above, a windfall profit tax has been proposed by the Administration and approved by both the House and Senate. Differences between these two versions are being resolved by a conference committee. The president has estimated that this excise tax will result in increased excise tax receipts of $7.7 billion in 1980, $20.9 billion in 1981, $28.4 billion in 1982 and $31.5 billion in 1983.

Airport and airway trust fund.—Current excise taxes on airfreight waybills and air passenger tickets, and certain other taxes, will expire on July 1, 1980. The administration proposes to continue the ticket and way bill taxes at their current rates and to change the 7-cents-per-gallon tax on aviation fuel to a 10-percent ad valorem tax. In addition, the administration has proposed a new 6-percent tax on new aircraft and aircraft equipment to become effective on October 1, 1980. The extension will avoid a reduction of net trust fund receipts of $100 million in fiscal year 1980 and will increase revenues by $1.1 billion in 1981.

Oil pollution liability and compensation.—The administration is also proposing legislation to establish a fund of up to $200 million to encourage cleanup of oil spills on the Nation's waterways. A fee of up to 3 cents per barrel of oil is proposed on oil received at any U.S. refinery or terminal. The proposal is estimated to increase receipts by $200 million in 1981.

Employer social security tax on tips.—The administration intends to propose legislation to become effective January 1, 1981, to require employer social security tax payments on all tips now subject to employee social security taxes. This legislation is expected to increase receipts by a small amount beginning in 1981.

Taxation of foreign investment in U.S. real estate.—Most nonresident foreign investors in U.S. real estate are able to avoid capital gains taxation when they sell their investments. This reduction in receipts results not from any specific exemption, but rather from opportunities for tax avoidance inherent in current law. The administration proposes taxing all capital gains realized by foreign investors on real estate effective January 1, 1980. A withholding mechanism to aid the enforcement is also proposed. The proposal is expected to increase receipts by relatively small amounts through 1982, and by $100 million in 1983.

Withholding on interest paid to foreigners.—Current law requires a withholding tax of 30 percent on interest (and other payments such as dividends, rents, royalties, etc.) paid to nonresident foreigners. The administration proposes to eliminate withholding on all portfolio interest paid to nonresident foreigners. It is estimated that this proposal will reduce receipts by relatively small amounts through 1983.

Historic Preservation.—The Tax Reform Act of 1976 provided special accelerated depreciation for expenditures to rehabilitate certified historic structures. The demolition of such structures were made subject to special tax disincentives. These provisions are scheduled to expire June 30, 1981 and December 31, 1980, respectively. The administration proposes a 1-year extension of these provisions and estimates reduced receipts of relatively small amounts through 1983 as a result of such an extension.

Other proposals.—A number of tax proposals have been introduced by various members of the committee. These measures range from across-the-board tax reduction proposals, which could reduce receipts by up to $20 billion during the first year, to a host of minor tax changes which would cut revenues by less than $10 million. Included in this group of proposed tax changes are such items as a tax credit for tuition paid to elementary, secondary and postsecondary schools, a tax credit for contributions to an individual housing account, a tax credit for charitable contributions, a tax credit for research and development expenses, and tax credits for energy conservation and coal conversion. Deductions have been proposed for charitable contributions for taxpayers who do not claim itemized deductions, for contributions to limited employee retirement accounts, for expenses incurred in reforesting private lands, and for larger and accelerated deductions for depreciation.

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

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

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

CHART 16

Tax Expenditures: Present Law
(dollars in billions)

	FY 1980	FY 1981
Commerce and housing credit	$77.2	$85.0
Income security	37.7	44.7
General purpose fiscal assistance	21.3	24.7
Education, training, employment, and social services	12.2	13.9
Health	17.9	20.8
Energy	5.4	6.6
International affairs	2.4	2.6
Other tax expenditures	7.5	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 activities, through direct expenditures and indirectly through deductions, deferrals, and credits in the tax structure. With this information, consideration of the budget will ultimately involve examination of both direct and tax expenditures as alternate means of providing incentives.

The chart presents a summary of tax expenditures by budget functional category and estimates of their revenue effects. The table containing the estimates presented by the administration as a special analysis in the 1981 budget is reproduced in appendix C.

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

If the various tax expenditure figures in the two columns were added, they would total $181.6 billion in fiscal year 1980 and $206.5 billion in fiscal year 1981. However, the separate items, even in functional categories, should not be simply added because the revenue estimates are made with the assumption that no other changes would be made by the taxpayer if the one item were to be repealed. Many taxpayers have the choice of using other tax expenditures, if they are interested in tax shelters. For some, repeal of a provision could foreclose that source of economic income, and they might permanently suffer a significantly reduced income. For all taxpayers, repeal of a tax expenditure provision could affect their tax liabilities through movement into higher tax brackets or no longer having to itemize deductions.

CHART 17

Debt Limit
(dollars in billions)

Temporary debt limit through May 31, 1980	$879.0
Administration estimate of debt subject to limit Sept. 30, 1980	887.2
Plus:	
Federal funds deficit for FY 1981	46.5
Off-budget agency spending financed by Treasury	18.1
Other financing *	-17.6
Equals:	
Debt subject to limit Sept. 30, 1981	934.2

*includes $17.0 billion in uninvested assets of proposed Energy Security Trust Fund

Chart 17

Debt Limit

Under existing law, the debt limit is $879 billion until May 31, 1980. The temporary debt limit expires May 31, 1980. In the absence of further legislation, the debt ceiling would decline on that date to its permanent level of $400 billion.

For fiscal year 1981 the administration assumes that the debt subject to limit would reach $934.2 billion on September 30, 1981. Underlying these estimates are the legislative proposals which the President proposed to Congress in the budget for fiscal year 1981 and the economic outlook for that period. In addition, the fiscal year 1981 needs include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included within budget totals. 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. The President's fiscal 1981 Budget assumes that the surplus in the proposed Energy Security Trust Fund would not be invested but would be used to finance a part of the budget deficit so as to reduce the debt subject to limit.

APPENDIX A

Committee on Finance 1979 Report to the Budget Committee With Respect to Fiscal Year 1980

LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C., March 6, 1979.

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 1980 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 35 of the President's budget. For purposes of the first concurrent resolution on the budget, the Finance Committee accepted these assumptions.

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

Expenditure programs.—The Committee on Finance has jurisdiction over a variety of programs which involve expenditures totalling about one-half of the entire Federal budget. 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 $66 billion in Federal outlays during the coming fiscal year, also falls under the jurisdiction of the Committee on Finance.

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The Committee on Finance has reviewed each of the expenditure programs within its jurisdiction and estimates that the amounts shown in Table 1 should be allowed in the concurrent budget resolution for these programs. The Finance Committee estimates for fiscal year 1980 would represent an overall reduction in net outlays of $1.8 billion as compared with existing law. The Committee recognizes that achieving reductions of this magnitude is an ambitious goal which will require the prompt but careful consideration of significant legislative changes. 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.

TABLE 1.—FINANCE COMMITTEE RECOMMENDATIONS CONCERNING BUDGET AUTHORITY AND OUTLAY UNDER COMMITTEE JURISDICTION: FISCAL 1980

[In billions of dollars]

Functional category	Budget authority	Outlays
350 Agriculture	0	0
New legislation	−.4	−.4
450 Community and regional development	.1	.1
500 Education, training, employment, and social services	3.8	3.7
New legislation	+.5	+.5
550 Health	48.8	46.6
New legislation	(1)	−1.5
600 Income security	147.7	144.3
New legislation	(1)	−.7
850 General purpose fiscal assistance	7.1	7.1
New legislation	+.3	+.3
900 Interest	[2] 66.0	[2] 66.0

[1] Major elements of the health and income security categories are composed of trust fund programs in which a reduction in expenditures is not reflected in a reduction in budget authority. Budget authority for those programs is controlled by income rather than outgo totals. At this time, the committee recommends that no net reduction in budget authority for these categories be assumed. To the extent that the anticipated reductions in expenditures are subsequently achieved in non-trust-fund programs, some reductions in the level of budget authority may be possible.

[2] Certain offsetting interest receipts reduce the budgetary impact of this total to $57,000,000,000.

Agriculture.—The Sugar Act expired on December 31, 1974. In fiscal year 1975, the last fiscal year the program was in effect, $86 million was appropriated to cover Sugar Act program payments for the 1974 crop year. An amendment to the Food and Agriculture Act of 1977 contained a price-support program. The price of the 1977 and

1978 crops of sugar beets and sugarcane was supported via a tariff and supplemental fee, imposed under Presidential proclamation, in addition to the price-support program.

The International Sugar Agreement, which is now before the Senate for its advice and consent as a treaty, would require new implementing legislation within the jurisdiction of the Finance Committee.

The estimate in Table 1 assumes the enactment of legislation which would support the price of sugar at a level sufficient to result in the repayment of existing loans. This would represent a net budgetary inflow of the magnitude indicated even if the new sugar legislation should include a payments program.

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 fiscal 1980 in the absence of further legislation.

Health.—The Committee on Finance has jurisdiction over the Medicare, Medicaid, and maternal and child health programs. The Committee recommends that the Congressional budget for fiscal year 1980 assume that net reductions totalling $1.5 billion will be achieved in this category. The President's budget estimated gross savings of some $2.1 billion and net savings of $1.8 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.

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 last year 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 and would include any refundability in the President's proposal for real wage insurance. The Committee recommendation for this function indicates allowance for legislative changes which would on a net basis reduce outlays by $0.7 billion.

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 President's budget has recommended a new targeted revenue sharing program. The Committee recommendations that $0.3 billion be allowed for possible new legislation in this budget function would be sufficient to accommodate the outlays resulting from such legislation or from a somewhat larger program if it is determined to be appropriate when that legislation is considered substantively.

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 $65.7 billion.

TABLE 2.—FISCAL YEAR 1980 FINANCE COMMITTEE REVENUE ESTIMATES

	Billions
Present law	$504.4
Allowance for legislation (net)	−1.9
Present law and legislation	502.6

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 1980 proposes revenue reductions totalling $1.9 billion as compared with present law. The Committee has not yet had an opportunity to deal with the President's specific recommendations. As in the case with expenditures, the Committee notes that its acceptance of this revenue goal does necessarily reflect any determination with respect to particular legislative proposals. It indicates that, whatever revenue proposals may be considered, the Committee will attempt on a net basis to arrive at an overall revenue level which is no more than $1.9 billion below the level of present law (as determined under the economic assumptions in the President's budget.)

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.

Budget deficit.—Table 3 shows the overall budgetary impact of the recommendations of the Committee on Finance concerning the fiscal year 1980 Congressional budget resolution.

TABLE 3.—BUDGETARY IMPACT OF FINANCE COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	Revenues	Outlays	Deficit
Present law [1]	504.4	533.4	....
President's budget	502.6	531.6	29.0
Finance Committee recommendation	502.6	531.6	29.0

[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.

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 $798 billion. This temporary limit expires on March 31, 1979, 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 to limit to a level of $893 billion under the recommendations of the Committee on Finance contained in this letter. Except for those recommendations, this estimate is computed on the basis of the President's budget. The Budget Committee may, therefore, find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

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TABLE 4.—PUBLIC DEBT LIMIT ESTIMATES

	Billions
Debt subject to limit [1] as of Sept. 30, 1979	$883
Plus:	
Federal funds deficit for fiscal year 1980	49
Off-budget agency spending financed by Treasury and other financing	11
Equals: Debt subject to limit as of Sept. 30, 1980	893

[1] From p. 120 of the President's budget (Special Analyses Volume).

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 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.—As indicated above, the Committee's budgetary estimates for fiscal year 1980 anticipate an overall reduction of $1.8 billion in expenditures. As a general proposition, legislative changes which result in lowered costs for the upcoming fiscal year tend to have even greater savings in future years. However, that is not always true. For example, in the Agriculture function, the Committee's estimated net reduction is based on a one-time loan repayment phenomenon.

Even where it can be anticipated that savings will grow in future years, the magnitude and timing of those savings depends heavily on the exact nature of the specific legislative change which 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 arrive at 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 of a reduction of $1.9 billion 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 Legislative Reorganization Act 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 96-3 which includes present law projections of certain trust fund programs (see pages 16, 20, and 30). Present law revenue projections appear in the President's budget on pages 43 and 44.

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

Contents.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 USC 1323.

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

Subdivisions.

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

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

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

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

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

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

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

(1) new budget authority for a fiscal year;

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

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

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

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

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

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

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

(c) WAIVER IN THE SENATE.—

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

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

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

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

PERMISSIBLE REVISIONS OF CONCURRENT RESOLUTIONS OF THE BUDGET

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

PROVISIONS RELATING TO THE CONSIDERATION OF CONCURRENT RESOLUTIONS ON THE BUDGET

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debate, time limitation.

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

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

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

Conference report, submittal to Congress.

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

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

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

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

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

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

LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED BY BUDGET COMMITTEES

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

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

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

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET ACTIONS

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

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

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

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

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

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

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

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

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

Periodic reports.

(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—

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.

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TITLE IV—ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

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

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—

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

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

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

(c) DEFINITIONS.—

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

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

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

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

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

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

(d) Exceptions.—

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

49 Stat. 620. 42 USC 1305.

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

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

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

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

86 Stat. 919. 31 USC 1221 note.

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

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

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

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

REPORTING OF AUTHORIZING LEGISLATION

31 USC 1352.

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

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

(c) WAIVER IN THE SENATE.—

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

Referral to Budget Committee.

Report to Senate.

Discharge from consideration.

Placement on calendar.

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

Debate, time limitation.

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

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

(e) EXCEPTIONS.—

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

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

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

Report to Congress.

ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

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)."

* * * * * * *

EXERCISE OF RULEMAKING POWERS

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

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

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

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

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

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APPENDIX C

Tax Expenditures by Function
(Excerpt From the Special Analysis of the Budget of the United States, pages 230–234)

Table G-1. TAX EXPENDITURE ESTIMATES BY FUNCTION

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1979	1980	1981	1979	1980	1981
National defense:						
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	1,360	1,470	1,585
Exclusion of military disability pensions	....	....	....	115	125	135
International affairs:						
Exclusion of income earned abroad by United States citizens	....	....	....	530	555	600
Deferral of income of domestic international sales corporations (DISC)	1,210	1,400	1,470	....	....	....
Deferral of income of controlled foreign corporations	530	445	480	....	....	....
Special rate for Western Hemisphere trade corporations	15	5	....	....	....	....
General science, space, and technology:						
Expensing of research and development expenditures	1,490	1,760	1,930	35	35	40
Energy:						
Expensing of exploration and development costs	1,275	1,580	1,815	470	610	750
Excess of percentage over cost depletion	1,010	1,160	1,350	820	1,150	1,670
Capital gains treatment of royalties on coal	10	10	10	65	75	90
Residential energy credits	....	....	....	645	460	460
Alternative, conservation and new technology credits	220	390	495	*	*	*
Natural resources and environment:						
Exclusion of interest on state and local government pollution control bonds	200	220	245	215	240	265
Exclusion of payments in aid of construction of water, sewage, gas and electric utilities	10	60	110	....	....	....
Five-year amortization on pollution control facilities	−25	−10	15	....	....	....
Tax incentives for preservation of historic structures	5	10	20	10	25	45
Capital gains treatment of certain timber income	385	420	470	110	120	135
Capital gains treatment of iron ore	10	10	10	10	10	10
Agriculture:						
Expensing of certain capital outlays	75	75	80	445	430	475
Capital gains treatment of certain income	15	20	20	365	385	405

See footnotes at end of table.

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

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1979	1980	1981	1979	1980	1981
Deductibility of noncash patronage dividends and certain other items of cooperatives	505	540	590	−170	−175	−190
Exclusion of certain cost-sharing payments	....	....	....	*	30	75
Commerce and housing credit:						
Dividend exclusion	....	....	....	460	490	515
Exclusion of interest on State and local industrial development bonds	240	280	335	255	305	360
Exemption of credit union income.	90	100	115	....	....	....
Excess bad debt reserves of financial institutions	780	855	965	....	....	....
Deductibility of mortgage interest on owner-occupied homes	....	....	....	10,745	12,505	14,760
Deductibility of property tax on owner-occupied homes	....	....	....	6,760	7,740	8,975
Deductibility of interest on consumer credit	....	....	....	3,085	3,595	4,240
Expensing of construction period interest and taxes	525	555	585	90	140	160
Excess first-year depreciation	50	50	50	135	135	145
Depreciation on rental housing in excess of straightline	70	65	65	290	285	290
Depreciation on buildings (other than rental housing) in excess of straight line	135	135	140	120	120	125
Asset depreciation range	2,460	2,880	3,400	130	150	180
Capital gains (other than agriculture, timber, iron ore and coal)	655	715	810	10,190	13,855	14,885
Deferral of capital gains on home sales	....	....	....	1,125	1,010	1,111
Capital gains at death	....	....	....	4,440	4,750	5,085
Surtax exemption (through 1978)	3,110	115	....	....	....	....
Reduced rates on the first $100,000 of corporate income.	3,285	7,555	7,510	....	....	....
Investment credit, other than ESOP's and rehabilitation of structures	13,910	15,705	16,860	2,590	2,910	3,115
Investment credit for rehabilitation of structures	55	120	140	10	60	65
Transportation:						
Deductibility of nonbusiness State gasoline taxes	....	....	....	350	....	....
Five-year amortization on railroad rolling stock	−40	−40	−40	....	....	....
Deferral of tax on shipping companies	75	70	70	....	....	....

See footnotes at end of table.

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

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1979	1980	1981	1979	1980	1981
Community and regional development:						
Five-year amortization for housing rehabilitation	5	5	10	10	10	15
Education, training, employment, and social services:						
Exclusion of scholarship and fellowship income	....	....	....	310	375	400
Parental personal exemption for students age 19 or over	....	....	....	935	1,030	1,045
Exclusion of employee meals and lodging (other than military)	....	....	....	325	350	380
Employer educational assistance	....	....	....	20	30	35
Exclusion of contributions to prepaid legal services plans	....	....	....	15	20	35
Investment credit for ESOP's	650	700	740	....	....	....
Deductibility of charitable contributions (education)	325	345	360	680	765	885
Deductibility of charitable contributions, other than education and health	405	430	450	5,110	5,725	6,645
Maximum tax on personal service income	....	....	....	1,215	1,265	1,580
Credit for child and dependent care expenses	....	....	....	715	820	900
Credit for employment of AFDC recipients and public assistance recipients under work incentive programs	45	45	50	5	5	10
General jobs credit	1,120	190	85	685	....	....
Targeted jobs credit	15	115	275	*	10	40
Health:						
Exclusion of employer contributions for medical insurance premiums and medical care	....	....	....	11,080	12,965	15,215
Deductibility of medical expenses	....	....	....	3,215	3,585	4,050
Expensing of removal of architectural and transportation barriers to the handicapped	10	*	*	*	*	*
Deductibility of charitable contributions (health)	200	210	220	1,020	1,145	1,330
Income security:						
Exclusion of social security benefits:						
Disability insurance benefits	....	....	....	590	685	820
OASI benefits for retired workers	....	....	....	5,465	6,880	8,695
Benefits for dependents and survivors	....	....	....	845	990	1,205
Exclusion of railroad retirement system benefits	....	....	....	285	330	380
Exclusion of workmen's compensation benefits	....	....	....	980	1,165	1,385

See footnotes at end of table.

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

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1979	1980	1981	1979	1980	1981
Exclusion of special benefits for disabled coal miners	....	....	....	50	50	50
Exclusion of untaxed unemployment insurance benefits	....	....	....	1,885	2,495	3,110
Exclusion of public assistance benefits	....	....	....	345	395	450
Exclusion of disability pay	....	....	....	185	185	190
Net exclusion of pension contributions and earnings:						
Employer plans	....	....	....	11,335	12,925	14,740
Plans for self-employed and others	....	....	....	1,765	2,125	2,520
Exclusion of other employee benefits:						
Premiums on group term life insurance	....	....	....	1,350	1,485	1,635
Premiums on accident and disability insurance	....	....	....	85	90	100
Income of trusts to finance supplementary unemployment benefits	....	....	....	10	10	10
Exclusion of interest on life insurance savings	....	....	....	2,910	3,365	3,895
Exclusion of capital gains on home sales for persons age 65 and over	....	....	....	75	....	....
Exclusion of capital gains on home sales for persons age 55 and over	....	....	....	225	535	590
Additional exemption for the blind	....	....	....	35	40	40
Additional exemption for elderly	....	....	....	1,745	1,970	2,070
Tax credit for the elderly	....	....	....	145	135	135
Deductibility of casualty losses	....	....	....	530	590	665
Earned income credit[1]	....	....	....	300	415	360
Exclusion of interest on State and local housing bonds	410	630	1,020	80	180	615
Veterans benefits and services:						
Exclusion of veterans disability compensation	....	....	....	915	1,050	1,115
Exclusion of veterans pensions	....	....	....	45	50	55
Exclusion of GI bill benefits	....	....	....	190	160	130
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	3,245	3,515	3,906	2,120	2,365	2,625
Deductibility of nonbusiness state and local taxes (other than on owner-occupied homes and gasoline)	....	....	....	12,595	14,665	17,305

See footnotes at end of table.

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

(In millions of dollars)

Description	Fiscal years — Corporations 1979	Corporations 1980	Corporations 1981	Individuals 1979	Individuals 1980	Individuals 1981
Tax credit for corporations receiving income from doing business in United States possessions	740	780	860	....	....	....
Interest:						
Deferral of interest on savings bonds	....	....	....	500	290	250
Memorandum						
Combined effect of provisions disaggregated above:						
Capital gains	1,075	1,175	1,320	16,605	20,740	22,310
Exclusion of interest on state and local debt	4,095	4,645	5,500	2,670	3,090	3,865
Deductibility of state and local nonbusiness taxes	....	....	....	18,895	21,190	24,795
Deductibility of charitable contributions	930	985	1,030	6,810	7,635	8,860
Itemized deductions	....	....	....	32,960	38,040	44,505
Deductibility of mortgage interest and property tax on owner-occupied homes	....	....	....	16,545	19,095	22,340
Benefits for the elderly:						
Exclusion of social security and railroad retirement plus the additional exemption and tax credit for the elderly	....	....	....	8,405	10,245	12,410

* $2.5 million or less. All tax expenditure estimates have been rounded to the nearest $5 million.

[1] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is: 1979, $773 million; 1980, $1,696 million; 1981, $1,570 million.