

Data and Materials for the  
**Fiscal Year 1985**  
**Finance Committee Report**  
Under the  
**Congressional Budget Act**

Prepared by the Staff for the Use of the

**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**

**ROBERT J. DOLE, *Chairman***



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## SUMMARY: IMPACT OF CONGRESSIONAL BUDGET ACT ON FINANCE COMMITTEE

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

The major provisions affecting the Finance Committee are the following:

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

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

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

4. By May 15, Congress completes action on a first concurrent budget resolution for the coming fiscal year setting appropriate revenue, spending, and deficit levels. While the amounts shown in this first resolution are not binding in the sense that they can subject a bill to point to 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 93-314 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. By statute 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 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 by May 15, sets targets for spending in various areas. A second concurrent resolution is to be passed in mid-September, and this resolution not only sets appropriate spending levels but may direct the committees having jurisdiction over spending legislation to report measures to rescind

previously enacted spending authority so as to bring spending for the coming fiscal year within the levels determined to be appropriate. In the case of the Committee on Finance, this may include a requirement that the committee report legislation to defer or reduce benefits under entitlement programs including both trust fund programs (such as unemployment insurance or social security) and non-trust-fund programs (such as welfare, social services or medicaid).

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

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

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

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

In the past, refundable tax credits were treated for purposes of the Congressional Budget Process as revenue reductions. Under revised procedures adopted in 1978, the budget process now treats the refundable aspects of such credits as "outlays" thus bringing them within the scope of the above described provisions related to Appropriations Committee review of entitlement bills. In addition, the

authority previously used for disbursing the refundable part of tax credits has been the permanent appropriation for tax refunds. This permanent appropriation was amended in 1978 so as to require annual appropriations for this purpose. The text of the provision reads as follows:

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

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

#### LEGISLATION RELATING TO REVENUES AND DEBT LIMIT

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

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

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



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

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

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

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**CHARTS AND DESCRIPTION**

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## Chart 1

# 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

### 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 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 1985 (October 1984 to September 1985). The Budget Committee has requested that committees also include their views on the 5-year budgetary outlook. The report sent to the Budget Committee last year is reprinted in Appendix A of this document.

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

## Chart 2.—ECONOMIC ASSUMPTIONS

[Dollars in billions]

	1984	1985	1986	1987	1988	1989
Gross national product:						
Current dollars .....	\$3,642	\$3,974	\$4,319	\$4,681	\$5,059	\$5,445
Constant (1972) dollars .....	\$1,616	\$1,682	\$1,750	\$1,820	\$1,892	\$1,966
Percent change in real GNP .....	5.3	4.1	4.0	4.0	4.0	3.9
Personal income .....	\$2,978	\$3,224	\$3,503	\$3,782	\$4,055	\$4,358
Wages and salaries .....	\$1,802	\$1,946	\$2,109	\$2,296	\$2,496	\$2,708
Corporate profits .....	\$255	\$292	\$318	\$355	\$377	\$391
Percent change in CPI .....	4.4	4.6	4.5	4.2	3.9	3.6
Unemployment rate, annual average (percent) .....	7.8	7.6	7.3	6.8	6.1	5.7
Treasury bill rate (91-day) (percent) .....	8.5	7.7	7.1	6.2	5.5	5.0

## Chart 2

### Economic Assumptions

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

This chart presents a selection of the most significant economic indicators as taken from the President's budget.

(13)

## Major Expenditure Programs Under Finance Committee Jurisdiction

Social security cash benefits (see chart 4):

Old-age and survivors insurance (OASI)

Disability insurance (DI)

Unemployment compensation (see chart 5)

Welfare programs for families (see chart 6):

Aid to families with dependent children

Work incentive program

Child support enforcement

Social services (see chart 7)

Supplemental security income for the aged, blind, and disabled  
(see chart 8)

Health programs (see charts 9–11):

Medicare

Medicaid

Maternal and child health

Revenue sharing (see chart 12)

Interest on the public debt (see chart 12)

### **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 not 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 1985 is the earned income tax credit.



## Chart 4.—SOCIAL SECURITY CASH BENEFIT (OASDI) TRUST FUNDS

[In billions of dollars]

	Fiscal year—					
	1984	1985	1986	1987	1988	1989
<b>Present Law:<sup>1</sup></b>						
Income .....	175.5	197.0	213.5	233.2	268.1	296.9
Outgo .....	179.2	190.6	204.4	219.2	234.3	249.4
Repayment of interfund borrowing <sup>2</sup> .....			2.0	8.0	2.4	
Increase or decrease in trust funds.....	-3.7	6.3	7.1	6.0	31.3	47.5
End of year balance in trust funds.....	28.3	34.6	41.8	47.7	79.1	126.6
Trust fund ratio <sup>3</sup> .....	24	21	24	26	27	39

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<sup>1</sup> These are projections under present law based on the economic assumptions in the President's FY 1985 budget.

<sup>2</sup> Payments from the OASI trust fund to the hospital insurance trust fund. Under these budget assumptions, a complete repayment of \$5.1 billion to the DI trust fund would be made in fiscal year 1988.

<sup>3</sup> Assets at start of year as percentage of outgo during the year.

Source: SSA, Office of the Actuary, February 8, 1984.

#### Chart 4

### Social Security Cash Benefit (OASDI) Trust Funds—Financial Status for Fiscal Years 1984-89

The social security cash benefit programs, Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI), provide income protection to individuals who work in employment covered by social security and to their families. The OASI program pays benefits to insured workers age 62 and older, their dependent spouses and children, and to the surviving spouses and children of deceased workers. The DI program pays benefits to disabled workers and to their dependent spouses and children.

The Administration estimates that in fiscal year 1985, 22.4 million people age 62 or over, and 3.5 million of their dependents, will be eligible for social security retirement benefits. About 7.3 million people will receive benefits because they are survivors of deceased workers. Some 3.8 million people will receive benefits as disabled workers or dependents of disabled workers. In total, approximately 37 million people will be receiving some type of social security cash benefit.

During 1983, the Congress enacted major social security financing legislation. This was in response to the continuous deterioration in the financial condition of the OASDI trust funds. The Social Security Amendments of 1983 (P.L. 98-21), signed into law on April 20, 1983, implemented each of the major recommendations of the President's National Commission on Social Security Reform, and closed the short- and long-range deficit in the OASDI programs identified by the commission.

The 1983 legislation included provisions for reducing future growth in expenditures and increasing income to OASDI. Provisions that limited growth in expenditures included: shift of the social security cost-of-living adjustment (COLA) to a calendar year basis; elimination of windfall benefits for certain workers with pensions from noncovered employment; and a gradual increase in the normal retirement age from 65 to 67 beginning in the year 2000. Provisions increasing income to OASDI included: coverage of newly hired Federal employees and employees of nonprofit organizations; inclusion of up to 50 percent of social security benefits in the taxable income of higher-income beneficiaries with the resulting revenue being credited to the trust funds; and increases in social security tax rates.

As illustrated in the table below, the social security (OASDI) provisions in the 1983 Social Security Amendments increased trust fund income by \$118.2 billion over the period fiscal years 1984-89, and reduced outlays by \$23.8 billion over the same period. The 6-year deficit in the OASI and DI trust funds was thus reduced by

\$142.0 billion under the President's fiscal year 1985 budget assumptions.

IMPACT OF 1983 SOCIAL SECURITY AMENDMENTS BASED ON PRESIDENT'S FISCAL YEAR  
1985 BUDGET ASSUMPTIONS <sup>1</sup>

[In billions of dollars]

	Fiscal years—						
	1984	1985	1986	1987	1988	1989	1984-89
OASDI Trust Funds:							
Outlay effect.....	-3.1	-3.8	-4.2	-4.2	-4.2	-4.3	-23.8
Revenue effect.....	12.3	13.0	12.5	14.9	28.6	36.9	118.2

<sup>1</sup> Impact of social security (OASDI) provisions only.

Source: SSA, Feb. 21, 1984.

The 1983 Amendments also included a "stabilizer" provision under which the automatic annual benefit increase is to be based on the lower of price or wage increases if the trust fund balance at the end of the prior year is less than 15 percent of outlays for the following year. (This 15 percent rate applies through 1988 and rises to 20 percent thereafter.)

The table below displays the economic assumptions underlying the President's budget as they relate to the OASDI programs.

ADMINISTRATION ECONOMIC ASSUMPTIONS RELATED TO OASDI PROGRAMS

[In percent]

	Calendar year—					
	1984	1985	1986	1987	1988	1989
Percent change in CPI.....	4.4	4.6	4.5	4.2	3.9	3.6
Benefit increase <sup>1</sup> .....	<sup>2</sup> 3.5	4.3	4.6	4.5	4.2	3.9
Real wage differential.....	1.1	1.4	2.0	2.4	2.6	3.0
Civilian unemployment rate.....	7.9	7.7	7.5	6.9	6.2	5.8

<sup>1</sup> Benefit increase payable in January of the specified year.

<sup>2</sup> Actual

Source: SSA, Office of the Actuary, February 8, 1984.

The President's fiscal year 1985 budget reflects implementation of the 1983 Social Security Amendments. On the basis of the economic assumptions in the budget, the Administration now projects that the reserves of the OASI and DI trust funds would be adequate to ensure timely payment of benefits through 1989, as illustrated in Chart 4. Year-end reserves would rise from \$28.3 billion in fiscal year 1984, to \$126.6 billion in fiscal year 1989. The OASDI trust fund ratio (assets at the start of the year as a percentage of outgo during the year) would therefore rise from 21% at the start of fiscal year 1985 to 39% at the start of fiscal year 1989. These

projections assume that all interfund borrowing and accrued interest are repaid by 1989, and take into account advance transfers that are made at the start of each month (the crediting to the trust funds of the full amount of taxes expected to be collected during the month).

Given the economic assumptions and revenue and outlay projections in the President's budget, the COLA stabilizer would not be triggered through the budget period (1989). However, recent analyses by the Social Security actuaries indicate that trust fund balances are not sufficient to assure that the stabilizer would not be triggered in January 1985 or later years under other reasonable sets of assumptions.

### **Social Security Cash Benefit Programs (OASDI): Proposed Legislation**

The President's budget for fiscal year 1985 includes one proposal that would increase social security trust fund income. The proposal to tax currently tax-free employer-paid health benefits, described in Chart 14, would increase OASDI trust fund income by \$886 million in fiscal year 1985, \$879 million in fiscal year 1986, and \$698 million in fiscal year 1987. (The decline in revenues results from the assumption that part of the revenues generated will be used to repay the HI trust fund for interfund borrowing.)

## Chart 5.—UNEMPLOYMENT COMPENSATION

[In billions of dollars]

Unemployment trust fund	Fiscal year—	
	1984	1985
Status of State accounts:		
Income:		
State taxes.....	17.9	19.0
Interest.....	0.6	0.9
Federal loans.....	2.3	2.1
Total.....	20.8	22.0
Outgo:		
State benefits.....	15.2	16.7
Federal loans repaid.....	0.7	2.3
Total.....	15.9	19.0
Balance at end of year.....	12.6	15.5
Less outstanding Federal loans.....	-13.8	-12.3
Net balance.....	-1.2	3.2
Status of extended benefit account:		
Income:		
Federal taxes.....	1.7	1.8
Nonrepayable general fund advances for Federal supplemental compensation.....	3.0	1.1
Total.....	4.7	2.9
Outgo:		
Extended benefits.....	(1)	(1)
Federal supplemental compensation.....	3.0	1.1

## Chart 5.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year—	
	1984	1985
Repayment of general fund advances for extended benefits .....	1.6	1.8
Total.....	4.6	2.9
Balance at end of year.....	4.7	2.9
Less outstanding general fund advances .....	4.6	2.8
Net balance.....	0.1	0.1
Status of administration account:		
Income:		
Federal taxes and interest .....	2.6	2.8
Interest-bearing general fund advances ....	0.3	0.2
Total.....	2.9	3.0
Outgo:		
State unemployment insurance service .....	1.6	1.7
State employment service.....	0.8	0.9
Federal administration .....	0.1	0.1
Repayment of advances.....	0.3	0.2
Total.....	2.8	2.9
Balance at end of year.....	0.5	0.6
Status of railroad UI account:		
Income:		
Taxes and interest.....	0.2	0.2
Loans from retirement account.....	0.3	0.2
Total.....	0.5	0.4

## Chart 5.—UNEMPLOYMENT COMPENSATION—Continued

[In billions of dollars]

Unemployment trust fund	Fiscal year--	
	1984	1985
Outgo:		
Unemployment benefits .....	0.3	0.2
Sickness benefits .....	0.1	0.1
Interest on loans .....	0.1	0.1
Total.....	0.5	0.4
Balance at end of year.....	( <sup>3</sup> )	( <sup>3</sup> )
Less loans from retirement account .....	0.8	1.0
Net balance.....	-0.8	-1.0
General fund:		
Federal employee compensation and unemployment benefits and allowances accounts: ( <sup>2</sup> )		
Outlays.....	0.4	0.4

<sup>1</sup> Extended Benefits outlays were less than \$50 million at \$8 and \$12 million in fiscal year 1984 and fiscal year 1985, respectively. Half of these amounts is in the State accounts and half is in the Extended Benefits Account.

<sup>2</sup> The programs in this category are: Unemployment Compensation for Federal Employees; Unemployment Compensation for Exservicemen; Postal Service Employees; Trade Adjustment Assistance; and Redwood compensation.

<sup>3</sup> Less than \$50 million at \$3 million in each year.

## Chart 5

### Unemployment Compensation

The unemployment compensation system was enacted as a part of the Social Security Act of 1935 to provide partial wage replacement to covered workers during periods of temporary and involuntary unemployment. The program is a joint Federal-State system composed of programs administered by the 50 States, the District of Columbia, Puerto Rico, and the Virgin Islands.

The major provisions of the unemployment compensation program are determined by State laws. In general, State laws establish eligibility requirements, the number of weeks an individual may collect unemployment compensation, the amount of the weekly benefit, the circumstances under which benefits may be denied, the length of denial, and the State unemployment tax structure.

The unemployment compensation system is financed by State and Federal payroll taxes on employers. Under the Federal Unemployment Tax Act (FUTA), a payroll tax of 3.5 percent on the first \$7,000 of wages is levied on employers. If the State's unemployment compensation program meets the requirements of Federal law, employers in that State receive a 2.7 percent credit against the 3.5 percent Federal unemployment tax. Thus the Federal tax rate in a State which has an approved program is 0.8 percent. The tax may be higher in States having outstanding unemployment insurance loans from the Federal Government.

The Federal tax is used to pay both State and Federal administrative costs associated with the unemployment compensation and State employment service programs, to pay most of the cost of operating State employment service programs, to fund 50 percent of the extended benefits paid to unemployed workers under the Federal-State Extended Unemployment Compensation Act of 1970, and to maintain a loan fund from which an individual State may borrow when it lacks funds to pay State unemployment compensation benefits.

States also levy unemployment compensation taxes on covered, private employers in the State. State taxes finance regular State benefits and one-half the cost of extended benefits. State unemployment funds are deposited with the Federal Government in the unemployment trust fund, which is a part of the unified Federal budget. States then pay benefits from this fund.

Most unemployment benefits are paid through the Federal Unemployment Trust Fund which consists of a number of accounts and which draws its funding partly through State payroll taxes, partly through the Federal Unemployment Tax, and partly from general revenues.



Regular State unemployment benefits are paid by the States from individual State accounts in the trust fund. These State accounts are primarily funded by State payroll taxes on employers. However, if a State account is unable to meet its obligations, the State account may be supplemented by loans from a Federal loan account in the trust fund.

In most States, regular State unemployment benefits are payable for a maximum of 26 weeks. In times of high unemployment, the Federal-State extended benefit program goes into effect providing up to 13 additional weeks of benefits.

The extended benefits program triggers on in a State when the insured unemployment rate (IUR) in that State reaches at least 5 percent and is at least 20 percent higher than the rate prevailing on average during the comparable period in the previous 2 years. However, a State may elect an optional trigger which permits the payment of extended benefits when the State IUR is at least 6 percent, even if that rate is not 20 percent higher than the rate prevailing in the 2 prior years.

Federal general revenue funds are advanced as needed to cover shortages in the account which pays the Federal share of extended benefits and in the account from which States borrow to meet shortages in State accounts. In addition, general revenues are used to meet the cost of certain benefits provided under Federal law. These include unemployment benefits for Federal employees and ex-servicemen, trade adjustment assistance benefits, and benefits under special programs related to disaster relief and the Redwoods Park. Except for Federal civilian employees and ex-service members, these separately funded general revenue programs are not included in the trust fund totals.

A special program also exists for workers in the railroad industry. This is funded by employer contributions which are paid into a separate trust fund account administered by the Railroad Retirement Board.

The Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248) established the Federal Supplemental Compensation (FSC) program, which provides additional weeks of unemployment compensation to individuals who have exhausted their regular State benefits and any extended benefits to which they were entitled. The program is financed by general revenues. Weekly benefit amounts are identical to regular State program benefits for each claimant.

As originally enacted, the FSC program provided 10, 8, or 6 additional weeks of benefits. The Surface Transportation Assistance Act of 1982 (Public Law 97-424) increased the maximum number of weeks of FSC benefits to 16, 14, 12, 10, or 8, depending on the State where the individual qualified for the benefits between September 12, 1982 and March 31, 1983. The program was extended from March 31, 1983, through September 30, 1983, by the Social Security Amendments of 1983 (Public Law 98-21) and provided 8 to 14 weeks of benefits during this period. Public Law 98-118 extended the program for 3 weeks from September 30, 1983 through the week of October 16, 1983.

The Federal Supplemental Compensation Amendments of 1983 (Public Law 98-135) extended the FSC program from the week of October 23, 1983, through the week of March 31, 1985.

*Basic FSC benefits.*—Under this extension the number of basic weeks of FSC payable in the States ranges from 8 to 14 weeks. The maximum in each State is determined by the State's moving 13-week average insured unemployment rate (IUR), as determined in the current extended benefit and FSC programs, or the State's cumulative average IUR since January 1, 1982, and through the second preceding calendar quarter.

A maximum of:

(a) 14 weeks is payable in States with a moving 13-week average insured unemployment rate (IUR) of at least 6.0 percent or a cumulative average IUR since January 1, 1982 of at least 5.5 percent.

(b) 12 weeks is payable in States with a moving 13 week average IUR of 5.0 to 5.9 percent or a cumulative average IUR since January 1, 1982 of 4.5 to 5.4 percent.

(c) 10 weeks is payable in States with a moving 13 week average IUR of 4.0 to 4.9 percent.

(d) 8 weeks is payable in all other States.

Unemployed workers who first apply for FSC benefits for or after the week of October 23, 1983 receive weeks of FSC benefits equal to 55 percent of the number of weeks of regular State unemployment benefits they received, up to the maximum number of basic FSC benefits payable in the State in the week in which they first file their claims.

*Limitation on reduction of basic weeks payable in a State.*—Beginning with the week of October 23, 1983, (a) the maximum number of basic weeks payable in a State will be adjusted (up or down) no more frequently than every 13 weeks; and (b) a single adjustment shall not exceed 2 weeks.

*Limitation on reduction of FSC weeks payable to individuals.*—Beginning with the week of October 23, 1983, individuals will continue to be eligible for the number of FSC weeks to which they were entitled at the time they first qualified for FSC, regardless of changes (up or down) in the number of basic weeks payable in the State. As under current law, an individual who makes an interstate claim for FSC benefits will receive the lesser of (a) the number of weeks of FSC payable in the State in which he receives the benefits or (b) the maximum number of weeks payable in his or her former State.

#### PROPOSED LEGISLATION

The Administration proposed to cover railroad employment under the Federal-State unemployment insurance system beginning in 1985. This proposal would also require the insolvent Railroad Unemployment Insurance program to repay its debt to the Railroad Retirement program by 1995. At the end of 1983, this debt exceeded \$600 million.

The Administration projected that the Unemployment Trust Fund will need \$0.5 billion in General Fund advances for Fiscal Year 1984 to help finance additional State loans of \$2.3 and \$2.1

billion in Fiscal Year 1984 and Fiscal Year 1985, respectively. Moreover, the Trust Fund will repay \$1.3 and \$1.5 billion of these advances in these years. This would leave outstanding General Fund advances to the Unemployment Trust Fund at \$13.7 billion and \$12.2 billion at the end of Fiscal Year 1984 and Fiscal Year 1985, respectively. States owe over two-thirds of this debt and the Extended Benefits program owes the remainder.

## Chart 6.—WELFARE PROGRAMS FOR FAMILIES

[In billions of dollars]

	Fiscal year—	
	1984	1985
Present law:		
Aid to families with dependent children:		
Welfare payments .....	6.628	6.826
Administration.....	.791	.952
Work incentive program (WIN).....	.271	.000
Child support:		
Total AFDC collections.....	.971	1.033
Federal share .....	.399	.444
Total administrative costs.....	.764	.799
Federal share .....	.538	.564
Title IV-B (child welfare) .....	.169	.169
Title IV-E (foster care, adoption assistance) .....	1.445	.493
Proposed legislation:		
AFDC.....		— .610
WIN .....		<sup>2</sup> — .271
Child support enforcement.....		<sup>3</sup> — .042
Title IV-E.....		— .020

<sup>1</sup> The budget also includes 1984 supplemental requests of \$38 million for foster care to meet prior year claims, and of \$5 million for adoption assistance to meet 1984 claims.

<sup>2</sup> Funding level determined by appropriation. The Administration is proposing to repeal the WIN program.

<sup>3</sup> Includes \$19 million in child support administrative cost reductions, and \$23 million in AFDC savings resulting from child support changes.

## Chart 6

### Welfare Programs for Families

#### A. AID TO FAMILIES WITH DEPENDENT CHILDREN

The program of Aid to Families with Dependent Children (AFDC) provides Federal matching for State programs of cash assistance to needy families with children in which at least one parent is deceased, disabled, or absent from the home. States, at their option, may also provide benefits for families in which dependency arises from the parent's unemployment. Twenty-five jurisdictions are currently providing benefits to families with unemployed parents. The amount of Federal matching for AFDC benefits varies from State to State under formulas providing higher percentages in States with lower per capita incomes. The national average contribution by the Federal Government is 54 percent. States establish their own income eligibility and benefit levels.

According to the Administration, under present law the average number of families and recipients receiving monthly payments is as follows:

[In millions]

	Fiscal year—		
	1983	1984 est.	1985 est.
Families.....	3.6	3.6	3.6
Individuals.....	10.6	10.4	10.4

Administration estimates for Federal program costs under present law are as follows:

[In millions of dollars]

	Fiscal year—		
	1983	1984 est.	1985 est.
AFDC benefits.....	6,849	<sup>1</sup> 6,558	<sup>1</sup> 6,754
Emergency assistance.....	55	55	56
Adult assistance in jurisdictions.....	14	14	14
State and local administration and training.....	815	751	914
Federal administration.....	35	40	38
Repatriation of U.S. nationals.....	1	1	2
<b>Total.....</b>	<b>7,769</b>	<b>7,419</b>	<b>7,778</b>

<sup>1</sup> Includes reductions for erroneous payments of \$347 million in 1984 and \$223 million in 1985.

A number of legislative changes aimed at reducing AFDC expenditures were included in the Omnibus Budget Reconciliation Act of 1981. These amendments defined and limited amounts of earnings that can be "disregarded" in determining benefits. They authorized States to develop a variety of new employment programs for recipients, including community work experience programs, work supplementation programs and Work Incentive demonstration programs. They tightened the eligibility and benefit determination process by requiring States to use retrospective accounting and monthly reporting procedures. In addition, the amendments further limited eligibility and benefit payments by: requiring that a stepparent's income be counted in determining the family's benefit; providing eligibility for a pregnant woman with no other children only beginning with the 6th month of pregnancy; requiring that lump-sum payments be treated as income in the month of receipt and future months; establishing maximum asset limits; requiring that the amount of earned income tax credit (EITC) which an individual is eligible to receive on an advance basis be assumed in determining the amount of the benefit, whether or not the EITC is actually received; and requiring States to recover overpayments and pay underpayments. At the time of the passage of the Reconciliation Act, the Congressional Budget Office estimated that the legislative changes in the AFDC program would produce AFDC savings in fiscal year 1982 of \$1,026 million. CBO recently estimated the amount of savings at \$637 million.

Additional changes in the AFDC program were made by the Tax Equity and Fiscal Responsibility Act of 1982. The 1982 legislation authorized State welfare agencies to require both applicants and recipients to participate in job search programs; permitted proration of benefit amounts for shelter and utilities when AFDC families share a household with others; prohibited payments where absence is due solely to active duty in a uniformed service; permitted the disregard of certain statutorily mandated payments made by a State welfare agency; permitted the disregard of supplementary payments made by a State to compensate for a lag in benefit adjustment due to retrospective accounting; required States to make benefits payable no earlier than the date of application; required the rounding of need and benefit amounts to the next lower whole dollar; and reduced the payment error rate which States may have before being subject to a reduction in Federal matching from 4 percent to 3 percent, beginning in fiscal year 1984. CBO originally estimated AFDC savings from these changes at \$85 million for fiscal year 1983, but is now estimating savings of \$35 million in 1983.

#### **B. WORK INCENTIVE PROGRAM**

The Work Incentive (WIN) program is charged with administering the work registration requirement for AFDC recipients, and

providing employment and training services for those who are required to register or who volunteer for WIN services. The program also provides support services, including child care, for those who need them in order to work, or take training. The program is administered jointly at the Federal level by the Department of Health and Human Services and the Department of Labor, and at the State level by the welfare (or social service) agency and the employment service. The Federal matching share is 90 percent.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate a 3-year demonstration program as an alternative to the current WIN program. The demonstration is aimed at testing single-agency administration, and the demonstration must be operated under the direction of the welfare agency. The legislation includes broad waiver authority to allow States to experiment with alternative methods of providing employment and training services. (The period for applying for HHS approval of demonstration programs was extended to June 30, 1984 by the Tax Equity and Fiscal Responsibility Act of 1982.)

Funding for WIN was \$365 million in fiscal year 1981, \$281 million in fiscal year 1982, and \$271 million in fiscal years 1983 and 1984.

### C. CHILD SUPPORT ENFORCEMENT

The purpose of the Child Support Enforcement (CSE) program is to enforce support obligations owed by absent parents to their children, locate absent parents, establish paternity, and obtain child support. The program is closely tied to the AFDC program. As a condition of eligibility for AFDC, each applicant or recipient must assign the State any rights to support which he may have in his own behalf or in behalf of children in the family, and must cooperate with the State in establishing paternity and in obtaining support payments. States are also required to provide child support services to families who are not eligible for AFDC.

The Federal Government pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families on an open-end entitlement basis. Funding for services to non-AFDC families was originally enacted on a temporary basis, but was made permanent in Public Law 96-272, enacted in 1980. In addition, 90 percent Federal matching is available on an open-end entitlement basis to States that elect to establish an automatic data processing and information retrieval system. The Secretary must approve the system as meeting specified criteria before matching may be paid to the State.

Collections made on behalf of AFDC families are used to offset the cost to the Federal and State governments of welfare payments made to the family. The amounts retained by the government are distributed between the Federal and State governments according

to the proportional matching share which each has under a State's AFDC program.

Finally, as an incentive to encourage State and local governments to participate in the program, the law provides for a payment equal to 12 percent of collections made on behalf of AFDC families. These incentive payments are deducted from the Federal share of collections.

According to Administration data, child support collections and expenditures are as follows:

[In millions of dollars]

	Fiscal year—	
	1983	1984 est.
Total collections.....	2,028	( <sup>1</sup> )
AFDC collections.....	880	971
Non-AFDC collections.....	1,147	( <sup>1</sup> )
Total administrative expenditures.....	715	764
Federal share.....	501	538
State share.....	214	226
Federal incentive payments to States and localities.....	121	117

<sup>1</sup> Not available.

The program made collections on behalf of 587,000 AFDC families and 501,000 non-AFDC families in fiscal year 1983.

The Omnibus Budget Reconciliation Act of 1981 included several provisions aimed at making the program more effective and reducing administrative costs. The amendments: authorized the collection of past-due child and spousal support from Federal tax refunds in the case of families receiving AFDC; expanded the authority in prior law to enforce obligations for support of a child to include, in addition authority to enforce obligations for support of the parent with whom the child is living; required States to retain a fee equal to 10 percent of the support owed on behalf of a non-AFDC family, to be charged against the absent parent and added to the amount of the collection; provided that a support obligation assigned to the State as a condition of AFDC eligibility may not be discharged in bankruptcy; and required States to have a program to collect child support obligations which are being enforced under a State child support enforcement program by reducing the unemployment benefits of an absent parent. The CBO has estimated savings from these changes of \$107 million in fiscal year 1982 and \$125 million in 1983.

Changes made by the Tax Equity and Fiscal Responsibility Act of 1982 included a reduction in Federal matching for the child support enforcement program. Federal matching for State administrative costs was reduced from 75 percent to 70 percent, effective October 1, 1982; child support incentive payments were reduced from 15 to 12 percent, effective October 1, 1983; and Federal matching for the costs of court personnel was repealed, effective October 1, 1983. The 1982 Act also restored the law in effect prior to the 1981 Rec-



conciliation Act which allows States to charge a reasonable fee for a non-AFDC collection and retain from the amount collected an amount equal to administrative costs not covered by the fee. The amendment retains, as a State option, the authority to collect from the parent who owes child or spousal support an amount to cover administrative costs, in addition to the child support payments. The 1982 Act also included a provision relating to the treatment of child support collections made after the first month of AFDC ineligibility. CBO has estimated savings from these changes at \$62 million in fiscal year 1983 and \$120 million in fiscal year 1984.

## **Child Welfare, Foster Care and Adoption Assistance**

### **D. CHILD WELFARE SERVICES**

Under title IV-B of the Social Security Act, grants to the States are authorized for the purpose of providing child welfare services. Allocations to the States reflect State per capita income and the size of the population under age 21. Public Law 96-272, the Adoption Assistance and Child Welfare Act of 1980, restructured the child welfare services program to place greater emphasis on services designed to prevent or remedy the need for long-term foster care. The child welfare services program received \$160 million in appropriations in fiscal year 1983, and \$169 million in fiscal year 1984 (for both services and training).

### **E. FOSTER CARE AND ADOPTION ASSISTANCE**

The Adoption Assistance and Child Welfare Services Act of 1980 (P.L. 96-272) involved a major restructuring of Social Security Act programs for the care of children who must be removed from their own homes. In particular, prior law was modified to lessen the emphasis on foster care placement and to encourage efforts to find permanent homes for children either by making it possible for them to return to their own families or by placing them in adoptive homes. The foster care and adoption assistance program is embodied in title IV-E of the Social Security Act.

Before fiscal year 1981, open-ended Federal matching was provided for foster care payments under the AFDC program for children who met certain specified conditions. Public Law 96-272 set a ceiling on Federal foster care matching funds for 4 years beginning with fiscal year 1981. The ceiling is contingent upon the appropriation of specified additional amounts for the child welfare services program.

Title IV-E authorizes an adoption assistance program under which a State is responsible for determining which children in foster care are eligible for adoption assistance because of special needs which have discouraged their adoption. In the case of any child meeting the special requirements set forth in the law, the State may offer adoption assistance to parents who adopt the child. The amount of assistance is agreed upon between the parents and the agency.

Federal matching for the foster care and adoption assistance programs is at the medicaid matching rate. Budget authority for foster care was \$395 million in fiscal year 1983, increased to \$440 million

in fiscal year 1984. Budget authority for adoption assistance was \$5 million in each of those fiscal years.

### PROPOSED LEGISLATION

#### A. Aid to Families with Dependent Children

The President's budget includes a number of proposals to reduce the cost of the AFDC program. As shown in the table below, the Administration estimates that savings would total \$610 million in fiscal year 1985, \$829 million in fiscal year 1986, and \$819 million in fiscal year 1987. The proposals are the same as those proposed in 1984.

#### AFDC PROPOSALS

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Establish a standard filing unit.....	-143	-144	-148
Limit assistance for minor parents.....	-19	-20	-20
Require States to adjust shelter and utility costs.....	-263	-266	-272
End benefits to employable parents when youngest child is 16.....	-17	-19	-17
Require all employable individuals to participate in work activities.....	-171	-342	-324
Prohibit payments when absence of parent is due solely to employment.....	-5	-5	-5
Sanction parent for voluntarily quitting work or reducing earnings.....	-1	-1	-1
Permit States to require parents of children age 3 through 5 to register for work if child care is available.....	-23	-63	-64
Other changes.....	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )
Total AFDC savings (reflects interaction of provisions).....	<sup>2</sup> -610	-829	-819

<sup>1</sup> Negligible.

<sup>2</sup> Does not reflect savings associated with the child support enforcement proposal to mandate changes in State laws. This is an additional \$23 million in fiscal year 1985, \$42 million in fiscal year 1986, and \$61 million in fiscal year 1987.

*Establish a standard filing unit.*—There is no requirement in present law that parents and all siblings be included in the AFDC filing unit. Families applying for assistance may exclude from the filing unit certain family members who have income which might reduce the family's benefit. For example, a family might choose to exclude a child who is receiving social security or child support payments, if the payments would reduce the family's benefits by an amount greater than the amount payable on behalf of the child. In addition, a mother who is a minor is excluded if she is supported by her parents. However, if she has no income of her own which may be attributed to her child, the child may qualify for assistance as a one-person unit, and receive proportionately more in assist-

ance than it would receive as part of a two-person unit. The income of the minor parent's parents is not considered in determining the eligibility of the child.

The Administration's proposal would require States to include in the filing unit the parents and all dependent minor siblings (except SSI recipients and any stepbrothers and stepsisters) living with a child who applies for or receives AFDC. In addition, if a minor who is living in the same home as his parents applies for aid as the parent of a needy child, the income of the minor's parents would be counted as available to the filing unit. The rules that would be used in determining the amount of available income would be the same as are currently used in counting the income of stepparents. A similar proposal was agreed to by the Senate in 1982, but was dropped in conference with the House. The committee approved the provision a second time as part of S. 2062, the Omnibus Reconciliation Act of 1983.

*Limit assistance for minor parents.*—Under present law, a minor parent who has a child, and who leaves home, may establish her own household and claim AFDC as a separate family unit. The income of the parents of the minor parent is not automatically counted as available to the minor parent, because they are not sharing the household.

The Administration is proposing that, in the case of a minor parent who is not and has never been married, AFDC may be provided only if the minor parent resides with her parent or legal guardian, unless the State agency determines that (1) the minor parent has no parent or legal guardian who is living and whose whereabouts are known, (2) the health and safety of the minor parent or the dependent child would be seriously jeopardized if she lived in the same residence with the parent or legal guardian, or (3) the minor parent has lived apart from the parent or legal guardian for a period of at least one year prior to the birth of the child, or before claiming aid, whichever is later. The State agency would be given authority to make payments to a protective payee with respect to a minor parent affected by the provision, until the individual is no longer considered a minor by the State.

The committee approved a similar provision in 1982, but it was dropped in conference with the House. The committee approved the provision a second time as part of S. 2062, the Omnibus Reconciliation Act of 1983.

*Require States to adjust shelter and utility costs.*—An amendment in the Tax Equity and Fiscal Responsibility Act of 1982 gave States the option of prorating or otherwise adjusting the portion of the AFDC benefit which is paid for shelter and utilities to take into account economies of scale which may result when the AFDC family shares a household with other individuals. States were given flexibility in determining the method of adjustment they wished to use.

The Administration is proposing to *require* States to adjust the portion of the AFDC grant for shelter and utilities where the assistance unit shares the household with other individuals. States would have the option of using a prescribed fractional method to prorate shelter and utilities or to develop an alternative method which would require prior approval by the Secretary. No adjust-

ment would be made with respect to SSI recipients who are living with the AFDC family and whose SSI benefits are reduced by one-third because of the special SSI rule for counting in-kind support and maintenance.

*End benefits to employable parents when youngest child is 16.*—Current law continues the eligibility of a parent/caretaker so long as the youngest child is eligible for benefits, i.e., until the child reaches 18, or, at the option of the State, age 19 if the child is in school and is expected to complete his course of study before his 19th birthday. Under the Administration's proposal, when the youngest child reaches 16, an employable caretaker relative would no longer be considered part of the assistance unit. The caretaker relative would be considered employable if he was required to register and participate in the State's work-related programs for AFDC recipients. If the excluded caretaker relative is the parent of the child, his income must be considered as available to the child after application of certain disregards. This proposal was agreed to by the committee in 1982, but was deleted in conference with the House.

*Require all employable individuals to participate in work activities.*—The AFDC statute requires that all applicants and recipients of assistance who are not specifically exempt must register for work or training under the work incentive (WIN) program. The WIN program operates in all States. The statute provides for dual administration by the welfare agency and the employment service.

The Omnibus Budget Reconciliation Act of 1981 included a provision authorizing States to operate 3-year demonstration programs as alternatives to the current WIN program. The demonstration is aimed at testing single-agency administration and must be operated under the direction of the welfare agency. The legislation includes broad waiver authority.

The 1981 Reconciliation Act also authorized States to operate community work experience (CWEP) programs which serve a useful public purpose, and to require AFDC recipients to participate in these programs as a condition of eligibility. In addition, the 1981 Reconciliation Act included a provision under which States are permitted to use any savings from reduced AFDC grant levels to make jobs available on a voluntary basis. Under this approach (work supplementation), recipients may be given a choice between taking a job or depending upon a lower AFDC grant. States may use the savings from the reduced AFDC grant levels to provide or underwrite job opportunities for AFDC eligibles. Another work-related provision was enacted in the Tax Equity and Fiscal Responsibility Act of 1982, which authorized States to require applicants and recipients to participate in job search programs operated by the welfare agency.

The Administration is proposing amendments which would substantially restructure the work-related activities and requirements for AFDC applicants and recipients. All activities would be operated by or under the direction of the State welfare agency. The work incentive program would be repealed. The work supplementation program would also be repealed and replaced with a new optional subsidized employment program. The State welfare agency would thus have three employment programs to which to refer AFDC ap-

plicants and recipients: the community work experience program, employment search, and, at its option, subsidized employment.

Both the employment search program and the community work experience program would become mandatory with the State welfare agencies. States would be penalized if less than 75 percent of those persons required to register for work or training were actually participating in one of the authorized programs.

The proposed new law would establish rules for referring all non-exempt applicants and recipients to particular programs. Parents in a family receiving benefits on the basis of the unemployment of the principal earner must be referred to CWEP and employment search. All other recipients must be referred to CWEP and to employment search, or, to the extent the State finds appropriate, to subsidized employment. Applicants must be referred to employment search.

*Prohibit payments when absence of parent is due solely to employment.*—Under current law, if a parent leaves the home in order to maintain employment elsewhere, the remaining members of that parent's family may be eligible for AFDC on the basis that the parent is "absent from the home."

The proposed change would prohibit AFDC payments in any case in which the sole reason for a parent's absence is employment-related activity. This provision is similar to a change made in the Tax Equity and Fiscal Responsibility Act of 1982 which prohibits assistance to families when the sole reason for such assistance is the absence of a parent due to performance of duty in one of the uniformed services.

*Sanction parent/caretaker for voluntarily quitting work, reducing earnings, refusing employment, or refusing a CWEP assignment.*—Current regulations provide sanctions for AFDC recipients who are required to register for employment and training if they voluntarily quit work, reduce earnings, refuse employment, or refuse a CWEP assignment. This penalty does not apply to those who are not required to register because they are employed 30 hours or more a week, or live in an area so remote from a WIN program that their participation is precluded.

The Administration proposes to extend the sanctions to these nonregistrants. The committee approved this provision in 1982, but it was not agreed to by the House conferees.

*Permit States to require parents of children age 3 through 5 to register for work if child care is available.*—Under current law the parent or other caretaker relative of a child is required to register for work if the youngest child is age 6 or older. In addition, States have the option of requiring AFDC mothers whose youngest child is between 3 and 6 to participate in the community work experience program if child care is available.

The Administration proposal would permit States to require the parent or caretaker relative to register for other work activities in addition to CWEP, if the youngest child is between 3 and 6 years old and if child care is available.

*Other changes for which the Administration has not estimated costs or savings.*—The Administration is planning to submit a number of additional amendments for which it has not estimated

any budget effect. All of these amendments were also proposed last year.

1. *Make clear that the term "earned income" means gross earnings.*—The AFDC statute requires the States to disregard certain amounts of a family's earned income in determining eligibility and benefit amounts. Courts in several States have been asked to interpret whether the term "earned income" refers to the gross amount earned by an individual before deductions are taken (for income taxes, insurance, FICA, support payments, or other items, regardless of whether the deduction is voluntary or involuntary), or whether the term refers to net earnings, after such deductions are taken. Regulations of the Department of Health and Human Services require that the term be interpreted as referring to gross earnings. Both the 3rd and 4th Circuit Courts of Appeal have ruled in the Department's favor. However, the 9th Circuit Courts of Appeals has ruled that the term must be interpreted as referring to net earnings. The Supreme Court recently agreed to hear the case. The Administration is proposing to amend the statute to make clear that the term "earned income" means the gross amount of earnings, prior to the taking of payroll or other deductions. The committee agreed to this provision last year as part of S. 2062, the Omnibus Reconciliation Act of 1983. (Although the Administration's budget assumes that the law will be interpreted in accordance with regulations and therefore does not project savings from this provision, CBO has estimated 1985 savings of \$24 million, taking account of the fact that a number of States are administering the provision as directed by the courts.)

2. *Require counting of lump-sum income received by an individual who is not in the unit but whose income is counted.*—The present rule that requires the counting of nonrecurring lump-sum income as income available to the family in the month it is received and also in future months applies only to income of individuals who are claiming assistance on their own behalf. The Administration proposes applying the same rule to income received by any person whose income the State considers in determining the family's AFDC benefits, but who is not himself a recipient, e.g., stepparents and sponsors of aliens.

3. *Permit CWEP work for Federal agencies.*—The Administration is proposing to make clear that participation in a community work experience program (CWEP) may include work performed for a Federal office or agency. Such work would not be considered to constitute Federal employment, and the State agency would be required to provide appropriate workers' compensation and tort claims protection to each participant. The committee agreed to this provision last year as part of S. 2062, the Omnibus Reconciliation Act of 1983.

4. *Repayment of AFDC from retroactive payment of periodic benefits.*—The Administration is proposing that, whenever an individual or family who received AFDC (within such prior period as prescribed by regulation) receives a payment of retroactive periodic benefits under any other public program (excluding SSI), which, if the benefits had been paid when they were regularly due rather than retroactively, would have resulted in a reduction in the AFDC payment, the State agency must treat the amount of the reduction

as if it were an overpayment. The amount would then be subject to the same rules for recovery of overpayments as are applied under current law.

5. *Count as income amounts withheld under other public benefit programs because of a penalty.*—The Administration is proposing to require States to count as income amounts being withheld from public benefit payments because of the imposition of a penalty or other such sanction if such amounts would otherwise have been counted as income.

6. *Limit who may be considered an "essential person."*—Regulations allow States to treat an individual as an "essential person" for purposes of determining a family's AFDC grant. The States are free to define the term as they wish. If an individual is considered an essential person, his needs are considered together with the family's in determining the benefit amount. His income and resources are also added to those of the family. The Administration is proposing to amend the statute to limit the inclusion of an individual as an "essential person" to an individual who is living in the same home as the child and furnishing personal services required (1) because of the relative's physical or mental inability to provide necessary care for himself or for the dependent child, or (2) in order to permit the relative to engage in full-time employment.

7. *Effect of participation in strike on eligibility for AFDC.*—Current law prohibits payment of AFDC to a family if a caretaker relative (mother, father, or other relative) is, on the last day of the month, participating in a strike. The Administration's proposal would limit the prohibition on payment of AFDC to cases in which the parent who is employable (rather than any caretaker relative) is on strike. It is also proposing to change the date for which the finding is made from the last day of the month to the last day of the preceding month (or, at State option, the second preceding month), in order to take account of the procedures used by the State for retrospective accounting and monthly reporting. A provision would also be added to deny assistance to the family if the employable parent is participating in a strike on the day the application is filed, and to exclude from the family's grant determination the needs of any other individual who is on strike on the day of application.

8. *Disclosure of AFDC information to law enforcement officials.*—The Administration proposes to allow disclosure to law enforcement officials of AFDC information for use in connection with any criminal proceeding. Present law restricts disclosure to purposes directly related to the administration of Federal or federally assisted programs which provide assistance to individuals based on need.

9. *Eligibility of alien whose sponsor is an agency or organization.*—The Administration is proposing to make ineligible for benefits an alien with respect to whom an agency or organization has executed an affidavit of support as a sponsor of the alien's entry into the United States, unless the State welfare agency determines that the sponsoring agency or organization is no longer in existence, or that it does not have the financial ability to meet the alien's needs. The determinations would be made by the State agency based upon such criteria as it may specify and upon such documentary evidence as it may require.

10. *Impose sanction when the caretaker relative refuses to repay an earlier overpayment.*—Under present law, States must collect overpayments of AFDC using procedures specified in Federal law. The Administration is proposing to amend the overpayment provision to require States to impose a sanction in cases in which the caretaker relative in a family that continues to receive AFDC refuses to repay an earlier overpayment.

#### B. Work Incentive (WIN) Program

The appropriation for the WIN program was \$365 million in fiscal year 1981, \$281 million in fiscal year 1982, and \$271 million in fiscal years 1983 and 1984. The Administration requested that no funds be appropriated for WIN in fiscal years 1983 and 1984, and is repeating the zero appropriation request for fiscal year 1985.

The Administration suggests that the services authorized under the WIN program may be provided by other programs, including the other AFDC work-related programs, the social services block grant, and the Job Training Partnership Act. Phase-out activities in 1985 would be paid for by using the unexpended 1984 carryover funds.

Although the regular WIN program and the WIN demonstration program would be repealed under the Administration's budget, language has been included in the proposed appropriation act to allow 50 percent Federal matching funds to be used by the States to operate certain work program activities. The Administration has indicated that this authority to use AFDC administrative matching funds would be limited to those activities which have been found to be useful components of WIN demonstration programs, particularly grant diversion programs.

#### C. Child Support Enforcement

The Administration's budget recommends major changes in the child support enforcement program. The budget effect of the recommendations is summarized below.

#### CHILD SUPPORT ENFORCEMENT PROPOSALS

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Reduce Federal match from 70 to 65 percent .....	0	-39	-42
Replace incentive formula.....	0	+33	+38
Require fees .....	-36	-39	-42
ADP impact of legislative changes.....	0	+5	+5
Administrative impact of increased non-AFDC caseload .....	+13	+41	+71
Grants for interstate activities.....	+15	+15	+15
Administrative savings from mandatory practices.....	-11	-11	-11
Net effect, CSE.....	-19	+5	+34
Effect of changes on AFDC benefits.....	-23	-42	-61
Net effect, CSE and AFDC .....	-42	-37	-27



*Reduce Federal matching of administrative costs.*—The Federal Government currently pays 70 percent of State and local administrative costs for services to both AFDC and non-AFDC families, on an open-end entitlement basis. The Administration is proposing that the matching rate be reduced to 65 percent, beginning with fiscal year 1986.

*Restructure incentive payment formula.*—Under current law, a 12 percent incentive payment (financed totally out of the Federal share of collections) is made to States and localities for collections made on behalf of AFDC families. The Administration recommends that the 12 percent payment provision be repealed, and be replaced with a new formula which would pay incentives for collections made on behalf of both AFDC and non-AFDC families. Each State would receive a minimum payment of 4 percent of its AFDC and non-AFDC collections. To the extent AFDC or non-AFDC collections exceed combined administrative costs for both AFDC and non-AFDC cases, higher incentives would be paid on a sliding scale up to 10 percent of AFDC and 10 percent of non-AFDC collections. However, the total dollar amount of incentives paid for non-AFDC collections would be capped at an amount equal to the State's incentive payment for AFDC collections. At State option, the laboratory costs of determining paternity could be deducted from administrative costs for purposes of computing the incentive payments. The new formula would be effective beginning with fiscal year 1986.

*Require collection of fees.*—States have the option of charging an application fee for furnishing services to non-AFDC families. In addition, a State may, at its option, recover costs in excess of the fee. Recovery may be from either the custodial parent or the absent parent. The Administration is proposing to require States to charge a minimum application fee of \$25 for services to non-AFDC families. A ceiling on the fee would be established by regulation. The State could charge the applicant this fee or the State could pay it from its own funds. States would also be required to impose a collection fee on absent parents whose payments are in arrears. This fee would range from 3 percent to 10 percent of amounts in arrearage. This provision would be effective beginning with fiscal year 1985.

*Require States to enact laws establishing specified mandatory procedures.*—The child support enforcement statute generally does not specify the types of procedures States must use in operating their programs. The Administration recommends that States be required to enact laws establishing the following procedures: mandatory wage withholding when the absent parent is in arrears; mandatory withholding of any State tax refunds payable to a parent who owes pastdue child support on behalf of an AFDC child (the provision would be optional with respect to a non-AFDC child); and expedited judicial or administrative procedures in place of the traditional full-court process. These procedures would have to be implemented by October 1, 1984. States which are unable to satisfy the requirements by that date because of State legislative schedules would be allowed an exemption until 3 months following the next session of the legislature. The Secretary would have authority to grant an exemption, subject to later review, of the required procedures, if the

State can demonstrate that such procedures will not improve the effectiveness and efficiency of the State IV-D program.

*Grants for interstate enforcement activities.*—Beginning with fiscal year 1985, \$15 million a year would be authorized to enable the Secretary to fund special projects developed by States with the objective of using innovative techniques or procedures for child support collections in interstate cases.

*New audit criteria; transfer audit function from the Office of Child Support Enforcement to the Office of Inspector General.*—Currently the Director of the Office of Child Support Enforcement is required to conduct an annual audit of each State's child support enforcement program to determine whether it complies with the requirements of the Federal statute. The State is subject to a loss of 5 percent of its AFDC matching funds if he finds that it has failed to have an effective program meeting the specified requirements. The Administration is proposing to repeal the present audit and penalty requirements, and replace them with a requirement that each State's program be reviewed (using revised criteria) at least every 3 years, with a graduated penalty imposed if a State does not meet the requirements of the law. The penalty would be up to 2 percent of AFDC matching funds in the case of the first negative finding, increasing to up to 5 percent for the third or subsequent consecutive negative finding.

The Administration is proposing that legislation be enacted to transfer the audit and review function from the Office of Child Support Enforcement to the Office of Inspector General. The 1985 child support budget excludes \$5 million associated with this function. A comparable increase is included in the budget request of the Office of Inspector General.

#### D. Child Welfare Services

The Administration's budget request includes \$169 million for child welfare services and child welfare training combined, the same total amount as provided in 1984 for these two activities. The Administration is proposing legislation to repeal the separate authority for training grants, and to make training an activity for which child welfare services program money may be used. Funding for fiscal year 1984 included \$165 million for child welfare services, and an additional \$4 million for training.

Funding for child welfare research was \$10 million in fiscal year 1984. No separate funds are requested for child welfare research in fiscal year 1985. Instead, funding for such activities is anticipated to be provided under a general human resources research and demonstration program.

#### E. Foster Care and Adoption Assistance

The Administration is proposing a change in foster care financing which would have the following budget effect:

## FOSTER CARE PROPOSAL

(In millions of dollars)

	Fiscal year—		
	1985	1986	1987
Incentives to prevent unnecessary placement.....	—20	—57	—100

The Administration says that it will propose legislation with incentives, which when implemented, will encourage States to prevent unnecessary placement and to reduce the duration of stay in foster care. Where foster care is necessary, it will emphasize early reunification with the family or other permanent placement, as appropriate. The amount being requested for fiscal year 1985 is \$460 million, an increase of \$20 million over the 1984 appropriated amount of \$440 million. (However, the budget also includes a proposed supplemental of \$38 million for prior year claims.)

The fiscal year 1985 request for adoption assistance is for \$13 million, an increase of \$8 million over the fiscal year 1984 appropriated level of \$5 million. (However, the budget also includes a proposed supplemental of \$5 million for fiscal year 1984 claims.)

## Chart 7.—SOCIAL SERVICES

[In billions of dollars]

	Fiscal year—	
	1984	1985
Present law:		
Title XX block grant.....	<sup>1</sup> 2.700	2.700
Proposed legislation:		
None.		

<sup>1</sup>This is the amount available to the States on an entitlement basis. The 1984 appropriation is \$2.675 billion. There has been no request for a supplemental.

## Chart 7

### Social Services

In addition to cash benefit programs and medical assistance, the Social Security Act includes provisions in title XX which make Federal funding available for social services. In previous years, title XX legislation authorized matching funds for State social services programs on an entitlement basis. The Federal matching rate was generally 75 percent. In the Omnibus Budget Reconciliation Act of 1981, a new social services block grant program was created to replace the prior Federal-State matching program. A number of requirements on the States, including the requirement of a 25 percent non-Federal match, have been removed, and funding levels have been reduced. The program remains an appropriated entitlement, with each State eligible to receive its share of a national total of \$2.4 billion in fiscal year 1982, \$2.675 in fiscal year 1983 (with \$225 million of this amount available for use in either 1983 or 1984), and \$2.7 billion in fiscal year 1984 and years thereafter. (However, the 1984 appropriation provides only \$2.675 billion. The Administration has not requested a supplemental appropriation.)

As under the previous statute, allocations are made on the basis of State population. States may determine how their funds are to be used and who may be served. There are no Federal family income requirements, and no fee requirements. Income standards and fees may be imposed at State discretion.

### Proposed Legislation

The fiscal year 1985 budget request for the social services block grant program is equal to the authorization level of \$2.7 billion. No change is proposed in the authorizing legislation. However, no funding is being requested for the community services block grant, which was funded at \$342 million in fiscal year 1984. The administration proposes that States use other sources of funding, including the social services block grant, to fund any community services activities which they wish to continue. (The community services block grant is under the jurisdiction of the Committee on Labor and Human Resources.)

## Chart 8.—SUPPLEMENTAL SECURITY INCOME

[In billions of dollars]

	Fiscal year <sup>1</sup> —	
	1984	1985
Present law:		
Total expenditures .....	8.600	9.300
Proposed legislation:		
Benefit adjustments .....		— .016

<sup>1</sup> 1984 reflects 11 months of benefit payments; 1985 reflects 12 months of benefit payments.

## Chart 8

### Supplemental Security Income

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 the social security 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.

Under present law, the average number of recipients receiving federally administered SSI payments is estimated by the Administration to be as follows:

[In thousands]

	Fiscal year—		
	1983	1984 est.	1985 est.
Aged.....	1,333	1,400	1,387
Blind and disabled.....	2,176	2,267	2,327
Total Federal.....	3,509	3,667	3,714
State supplementation only recipients.....	364	310	303
Total SSI recipients.....	3,873	3,977	4,017

The maximum Federal monthly payment in calendar year 1984 is \$314 for an individual, and \$472 for a couple. Annual adjustments are made in January to reflect increases in the cost of living.

A number of significant modifications were made in the SSI program in the Social Security Amendments of 1983 (P.L. 98-21). The Federal SSI monthly payment to an individual was increased by \$20 and the payment to a couple was increased by \$30, effective July 1983. In addition, the 1983 Amendments changed the cost-of-living adjustment from July to January of each year to coordinate with social security adjustments; required States to pass through to recipients only the amount of the increase in the Federal SSI standard that would have occurred in July 1983 under prior law rather than the July 1983 increase of \$20 for an individual and \$30 for a couple; provided that aged, blind and disabled residents of

public emergency shelters for the homeless may be eligible for SSI benefits for as many as 3 months in a 12-month period; excluded from income under the SSI program in-kind support and maintenance provided by a private nonprofit organization if the State determines that such assistance is based on need; and required the Secretary to provide a one-time notice to all elderly OASDI beneficiaries who are potentially eligible for SSI benefits of the availability of SSI.

According to Administration estimates, these changes increased Federal SSI program outlays by \$790 million in fiscal year 1985, \$816 million in fiscal year 1986, and \$859 million in fiscal year 1987.

The Administration estimates Federal program outlays as follows:

	[In millions of dollars]		
	Fiscal Year—		
	1983	1984	1985
Federal Benefits:			
Current law .....	7,852	7,420	8,400
Proposed law .....			-16
Subtotal .....	<sup>1</sup> 7,852	<sup>1</sup> 7,420	<sup>1</sup> 8,384
(Comparable benefit level) .....	(7,220)	(8,052)	(8,384)
Hold-harmless payments .....	13	5	
Beneficiary services .....	8	96	5
Federal fiscal liability .....	20	69	21
Administrative costs .....	830	963	936
Disability demonstration projects .....		1	2
Total .....	8,724	8,554	9,349

<sup>1</sup> Because October 1, 1983, fell on a weekend, the 1983 total includes 13 months of benefit payments; 1984 has 11 months of benefit payments; and 1985 has the normal 12 months of payments. The comparable level based on 12 benefit months is displayed for information.

### Proposed Legislation

The Administration's budget estimates for SSI reflect the following proposed changes:

#### SSI PROPOSALS

[In millions of dollars]

	Fiscal year—		
	1985	1986	1987
Adjustment on account of retroactive benefits .....	-5	-5	-5
Cross-program recovery of overpayments (SSI and OASDI) .....	-11	-11	-10



*Adjustment in SSI benefits on account of retroactive benefits under OASDI.*—Legislation was enacted in 1980 (P.L. 96-265) aimed at ensuring that an individual's entitlement under the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs would not result in windfall benefits. Under this legislation, if an SSI recipient receives a lump-sum, retroactive OASDI payment, the retroactive OASDI payment is adjusted so as to take into account the SSI that has already been paid. Only the retroactive social security amount is adjusted, not regular monthly benefits, and only in the amount of the excess SSI payments made in prior months.

The Administration's proposal would: (1) extend the provision to cases where social security benefits begin first and the retroactive SSI payment requires adjusting; (2) extend the provision to apply to social security benefits that are paid after a period of benefit suspension or recomputation, not just after initial entitlement; and (3) make technical corrections to coordinate retrospective monthly accounting with the windfall provision.

The Committee on Finance approved this provision as part of S. 2062, the Omnibus Reconciliation Act of 1983.

*Cross-program recovery of overpayments.*—The Administration's proposal would authorize the recovery of overpayments made to an individual under either OASDI or SSI from current benefits payable to the same individual from the other program.

A similar provision was approved by the Senate in 1982 as part of the Tax Equity and Fiscal Responsibility Act. The provision was deleted, however, in conference with the House.

## Chart 9.—MEDICARE TRUST FUNDS UNDER PRESENT LAW

[In billions of dollars]

	Fiscal year—						
	1983	1984	1985	1986	1987	1988	1989
<b>Hospital insurance: <sup>1,4</sup></b>							
Income.....	43.9	45.3	51.0	57.8	63.3	68.8	73.9
Outgo.....	38.6	44.9	52.0	56.3	62.4	68.9	75.8
Interfund borrowing transfers <sup>2</sup> .....	-12.4			2.0	8.0	2.4	
Net increase.....	-7.1	0.4	-1.0	3.5	8.9	2.3	-1.9
Funds at end of year.....	13.7	14.1	13.1	16.5	25.4	27.7	25.8
Ratio <sup>3</sup> .....	54%	31%	27%	23%	26%	37%	37%
<b>Supplementary medical insurance: <sup>1,5</sup></b>							
Income.....	19.1	22.4	25.6	29.5	33.7	38.4	43.8
Outgo.....	18.3	21.2	24.6	28.7	32.8	37.4	42.6
Net increase.....	.8	1.1	.9	.7	.9	1.0	1.2
Funds at end of year.....	6.6	7.8	8.8	9.5	10.4	11.5	12.7

<sup>1</sup> These are projections under present law based on the economic assumptions in President's fiscal year 1985 budget.

<sup>2</sup> Positive figures represent recoveries of loans to other trust funds; negative figures represent amounts loaned by the trust fund.

<sup>3</sup> Assets at start of year as percentage of outgo during the year.

<sup>4</sup> Source: SSA, Office of the Actuary, February 8, 1984.

<sup>5</sup> Source: SSA, Office of the Actuary, January 6, 1984.

## Chart 9

### Medicare Trust Funds Under Present Law

This chart shows the status of the two trust funds in each of seven fiscal years. The data in this chart were obtained from the social security actuaries and are based on present law. They take into account the return of amounts loaned from the Hospital Insurance Trust Fund to the Old Age Survivors Insurance Program (OASI). A total of \$12.4 billion was borrowed in fiscal year 1983.

The projections for the Hospital Insurance Trust Fund do not include any of the provisions which the Administration supports that affect trust fund balances.

Outlays for medicare are expected to continue to increase rapidly as a result of increasing health costs in general and hospital costs in particular.

Chart 10.—HEALTH PROGRAMS: PRESENT LAW  
(ADMINISTRATION ESTIMATES)

[Dollars in billions]

	Fiscal year—	
	1984	1985
Medicare trust funds:		
Hospital insurance:		
Income.....	\$45.4	\$51.2
Outgo.....	45.1	52.1
Net increase .....	.4	—1.0
Supplementary medical insurance:		
Income.....	22.4	25.7
Outgo.....	21.3	24.7
Net increase .....	1.2	1.0
Medicaid:		
Federal expenditures.....	20.2	23.2
State costs .....	17.6	18.2
Total program .....	37.8	41.4
Maternal and child health.....	.4	.4

Note: Totals may not add due to rounding.

Source: Budget appendix.

## Chart 10

### Health Programs: Present Law

#### MEDICARE

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

The "Social Security Amendments of 1983" (P.L. 98-21) authorized a new method of Medicare reimbursement for hospital services known as prospective payment. Effective for hospital cost reporting periods that begin on or after October 1, 1983, payments are made on the basis of predetermined rates which represent the average cost, nationwide, of treating a Medicare patient according to his or her diagnosis. The classification system used to group hospital inpatients according to their diagnoses is known as Diagnosis Related Groups (DRG's). The law provides a 3-year transition period during which a declining portion of the total prospective payment will be based on a hospital's historical reasonable costs and an increasing portion will be based on a combination of regional and national DRG rates. Beginning in the fourth year, payments will be determined totally under a national DRG payment methodology. No additional costs or savings are attributable to this provision in fiscal year 1985. This is due to the requirement, known as "budget neutrality" which specifies that DRG rates must be adjusted so that total payments under the prospective payment system equal the payments which would have been made under prior law.

The Administration budget estimates current law benefit and administrative outlays under Medicare at \$76.8 billion in fiscal year 1985. Of this amount, benefit payments account for \$74.8 billion. This represents an increase of 15.9 percent over fiscal year 1984 benefit payments of \$64.6 billion. The Budget estimates that inpatient hospital expenditures will account for 64 percent of benefit payments, physicians' services 24 percent, and skilled nursing facility services less than 1 percent.

Income to the trust funds in fiscal year 1985 is estimated at \$76.8 billion. Outgo is also estimated at \$76.8 billion.

#### MEDICAID

Medicaid is a federally aided, State-designed and administered program, authorized by Title XIX of the Social Security Act, which provides medical assistance for certain categories of low income persons who are aged, blind, disabled or members of families with

dependent children. Subject to Federal guidelines, States determine eligibility and the scope of benefits to be provided. Whatever a State is otherwise entitled to in Federal matching payments is reduced by 4.5 percent in fiscal year 1984. Under certain circumstances a State may be able to partially or fully offset the amount of its reduction.

The Administration budget projects total Federal-State medicaid costs for fiscal year 1985 under current law to be \$41.4 billion, of which the Federal share is \$23.2 billion. Of the Federal amount, \$22.0 billion represents payments for benefits, with the remaining \$1.2 billion going for State and local administrative costs. This represents an increase in total Federal outlays of 14.5 percent over fiscal year 1984, attributable in part to the discontinuation of the 4.5 percent reduction in Federal payments.

States match Federal expenditures under medicaid, with total State expenditures accounting for approximately 44 percent of total program costs.

Under current law, in fiscal year 1985 the State's share of medicaid costs are estimated to be \$18.2 billion, an increase of 3.2 percent over fiscal year 1984.

At the conclusion of 1983, the "Omnibus Reconciliation Act of 1983" (S. 2062) had been reported by the Senate Budget Committee and was pending on the floor of the Senate. This legislation contained a number of Medicare and Medicaid provisions reported by the Senate Finance Committee. Medicare and Medicaid outlay savings in this measure totalled \$473 million in fiscal year 1984, \$1,021 million in fiscal year 1985, and \$1,487 million in fiscal year 1986.

#### MATERNAL AND CHILD HEALTH BLOCK GRANT

Title V of the Social Security Act authorizes the Maternal and Child Health Services Block Grant which provides funding for the following programs: Maternal and Child Health and Crippled Children's Services; supplemental security income for disabled children; lead-based paint poisoning prevention; genetic disease; sudden infant death syndrome; hemophilia; and adolescent pregnancy. Under the Title V Block Grant, States determine the level of services. Typically States have supported such health services as those available in maternity clinics and well-child checkups.

Public Law 97-35 created the block grant by adding to maternal and child health and crippled children services those functions described above. The Federal/State matching requirements were also changed and now require the States to spend seventy-five cents to get a dollar.

The authorization level for the block grant is \$373 million for fiscal year 1982 and subsequent fiscal years. For fiscal years 1983 and 1984, the block grant received appropriations higher than the authorization level. In fiscal year 1983 the amount was \$478 million and for fiscal year 1984 the amount is \$399 million. At the conclusion of 1983, the "Omnibus Reconciliation Amendments of 1983" had been reported by the Senate Budget Committee and was pending on the floor of the Senate. This legislation contained a provision (reported to the Budget Committee by the Finance Committee) which would increase the authorization levels to \$452 million in

fiscal year 1984, \$453 million for fiscal year 1985, and \$455 million for fiscal year 1986.

Of the amounts appropriated, the Secretary is authorized to use not less than ten nor more than fifteen percent for projects of regional and national significance, research, and training related to maternal and child health; and genetic disease and hemophilia programs.

## Chart 11.—HEALTH PROGRAMS

## Administration Legislative Proposals

[Dollars in millions]

	Fiscal year—			
	1984	1985	1986	1987
<b>MEDICARE</b>				
Legislative proposals:				
Freeze physician fees.....	—\$150	—\$600	—\$775	—\$875
Eligibility delay .....	0	—265	—305	—340
Index part B deductible .....	0	—40	—90	—165
Voluntary voucher .....	0	0	+50	+50
Lower reimbursement for DME ..	0	—20	—25	—25
Volume purchasing .....	0	0	—5	—16
Competitive bidding for claims processing.....	0	—5	—7	—11
Simplify processing of part A bills.....	0	—3	—4	—4
Eliminate ESRD networks.....	0	—5	—5	—5



## Chart 11.—HEALTH PROGRAMS—Continued

[Dollars in millions]

	Fiscal year—			
	1984	1985	1986	1987
RRB contractor .....	0	-1	-1	-1
Total .....	-150	-939	-1,167	-1,392
Other:				
Part B premium increase (increase in trust fund revenue) .....	0	+296	+1,106	+2,319
Impact of tax law change (increase in trust fund revenue) .....	0	+207	+360	+449
MEDICAID				
Legislative proposals:				
Mandatory copayments .....	0	-270	-278	-289
Extension of Federal reductions .....	0	-567	-493	-541
Assignment of rights .....	0	-7	-7	-8

## Chart 11.—HEALTH PROGRAMS—Continued

[Dollars in millions]

	Fiscal year—			
	1984	1985	1986	1987
Impact of changes in other programs:				
Impact of AFDC proposals .....	0	—230	—395	—443
Impact of medicare proposals .....	0	+7	+56	+127
Total .....	—150	1,067	—1,117	—1,154
<b>MATERNAL AND CHILD HEALTH</b>				
Legislative proposal: Elimination of set-aside	0	0	0	0

## Chart 11

### Health Programs: Administration Legislative Initiatives

#### MEDICARE

The Administration's fiscal year 1985 budget contains various proposed legislative initiatives resulting in an estimated savings to the program in fiscal year 1985 of \$939 million.

#### Proposals Affecting Outlays

1. *Freeze "reasonable charges" for physicians' services.*—The Administration budget proposes to postpone the annual updating of both the customary and prevailing charge limits for physicians services that would otherwise occur on July 1, 1984. For the period July 1, 1984 through June 30, 1985 the limits would remain at their current levels. The Administration estimates that this proposal will reduce outlays for fiscal year 1984 by \$150 million and the outlays for fiscal year 1985 by \$600 million.

2. *Delay in initial eligibility date for medicare entitlement.*—The Administration budget proposes to defer initial eligibility for both Parts A and B of Medicare to the first day of the month following the month the individual reaches age 65. The Administration estimates that this one month delay will reduce outlays for fiscal year 1985 by \$265 million.

3. *Index Part B deductible.*—The Administration budget proposes, beginning in calendar year 1985, to increase the Part B deductible by the same percentage as the increase in the medicare economic index. (This is the index used to set limits on increases in prevailing charges for physicians' services.) The Administration estimates this proposal will reduce outlays for fiscal year 1985 by \$40 million.

4. *Voluntary medicare voucher program.*—The Administration budget proposes to establish a voluntary medicare voucher program under which beneficiaries could elect to receive services through a private health benefits plan (including certain health maintenance organizations) rather than through participation in medicare. The private plans would have to offer benefits at least equivalent to medicare. The Government would contribute an amount equal to 95 percent of the average per-person cost of medicare coverage toward the purchase of private protection. The Administration estimates that there will be no cost impact in fiscal year 1985.

5. *Lower reimbursement for durable medical equipment.*—The Administration budget proposes to reimburse home health agencies for durable medical equipment at 80 percent instead of 100 percent of reasonable cost. The agencies would be permitted to bill the beneficiaries the remaining 20 percent. The Administration esti-

mates this proposal will reduce outlays by \$20 million in fiscal year 1985.

6. *Volume Purchasing.*—The Administration budget proposes to permit the Secretary to enter into exclusive agreements and negotiate rates for laboratory services, durable medical equipment and certain other items furnished under Part B. The Secretary could enter into such volume purchasing arrangements only if he determined that the agreement would not deny access to beneficiaries for the specified items. The Administration estimates that there will be no cost impact in fiscal year 1985.

7. *Competitive Bidding for Claims Processing.*—The Administration budget proposes to increase the Secretary's flexibility in entering into agreements with intermediaries and carriers by allowing the use of competitively bid contracts and eliminating the ability of health providers to choose their own intermediary. The Administration estimates that this proposal will reduce outlays by \$5 million in fiscal year 1985.

8. *Simplify Processing of Part A Bills.*—The Administration budget proposes in the case of beneficiary stays in more than one hospital to assign responsibility for collection of copayments and deductibles in the order in which hospitals submit claims for payment. The Administration estimates that this proposal will reduce outlays by \$3 million in fiscal year 1985.

9. *Eliminate ESRD Networks.*—The Administration budget would eliminate funding for end-stage renal disease networks. The Administration estimates that this proposal will reduce outlays by \$5 million in fiscal year 1985.

10. *Elimination of Requirement for RRB Contract.*—The Administration budget proposes to eliminate the requirement for a separate Railroad Retirement Board Carrier contract. Part B claims of railroad retirees would be processed by the same organizations that process other Part B claims. The Administration estimates that this proposal will reduce outlays by \$1 million in fiscal year 1985.

#### Proposals Affecting Income

1. *Increase Part B premium.*—The Administration budget proposes to gradually increase the Part B premium rate over a six year period beginning with calendar year 1985. The premium would rise one and two-thirds percentage points each year so that by calendar year 1990, the rate would equal 35% of estimated program costs. The Administration estimates that for calendar year 1985, the premium would be increased to \$17.30 per month, an increase of \$0.40 over the \$16.90 rate which would be applicable in the absence of this change. This proposal affects income (i.e. budget authority) but does not impact outlays. The Administration estimates that this proposal would increase revenues to the trust fund by \$296 million in fiscal year 1985.

2. *Limitation on Tax Free Employer Paid Health Benefits.*—The Administration budget proposes to limit tax free health benefits paid by an employer to \$175 per month for a family plan and \$70 per month for individual coverage. Employer contributions above these amounts would be included in the employees' income and taxed accordingly. The Administration estimates that this proposal

would increase revenues to the Part A trust fund by \$207 million in fiscal year 1985.

### MEDICAID

The Administration's fiscal year 1985 budget contains several legislative initiatives designed to achieve a reduction in outlays of \$1,067 million in fiscal year 1985.

#### Legislative Initiatives

*1. Required Cost-Sharing by Medicaid Recipients.*—The Administration budget would mandate the imposition of the following co-payment amounts:

- For the categorically needy, \$1 per visit for physician, clinic, and hospital outpatient department services;
- For the medically needy, \$1.50 per visit for physician, clinic, and outpatient department services;
- For the categorically needy, \$1 per day for inpatient hospital services;
- For the medically needy, \$2 per day for inpatient hospital services.

The Administration estimates that this proposal will reduce Federal outlays by \$270 million in fiscal year 1985.

*2. Extend Reduction in Federal Payments.*—The Administration budget proposes to extend indefinitely the existing provisions relating to reductions and offsets in Federal matching payments over the fiscal year 1982-1984 period. The reduction would be 3 percent for fiscal year 1985 and beyond. The Administration estimates that the proposal will reduce outlays by \$567 million in fiscal year 1985.

*3. Assignment of Rights to Benefits.*—The Administration budget proposes to require as a condition of medicaid eligibility, that an applicant assign his or her health insurance rights to the State medicaid agency. The Administration estimates that this proposal will reduce outlays in fiscal year 1985 by \$7 million.

*4. Impact of Changes in Other Programs.*—The Administration is proposing several changes in the Aid to Families with Dependent Children (AFDC) program which would result in slightly reduced caseloads. Since Medicaid eligibility is linked to eligibility for AFDC, Medicaid savings are also anticipated.

The Administration is proposing modifications in calculations of the Medicare deductible and Part B premium which would result in increased Medicaid costs. This is due to the fact that States may elect to cover the deductible and premium costs incurred by recipients who are also eligible for Medicare (i.e., dual eligibles).

*Cost Impact.*—The Administration estimates that the AFDC proposals would reduce Medicaid outlays by \$230 million in fiscal year 1985. It estimates that the Medicare proposals would increase Medicaid outlays by \$7 million for the same period.

#### Regulatory Initiative

*1. Third Party Collections From Child Support Enforcement.*—The Administration has factored into its current law program estimates the impact of a regulatory change. This change would provide for improved third-party collections by placing greater emphasis on seeking medical coverage in child support enforcement cases.

The Administration's current law budget estimates include savings of \$45 million in fiscal year 1984 and \$100 million in fiscal year 1985 attributable to this initiative.

#### MATERNAL AND CHILD HEALTH

The Administration is proposing to revise the Maternal and Child Health Block Grant by eliminating the requirement that up to 15 percent of appropriations for MCH block grants be set aside for federally awarded special projects. Instead it is proposed that these funds be awarded to the States. The Budget would increase the funding level from \$398 million in fiscal year 1984 to \$407 million in fiscal year 1985.

The Administration, also proposes to consolidate administration of the block grants for maternal and child health; preventive health and health services; alcohol, drug abuse, and mental health; and primary care in the Office of the Assistant Secretary for Health (ASH).

## CHART 12.—REVENUE SHARING; INTEREST ON THE PUBLIC DEBT

[Dollars in billions]

	FY 1984	FY 1985
Revenue sharing.....	\$4.6	\$4.6
Interest.....	108.2	116.1

Note.—Committee decisions on deficit and debt limit determine estimate.

## Chart 12

### Revenue Sharing; Interest on the Public Debt

#### GENERAL REVENUE SHARING

General revenue sharing has been a central part of the Federal Government's efforts to assist local governments. In 1983, Congress approved legislation to extend this program through September 30, 1986. The 1983 extension legislation provided for outlays of \$4.6 billion in each of the fiscal years 1984, 1985, and 1986. This amount is distributed to local governments. Since the inception of general revenue sharing, total payments of approximately \$71 billion have been made to local and State governments, covering calendar years 1972 through 1982 and ending with the January 1984 payment.

In extending general revenue sharing through 1986 Congress eliminated a provision that authorized payments to State governments if Congress appropriated funds for such payments.

#### INTEREST ON THE PUBLIC DEBT

Budget outlays for interest on the public debt for fiscal year 1985 are estimated to rise to a level of \$164.7 billion from \$149.5 billion in fiscal year 1983. 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.

Net outlays for interest on the public debt, as identified in Chart 12, reflect offsetting payments from the Federal Financing Bank, interest charges by Treasury to Federal agencies and the public, and interest received by trust funds from the Treasury. The net outlays for interest on the public debt amount to \$108.2 billion in fiscal year 1984 and \$116.1 billion in fiscal year 1985. When the committee has completed its decisions on revenues, expenditures, and budget deficits, the appropriate interest figures can be calculated.

It should be noted that the budget assumes that interest rates will continue to decline over the next few years. The interest outlay estimate assumes that the 91-day bill rate will drop gradually from an average of 8.6 percent in calendar year 1983 to 7.7 percent in 1985 and to 6.2 percent by 1987.



## Chart 13.—REVENUES: PRESENT LAW

[Dollars in billions]

	Fiscal year—	
	1984	1985
Individual income tax .....	\$293.9	\$328.4
Corporation income tax.....	66.6	76.5
Social insurance taxes.....	239.5	270.7
Excise taxes.....	38.2	38.4
Estate and gift taxes.....	5.9	5.6
Customs duties and other receipts.....	26.6	25.4
Total .....	670.1	745.1

## Chart 13

### 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 1984 these revenues together with receipts from excise taxes, estate and gift taxes and other revenue sources will yield a total of \$670.1 billion under present law. For fiscal year 1985, the administration budget projects a revenue yield of \$745.1 billion under present law.

Income taxes paid by individuals are estimated to amount to \$328.4 billion for fiscal year 1985. Revenues from this source, the largest single source of Federal revenue, will amount to 43.8 percent of total Federal revenue.

Income taxes paid by corporations are estimated at \$76.5 billion for fiscal year 1985.

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 \$270.7 billion. Receipts from these sources in fiscal year 1985 will account for approximately 36.3 percent of the total Federal revenues.

Excise taxes imposed on selected commodities, services, and activities (including crude oil production) are expected to provide \$38.4 billion during fiscal year 1985.

Estate and gift taxes imposed on the value of property held at death and on inter vivos transfers of property are projected to produce \$5.6 billion during fiscal year 1985.

Customs duties levied on imports, other taxes, and miscellaneous receipts (such as deposits of earnings by the Federal Reserve System) are expected to total \$25.4 billion for fiscal year 1985.

Chart 14.—REVENUES: PROPOSED LEGISLATION <sup>1</sup>

[In billions of dollars]

	1984	1985	1986	1987
Tuition tax credit.....		-0.3	-0.6	-0.9
Enterprise zone tax incentives .....		-.1	-.4	-.8
Taxation of health insurance premiums .....		3.9	6.5	8.0
Higher education tax incentives .....		—*	-.1	-3
Extend expiring provisions (TJTC & PIK) .....	-.1	-.3	-.8	-1.1
Women's initiative.....		-.3	-.9	-.9
Structural reform.....	.8	1.1	2.2	3.7
Curtailment of tax abuse .....	.8	3.2	4.3	4.7
Contribution to civil service retirement.....		.7	1.4	1.5
Railroad unemployment insurance coverage .....		.1	.1	.1
Petroleum overcharge restriction fund.....	2.0			
Other.....	—*	*	—*	0.1
Total .....	3.5	7.9	11.6	14.2

\* \$50 million or less

<sup>1</sup> These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects are taken into account for forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.

## Chart 11

### Revenue: Proposed Legislation

#### ADMINISTRATION PROPOSALS

##### A. Substantive Tax Law Changes

The Administration has proposed a variety of changes to the tax code designed to introduce new tax incentives, to change the costs of existing tax incentives, reform the tax structure or curtail abuses. These changes are estimated by the Administration to result in a net increase in Federal revenues during fiscal year 1984 and subsequent years.

*Women's initiative.*—The administration supports several tax changes that primarily improve the structure of the tax system and its impact upon women. These changes are estimated to reduce receipts by \$0.3 billion in 1985, \$0.9 billion in 1986, and \$0.9 billion in 1987:

*Expansion of individual retirement accounts (IRAs).*—Under current law, an individual generally is permitted to deduct annual contributions to an IRA up to a maximum of \$2,000 or 100 percent of compensation, whichever is less. If deductible contributions are made to an IRA established by a working individual for the individual and a spouse who does not receive compensation, the maximum annual contribution is increased to \$2,250. The administration proposes to increase the \$2,250 annual spousal IRA limit to \$4,000. In addition, the administration proposes to permit divorced individuals to treat taxable alimony as compensation in determining the IRA deduction limit.

*Reclassification of certain day care organizations.*—The administration proposes to classify all qualified, nonprofit dependent care facilities as tax-exempt organizations.

*Restructuring of the dependent care tax credit.*—The administration proposes to increase the dependent care tax credit to 40 percent of qualifying dependent care expenses for individuals with an annual income of \$10,000 or less. The credit will be reduced as the individual's income increases above \$10,000, and will phase out completely when income reaches \$60,000.

*Structural reform.*—The administration proposes the following structural reforms, which are estimated to increase receipts by \$0.8 billion in 1984, \$1.1 billion in 1985, \$2.2 billion in 1986, and \$3.7 billion in 1987:

*Restrictions on tax-exempt leasing.*—Restrictions will be imposed on the use of the accelerated cost recovery system (ACRS) and investment tax credits for properties that are the subject of sale-leaseback and similar transactions with Federal,

State, and local governments, or with other organizations not subject to U.S. taxation.

*Taxation of life insurance companies.*—Broad-based improvement in the system of taxing life insurance companies is proposed. The multi-phase system adopted in 1959 will be replaced with a more rational single-phase system, and the definition of “life insurance” will be clarified.

*Restrictions on industrial development bonds.*—A number of proposals will limit the alarming growth in private purpose tax-exempt bonds, including industrial development bonds. Key features of the proposals would impose State-by-State volume limits on certain private purpose bonds; limit the volume of obligations that could benefit any one user; strengthen the arbitrage bond limitations; limit the tax exemption for federally guaranteed obligations; and apply all statutory limitations, including the arbitrage bond limitations currently applicable to State and local governments, to obligations issued by Puerto Rico and other U.S. possessions.

*Curtailment of tax shelter, accounting, and corporate tax abuse.*—Transactions have been identified that abuse existing partnership, accounting, and corporate tax provisions. The administration proposes a number of changes that will curtail transactions that generate unintended tax benefits or form the basis for tax shelter schemes. These changes are estimated to increase receipts by \$0.8 billion in 1984, \$3.2 billion in 1985, \$4.3 billion in 1986, and \$4.7 billion in 1987.

*Tax incentives for higher education.*—The administration proposes to exclude from taxation earnings on savings deposited in special accounts that will be used to pay future higher education expenses of dependent children. The maximum annual contribution to these accounts will be \$1,000 per child. However, this maximum will be reduced 5 cents for each dollar that the taxpayer's adjusted gross income exceeds \$40,000, so that any taxpayer with adjusted gross income in excess \$60,000 will be ineligible.

Eligible expenses generally are tuition and room and board incurred by a full-time student enrolled in a postsecondary education program leading to a degree or certification (including graduate school). In the case of part-time students in such a program, only tuition qualifies. Special savings accounts will qualify only if the dependent children on whose behalf the saving are made are under age 18. In no case may an account be kept open for a child over the age of 25. Eligible expenses will not include amounts paid to schools that follow a racially discriminatory policy. This proposal will be effective January 1, 1985, and is estimated to reduce receipts by a negligible amount in 1985, \$0.1 billion in 1986, and \$0.3 billion in 1987.

*Tuition tax credit.*—The administration proposes to provide taxpayers a nonrefundable credit for 50 percent of tuition expenses paid to private elementary and secondary schools for certain qualified dependents. The maximum credit allowable for each dependent is \$100 in 1984, \$200 in 1985, and \$300 thereafter, with the maximum amount in each year phased out for taxpayers with adjusted gross incomes between \$40,000 and \$60,000. Credits will not be allowed for expenses paid to private schools that follow a racially dis-

criminary policy. This proposal, which will be effective for expenses incurred after July 31, 1984, is estimated to reduce receipts by \$0.3 billion in 1985, \$0.6 billion in 1986, and \$0.9 billion in 1987.

*Enterprise zone tax incentives.*—Under current law, the only tax incentive for the redevelopment of economically distressed areas is a relaxation of limitations on tax-exempt financing for facilities receiving assistance under the urban Development Action Grant program. The administration proposes that up to 25 small areas per year (not to exceed 75 in total) be designated "enterprise zones." Effective January 1, 1985, the following tax incentives will be available for economic redevelopment in the zones: an exemption from capital gains tax on certain qualified property; a tax credit for employees equal to 5 percent of the first \$10,500 of wages earned; a tax credit for employers equal to 10 percent of any qualified increases in their payrolls; a separate tax credit for employers of certain disadvantaged individuals equal to 50 percent of the wages of such persons for the first three years of employment (the percentage declines by 10 points in the fourth year and each year thereafter); an increase of 50 percent in the regular investment tax credit for investment in equipment; a 10 percent investment tax credit for new construction and reconstruction of buildings; and continued availability of tax-exempt bond financing beyond the 1986 sunset date for small issue bonds. These incentives, which generally will remain fully in effect for 20 years and be phased out over the succeeding four years, are estimated to reduce receipts by \$0.1 billion in 1985, \$0.4 billion in 1986, and \$0.8 billion in 1987.

*Tax treatment of health insurance premiums.*—Under current law, compensation paid in cash is fully taxable for both social security and income tax purposes, while compensation in the form of employer-paid health insurance premiums is nontaxable. The administration proposes that effective January 1, 1985, employees be required to pay social security and income taxes on employer-paid health insurance premiums in excess of \$175 per month or \$2,100 per year for a family plan, and \$70 per month or \$840 per year for a single plan. Employer-paid health insurance premiums below these amounts still will be excluded from taxation. The \$175 and \$70 amounts will be indexed to rise with inflation. This proposal is estimated to increase receipts by \$3.9 billion in 1985, \$6.5 billion in 1986, and \$8.0 billion in 1987.

*Changes in contributions to civil service retirement (CSR).*—Currently, employees contribute 7% of wages and salaries to CSR, employing agencies contribute 7%, and the general fund of the Federal Government contributes 50% of the remaining cost. The administration is proposing several reforms that would reduce the cost of CSR, and increase contribution to the fund. These changes, which are estimated to increase governmental receipts by \$0.7 billion in 1985, \$1.4 billion in 1986, and \$1.5 billion in 1987, include the following:

*Increase employee contributions.*—The administration's proposal increases employee contributions (including District of Columbia employees who are under CSR) from 7% of wages and salaries to 8% effective October 1984, and to 9% effective October 1985.

*Increase the District of Columbia (D.C.) employer contribution.*—Matching the proposed contribution by D.C. employees, the administration's proposal increases the D.C. Government contribution from the current 7% to 8% effective October 1984, and to 9% effective October 1985. A corresponding increase in the contribution of Federal employing agencies is proposed; however, these employer contributions are shown on the outlay side of the budget and do not affect budget receipts.<sup>1</sup>

*Extension of Federal/State unemployment insurance coverage to railroad employment.*—Railroad employment is the only sector not covered by the regular Federal/State unemployment insurance system. The separate Railroad Sickness and Unemployment Insurance Fund (RSUI), which is financed by payroll taxes paid by rail employers, has been insolvent for a number of years.

In the past, when contributions have been insufficient to pay benefits, RSUI has borrowed from the rail pension fund. Even though RSUI will not be permitted to borrow from the pension fund after 1985, and the Railroad Retirement Revenue Act of 1983 increased RSUI contributions and established a separate debt repayment tax, it is estimated that the RSUI debt to the rail pension fund will grow to nearly \$1 billion by the end of 1985.

The administration proposes to extend regular Federal/State unemployment insurance coverage to railroad employment. Under this proposal rail employment will be covered under Federal and State unemployment insurance tax laws effective January 1, 1985. Existing RSUI contributions and the special debt repayment tax will remain in place to finance sickness payments and to ensure that all debt to the rail pension fund is repaid. This proposal is estimated to increase receipts by \$0.1 billion in each year, 1985—1987.

*Taxation of Foreign Sales Corporation.*—Under present law, taxes on a portion of a company's income from U.S. exports sold through a Domestic International Sales Corporation (DISC) can be deferred. The administration proposes to replace the current DISC provisions with a new system of taxing export sales income that is intended to preserve the competitiveness of U.S. exports while addressing concerns expressed by other General Agreement on Tariff and Trade (GATT) members. This provision is estimated to reduce receipts by a negligible amount in 1985 and 1986, and to increase receipts by \$0.1 billion in 1987.

*Withholding on U.S. real estate gains of foreign individuals.*—The administration proposes to withhold taxes on gains realized by foreign individuals on the sale of U.S. real property. It is estimated that this proposal will increase receipts by \$0.1 billion in 1985 and negligible amounts in subsequent years.

*Change in the taxation of Trusts for Investment in Mortgages (TIMs).*—Changes in the tax laws necessary to permit the development to TIMs are being proposed. These changes will remove regulatory and tax constraints, thereby facilitating trading and expansion of the private secondary mortgage market, as well as reducing

<sup>1</sup> The administration proposes to increase the contributions of the Postal Service by the same amount. Contributions of the Postal Service to CSR are shown on the outlay side of the budget and do not affect budget receipts.

the dependence of the mortgage market upon Government-sponsored enterprises.

*Tax exemption for deceased military personnel.*—The administration proposes to exempt from tax the income of certain military personnel killed in action overseas. This proposal is estimated to have a negligible effect on receipts.

*Extension of expiring provisions.*—The following provisions, which are scheduled to expire under present law, are proposed to be extended: the credit for research and experimental expenditures, which is scheduled to expire December 31, 1985; the present moratorium on the application of existing research and experimentation allocation regulations, which ensure that all research and experimentation deductions can be used to offset U.S. source income; the targeted jobs tax credit, which is scheduled to expire December 31, 1984; and, to a limited extent, the payment-in-kind (PIK) program. Extension of these provisions is estimated to reduce receipts by \$0.1 billion in 1984, \$0.3 billion in 1985, \$0.8 billion in 1986, and \$1.1 billion in 1987.

*Petroleum overcharge restitution fund.*—The administration proposes legislation to establish a special fund in the Department of Health and Human Services (HHS) to hold monies recovered by the Federal Government from petroleum pricing and allocation violations under the Emergency Petroleum Allocation Act of 1973, in instances where the overcharged customers cannot be identified and repaid. Oil overcharge money deposited into this fund will be used to finance the HHS Low-Income Home Energy Assistance Program, the Department of Energy (DOE) Low-income Weatherization Program, and DOE energy conservation grants to schools and hospitals. It is estimated that \$2.0 billion will be collected in 1984.



## Chart 15.—TAX EXPENDITURES: PRESENT LAW

[Dollars in billions]

	Fiscal year—	
	1984	1985
Commerce and housing credit.....	132.1	148.5
Income security .....	91.4	96.8
General purpose fiscal assistance .....	30.7	33.2
Education, training employment, and social services .....	24.0	27.0
Health .....	23.7	26.9
Energy .....	4.6	5.1
International affairs.....	2.8	3.0
Other tax expenditures .....	10.1	10.1
Total.....	319.4	351.6

## Chart 15

### Tax Expenditures: Present Law

The concept of tax expenditures was developed in order to compare the Federal Government's outlays to the budgetary impact of various deductions, deferrals, and credits in the tax structure. It was intended that, with this information, consideration of the budget might involve examination of both direct and tax expenditures as alternate means of providing incentives.

The Budget Act defines a tax expenditure as the revenue loss arising from special exemptions, exclusions, or deductions from gross income, a special credit, a preferential rate of tax, or a deferral of tax. In general, the concept is intended to identify provisions in the tax law which either encourage certain behavior or compensate for specific hardship. The term encompasses tax provisions of limited applicability which are exceptions to provisions of more general applicability considered necessary to make the tax system function.

This definition of "tax expenditure" is imprecise. The imprecision in definition, as well as a possible implication that the Government has a pre-eminent right to all income, has resulted in substantial controversy. Because of the difficulty of achieving precision, the staff approach has been to include all items listed as tax expenditures by the Administration. A listing of a provision as a "tax expenditure" here is not intended to imply approval or disapproval, or judgment about the effectiveness, of any provision. A listing simply reflects present law and, by implication, present public policy.

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 1985 budget is reproduced as appendix C of this document.

If the various tax expenditures figures in the two columns were added they would total \$262.2 billion in fiscal year 1983 and \$280.5 billion in fiscal year 1984. However, simple addition of the separate items, even in functional categories, may not accurately reflect revenue loss. The revenue estimates are made with the assumption that only one item was repealed. If two or more changes were made at the same time, there could be interaction effects. For example, an affected taxpayer could be forced into a higher tax bracket than if only one change were made. Thus, the combined revenue impact would be different from the sum of the separate revenue estimates. Furthermore, some taxpayers have the choice of using other expenditures if they want to reduce their tax liability. Other taxpayers would be required to pay higher taxes, absent existence of a tax expenditure provision. These possibilities are not reflected by a simple totaling of separate items.

## Chart 16.—DEBT LIMIT

[Dollars in billions]

Current debt limit.....	\$1,490.0
Reagan administration estimate of debt subject to limit Sept. 30, 1984 .....	1,587.8
Plus:	
Federal funds deficit for FY 1985.....	223.0
Off-budget agency spending financed by Treas- ury .....	14.8
Other financing .....	* —0.9
Equals:	
Debt subject to limit, Sept. 30, 1985.....	1,824.7

\*Net change from offsetting changes in financing other than borrowing against shifts in investment by Federal funds and off-budget entities.

## Chart 16

### Debt Limit

Under existing law, the debt limit is \$1,490.0 billion. In May of 1983 Congress amended the Second Liberty Bond Act to eliminate the distinction between the temporary and permanent debt ceilings, so that there is now just one ceiling without a fixed expiration date. The Reagan Administration estimates that legislation will be needed to change the limit on the public debt by May 1984.

For fiscal year 1985 the Reagan Administration assumes that the debt subject to limit would reach \$1,824.7 billion on September 30, 1985. Underlying those estimates are the legislative proposals to reduce the Federal deficit outlined in the fiscal year 1985 budget proposed by the Administration and reductions in borrowing by off-budget Federal entities. The economic assumptions set forth in the fiscal year 1985 budget also determine the estimates of the debt subject to limit.

The fiscal year 1985 needs as estimated by the Administration include issue of debt by the Federal Financing Bank under the debt limit on behalf of various agency programs and several agencies whose activities are not included in the budget totals. In general, trust fund surpluses are invested in Government securities and therefore do not serve to reduce the debt subject to limit even though they do reduce the unified budget deficit.

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**APPENDIX A**

**Committee on Finance 1983 Report to the Budget Committee With  
Respect to Fiscal Year 1984**

U.S. SENATE,  
COMMITTEE ON FINANCE,  
Washington, D.C., March 2, 1983

HON. PETE V. DOMENICI,  
*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 1984 that 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 make up the budget totals are highly sensitive to relatively slight changes in economic conditions. The economic assumptions underlying the budget are presented on pages 2-2 to 2-24 of the Administration's fiscal year 1984 budget. For purposes of the first concurrent resolution on the budget, the Finance Committee accepted these assumptions.

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

*Committee recommendations.*—The Finance Committee believes that it can reduce the fiscal year 1984 deficit by at least as much as the President's budget. It may raise more revenue than the President proposed and cut spending less or it may cut spending more and increase revenue less. Alternatively, it may both cut more spending than the President's budget and increase revenue more than his budget. In this letter we are merely stating that we hope to report legislation that reduces the deficit by at least as much as the President's budget. (Attached are the additional views of Senators Grassley, Pryor and Boren.)

Table 1 FINANCE COMMITTEE FORWARDS RECOMMENDATIONS OF THE PRESIDENT CONCERNING BUDGET AUTHORITY AND OUTLAYS UNDER COMMITTEE JURISDICTION, FISCAL YEAR 1984

Function	Budget Authority	Outlay
500 - Education, training, employment, and social services	4.0	4.0
550 -- Health	87.4	88.0
New legislation		2.1
600 -- Income security	211.2	229.6
New legislation	10.0	4.5
850 -- General purpose fiscal assistance	5.1	5.1
900 - Interest	146.1	146.1

*Expenditure programs.*—The Committee on Finance has jurisdiction over a variety of programs which involve expenditures. These include such income maintenance programs as social security, supplemental security income, unemployment compensation, and welfare programs for families. Health programs under Finance Committee jurisdiction include Medicare, Medicaid, and maternal and child health, as well as national health insurance proposals. Other programs within the Committee's jurisdiction which involve the expenditure of Federal funds include social services and revenue sharing. Interest on public debt, which on a gross basis will account for some \$144.5 billion in Federal outlays during the coming fiscal year, also falls under the jurisdiction of the Committee on Finance.

The Committee on Finance has reviewed the Administration's expenditure reduction proposals within its jurisdiction and voted to forward these proposals listed by budget function to the Budget Committee, without endorsement of any specific proposal or functional totals.

*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.

*Health.*—The Committee on Finance has jurisdiction over the Medicare, Medicaid, and maternal and child health programs. The Administration recommends that the congressional budget for fiscal year 1984 assume that net outlay reductions totaling \$2.1 billion will be achieved in the health function.

*Income security.*—In the income security function of the budget, the Committee on Finance has jurisdiction over the basic national social insurance and public assistance programs. The major programs involved are old-age, survivors, and disability insurance, supplemental security income for the aged, blind, and disabled, aid to families with dependent children, and unemployment compensation. Under the revised budget conventions adopted in 1978, the re-

fundable aspects of tax credits are now treated as expenditure items. As a result, the income security category estimates now include the refundable part of the earned income tax credit. The Administration recommends that the congressional budget for fiscal year 1984 assume that net outlay reductions of \$2.7 billion will be achieved in the income security function.

*General purpose fiscal assistance.*—This function of the budget includes general revenue sharing, and other items such as payments to Puerto Rico of amounts equal to certain tax collections. The general revenue sharing program expires at the end of fiscal year 1983. The Administration recommends an extension of this program through fiscal year 1988, and recommends that \$5.1 billion be included in the fiscal year 1984 budget for this function.

*Interest.*—The interest function of 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 will involve gross interest payments of \$146.1 billion and net interest payments of \$103.2 billion.

Table 2.—FINANCE COMMITTEE FORWARDS THE ADMINISTRATION'S REVENUE RECOMMENDATIONS: FISCAL YEAR 1984

	Billions
Present law .....	\$648.5
Legislation (net) under jurisdiction of Finance Committee .....	10.0
Other (Civil Service Retirement) .....	1.2
Present law and legislation .....	659.7

*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 1984 estimates total revenues of \$659.7 billion. The President's recommendation contemplates a \$10.0 billion net increase in revenues under Finance Committee jurisdiction from current law. The Committee on Finance has reviewed the Administration's revenue-raising proposals within its jurisdiction and voted to forward these proposals to the Budget Committee, without endorsement of any specific proposal or the overall revenue total.

Any final estimate of expected revenues should include 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 Administration's recommendations concerning the fiscal year 1984 congressional budget resolution.

Table 3 --BUDGETARY IMPACT OF ADMINISTRATION'S RECOMMENDATIONS

	In billions of dollars		
	Re- venue	Outlays	Deficit
Present law.....	648.8	880.3	231.5
Administration recommendations .....	659.7	848.5	188.8

*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 \$1,290.2 billion. This temporary limit expires on September 30, 1983, and in the absence of further legislation the debt ceiling would decline to the \$400 billion permanent level. The projected deficit for fiscal year 1984 will increase the debt subject to limit to a level of \$1,602.6 billion on the basis of the President's budget. The Budget Committee may find it necessary to adjust the debt limit estimates to take account of any other appropriate adjustments to the estimates in the budget for programs not within the jurisdiction of the Committee on Finance.

Table 4.—PUBLIC DEBT LIMIT ESTIMATES IN PRESIDENT'S BUDGET

	Billions
Estimated debt subject to limit as of Sept. 30, 1982.....	\$1,142.9
Administration's estimate of debt subject to limit Sept. 30, 1983.....	1,379.9
Plus:	
Federal funds deficit for fiscal year 1983.....	205.7
Off-budget agency spending financed by Treasury and other financing.....	17.0
Equals: Debt subject to limit as of Sept. 30, 1984.....	1,602.6

*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 questions 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.*—The magnitude and timing of savings or expenditures which may result from changes in the law to be recommended by the Committee during the upcoming session of the Congress will depend heavily on the exact nature of each specific legislative change. This result is arrived at only after the entire process of substantive consideration by the Committee and the Congress. Moreover, budgetary estimates presented in this letter are net amounts which may ultimately be achieved through a combination of legislative changes involving both increased costs in some cases and cost reductions in others.

Similarly, the revenue estimates 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. 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 Committee to undertake an analysis of the 5-year budgetary outlook and include projections in their reports on the budget resolution. This is a useful and appropriate element in congressional consideration of broad budgetary perspectives. However, for the reasons cited above, the Committee believes that an attempt by substantive committees to provide detailed projections of the likely impact of legislative changes on future fiscal years would be a highly speculative exercise if done prior to actual legislative consideration. The Committee does recognize the importance of future year budgetary impact projections and believes that the Budget Act and the Standing Rules of the Senate properly impose on substantive committees the obligation to make such projections when they have completed legislative consideration and are reporting a measure to the Senate.

To assist the Budget Committee in carrying out its responsibilities for long-range projections, I am enclosing a copy of Finance Committee Print 98-13 which includes present law projections of certain trust fund programs (see pages 18 and 64). Present law revenue projections appear in the Administration's FY 1984 budget on page 4-3.

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

Sincerely yours,

BOB DOLE, *Chairman.*

**APPENDIX B**

**Excerpt From Public Law 93-314—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—

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(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.

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

Congressional  
committees'  
report of sub-  
divisions.

(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 the 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.



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

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

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

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

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

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

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

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

68 Stat. 312

**(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 re-  
port, submit-  
ted 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 concurrent resolution on a concurrent resolution on the budget unless the figures contained in such resolution, as recommended in such conference report, are mathematically consistent.

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LEGISLATION DEALING WITH CONGRESSIONAL BUDGET MUST BE HANDLED  
BY BUDGET COMMITTEES

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

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

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

REPORTS, SUMMARIES, AND PROJECTIONS OF CONGRESSIONAL BUDGET  
ACTIONS

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

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

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

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

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

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

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

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

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

Periodic reports.

Contents.

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

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

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

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

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

Report.

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

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

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

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

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

31 USC 1330.

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

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

(2) providing new spending authority described in section 401

(c)(2)(C) which is to become effective during such fiscal year. Paragraph (1) shall not apply to any bill or resolution if legislation authorizing the enactment of new budget authority to be provided in such bill or resolution has not been timely enacted.

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Pub. Law 93-344

88 STAT. 315

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.

88 STAT. 316

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 303 for the consideration in the Senate of concurrent resolutions on the budget and conference reports thereon shall also apply to the consideration in the Senate of reconciliation bills and reconciliation resolutions reported under subsection (c) and conference reports thereon.

Debate, time  
limitation.

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

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

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

31 USC 1332.

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

- (1) the enactment of such bill or resolution as reported;
- (2) the adoption and enactment of such amendment; or
- (3) the enactment of such bill or resolution in the form recommended in such conference report;

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

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

TITLE IV--ADDITIONAL PROVISIONS TO IMPROVE FISCAL PROCEDURES

BILLS PROVIDING NEW SPENDING AUTHORITY

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

(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.--

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

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

Referral to Appropriations Committee.

Discharge from consideration.

Placement on calendar.

Committee jurisdiction.

(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.

(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;

40 Stat. 288. 31 USC 774.

and

(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

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

(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.

86 Stat. 919.  
31 USC 1221 note.

(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.

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

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

(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

(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.



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**(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 Commit-  
tee.  
Report to Sen-  
ate.

Discharge from  
consideration.

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

Placement on  
calendar.  
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 recommen-

Report to  
Congress.

dations for terminating or modifying such provisions.

## ANALYSIS BY CONGRESSIONAL BUDGET OFFICE

31 USC 1353.

Submittal to  
congressional  
committees.

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

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

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

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

## JURISDICTION OF APPROPRIATIONS COMMITTEES

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

Post, p. 322.

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

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

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

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

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

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

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

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

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

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EXERCISE OF RULEMAKING POWERS

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

(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 Special Analysis G  
of the Budget of the United States, pages G-13-G-18)**

Table G-2. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
<b>National defense:</b>						
Exclusion of benefits and allowances to Armed Forces personnel.....				1,785	1,895	2,030
Exclusion of military disability pensions.....				130	125	125
<b>International affairs:</b>						
Exclusion of income earned abroad by United States citizens.....				1,285	1,300	1,405
Deferral of income of domestic international sales corporations (DISC).....	950	870	940			
Deferral of income from controlled foreign corporations:						
Pre-1983 budget method.....	560	615	680			
1983 and 1984 budget method.....						
<b>General science, space, and technology:</b>						
Expensing of research and development expenditures.....	835	1,170	710	35	65	50
Credit for increasing research activities.....	600	645	655	15	20	25
Suspension of the allocation of research and experimentation expenditures.....	105	55				
<b>Energy:</b>						
Expensing of exploration and development costs:						
Oil and gas.....	1,800	760	1,075	1,360	1,055	1,135
Other fuels.....	30	30	35			
Excess of percentage over cost depletion:						
Oil and gas.....	490	330	340	790	890	810
Other fuels.....	255	280	280	10	10	10
Capital gains treatment of royalties on coal.....	35	40	40	145	140	155

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## THE BUDGET FOR FISCAL YEAR 1985

Table G-2. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
Exclusion of interest on State and local industrial development bonds for certain energy facilities.....	130	145	155	40	40	40
Residential energy credits:						
Supply incentives.....				325	370	470
Conservation incentives.....				285	260	305
Alternative, conservation and new technology credits:						
Supply incentives.....	215	150	160	35	25	25
Conservation incentives.....	45	5	*	5		
Alternative fuel production credit.....	10	20	25			
Alcohol fuel credit <sup>1</sup> .....	*	*	*			
Energy credit for intercity buses.....	10	10	10			
<b>Natural resources and environment:</b>						
Expensing of exploration and development costs, nonfuel minerals.....	55	60	65			
Excess of percentage over cost depletion, nonfuel minerals.....	280	315	365	10	15	15
Exclusion of interest on State and local IDBs for pollution control and sewage and waste disposal facilities.....	930	1,040	1,105	290	295	295
Tax incentives for preservation of historic structures.....	95	115	130	175	205	250
Capital gains treatment of iron ore.....	5	5	5	10	10	10
Capital gains treatment of certain timber income.....	275	390	430	95	125	155
Investment credit and seven-year amortization for reforestation expenditures.....	15	20	20	*	*	5
<b>Agriculture:</b>						
Expensing of certain capital outlays.....	85	90	95	475	495	510
Capital gains treatment of certain income.....	30	35	35	585	550	575
<b>Commerce and housing credit:</b>						
Dividend exclusion.....				465	455	460
Net interest exclusion.....						920
Exclusion of interest on small issue industrial development bonds.....	1,050	1,090	1,085	775	895	960
Exemption of credit union income.....	140	165	185			
Excess bad debt reserves of financial institutions.....	405	635	810			
Exclusion of interest on life insurance savings.....				4,335	4,720	5,180
Deductibility of interest on consumer credit.....				9,215	10,040	10,845
Deductibility of mortgage interest on owner-occupied homes.....				20,800	22,985	25,130
Deductibility of property tax on owner-occupied homes.....				8,010	8,775	9,640

## SPECIAL ANALYSIS G

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Table G-2 REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
Exclusion of interest on State and local housing bonds for owner-occupied housing	1,090	1,255	1,160	270	335	320
Exclusion of interest on State and local debt for rental housing	430	545	660	280	355	420
Capital gains (other than agriculture, timber, iron ore and coal)	1,770	2,075	2,130	15,335	14,660	15,720
Deferral of capital gains on home sales				1,325	1,700	1,800
Exclusion of capital gains on home sales for persons age 55 and over				600	755	805
Carryover basis of capital gains at death				3,535	3,860	4,355
Investment credit, other than ESOP's, rehabilitation of structures, energy property, and reforestation expenditures	18,070	23,590	26,495	3,175	3,160	3,190
Accelerated depreciation on rental housing:						
Pre-1983 budget method	120	155	165	575	665	720
1983 and 1984 budget method						
Accelerated depreciation of buildings other than rental housing:						
Pre-1983 budget method	175	200	215	150	165	185
1983 and 1984 budget method						
Accelerated depreciation of machinery and equipment:						
Pre-1983 budget method	10,430	16,885	23,650	490	1,510	2,335
1983 and 1984 budget method						
Safe harbor leasing rules	3,370	2,800	2,340			
Amortization of start-up costs	15	20	25	105	160	230
Exclusion of interest on certain savings certificates				1,225	320	
Reinvestment of dividends in public utility stock				365	415	450
Reduced rates on the first \$100,000 of corporate income:						
Pre-1983 budget method	4,500	5,645	5,905			
1983 and 1984 budget method						
<b>Transportation:</b>						
Deferral of tax on shipping companies	30	40	40			
Exclusion of interest on State and local bonds for mass commuting vehicles	50	80	100	10	15	25
Deduction for motor carrier operating rights	70	70	50	5	5	5
<b>Community and regional development:</b>						
Five-year amortization for housing rehabilitation	25	25	25	35	35	35

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## THE BUDGET FOR FISCAL YEAR 1985

Table G-2. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

Description	(In millions of dollars)					
	Fiscal years					
	Corporations		1985		Individuals	
1983	1984	1985	1983	1984	1985	
Investment credit for rehabilitation of structures (other than historic).....	175	200	185	160	165	160
Exclusion of interest on IDBs for airports, docks and sports and convention facilities.....	335	370	400	105	105	100
<b>Education, training, employment, and social services:</b>						
Exclusion of scholarship and fellowship income:						
Pre-1983 budget method.....				560	565	570
1983 and 1984 budget method.....						
Exclusion of interest on State and local student loan bonds.....	140	210	295	65	100	140
Exclusion of interest on State and local debt for private nonprofit educational facilities.....	85	105	125	25	35	40
Parental personal exemption for students age 19 or over.....				1,025	980	1,020
Deductibility of charitable contributions (education).....	290	375	415	680	705	810
Employer educational assistance.....				40	20	
Exclusion of employer provided child care.....				20	40	70
Exclusion of employee meals and lodging (other than military).....				680	725	795
Exclusion of contributions to pre-paid legal services plans.....				40	40	45
Investment credit for ESOPs.....	1,250	1,375	1,875			
Credit for child and dependent care expenses.....				1,520	1,695	1,905
General jobs credit.....	85	*				
Targeted jobs credit.....	390	585	650	65	110	80
Deduction for two earner married couples.....				3,120	6,200	6,635
Deductibility of charitable contributions, other than education and health.....	360	465	510	9,275	9,635	11,055
Deductions for certain adoption expenses.....				10	10	10
<b>Health:</b>						
Exclusion of employer contributions for medical insurance premiums and medical care.....				15,270	17,625	20,165
Deductibility of medical expenses.....				3,415	3,150	3,410
Exclusion of interest on State and local debt for private nonprofit health facilities.....	770	960	1,115	250	315	365
Deductibility of charitable contributions (health).....	180	235	255	1,355	1,410	1,620
Tax credit for orphan drug research.....	10	15	15			
<b>Social Security and Medicare:</b>						
Exclusion of social security benefits:						
Disability insurance benefits.....				1,310	1,225	1,105



## SPECIAL ANALYSIS G

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Table G-2. REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
OASI benefits for retired workers.				14,035	13,895	12,975
Benefits for dependents and survivors .....				3,775	3,755	3,765
<b>Income security:</b>						
Exclusion of railroad retirement system benefits .....				780	615	450
Exclusion of workmen's compensation benefits .....				1,885	2,020	2,215
Exclusion of public assistance benefits:						
Pre-1983 budget method .....				515	495	510
1983 and 1984 budget method .....						
Exclusion of special benefits for disabled coal miners .....				160	155	155
Exclusion of untaxed unemployment insurance benefits .....				2,960	2,305	1,800
Exclusion of disability pay .....				120	75	
Net exclusion of pension contributions and earnings:						
Employer plans .....				46,585	50,535	56,340
Individual Retirement Accounts .....				8,855	9,190	9,840
Keoghs .....				1,460	1,475	1,530
Exclusion of other employee benefits:						
Premiums on group term life insurance .....				2,040	2,170	2,380
Premiums on accident and disability insurance .....				120	120	125
Income of trusts to finance supplementary unemployment benefits .....				20	20	20
Additional exemption for the blind .....				45	45	45
Additional exemption for elderly .....				2,505	2,510	2,675
Tax credit for the elderly .....				110	145	210
Deductibility of casualty losses .....				485	370	415
Earned income credit <sup>2</sup> .....				355	315	285
<b>Veterans benefits and services:</b>						
Exclusion of veterans disability compensation .....				1,815	1,810	1,855
Exclusion of veterans pensions .....				345	335	340
Exclusion of GI bill benefits .....				155	130	115
Exclusion of interest on State and local debt for veterans housing .....	180	185	210	45	45	55
<b>General government:</b>						
Credits and deductions for political contributions .....				270	275	295
<b>General purpose fiscal assistance:</b>						
Exclusion of interest on public purpose State and local debt .....	6,735	7,270	7,715	2,345	2,530	2,675
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes .....				18,070	19,840	21,634

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## THE BUDGET FOR FISCAL YEAR 1985

Table G-2 REVENUE LOSS ESTIMATES FOR TAX EXPENDITURES BY FUNCTION—Continued

(in millions of dollars)

Description	Fiscal years					
	Corporations			Individuals		
	1983	1984	1985	1983	1984	1985
Tax credit for corporations receiving income from doing business in United States possessions.....	1,350	1,075	1,135			
<b>Interest:</b>						
Deferral of interest on savings bonds.....				566	721	771

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

† In addition, the exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts of \$160 million in 1983, \$210 million in 1984, and \$190 million in 1985.

‡ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays is 1983, \$1,213 million, 1984, \$1,123 million, 1985, \$1,044 million.