
PART 3

CURRENT SERVICES ESTIMATES

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The Congressional Budget Act of 1974, as amended, requires that the President submit to Congress estimates of the budget authority and outlays needed to maintain current Government services and activity levels. The Act defines current services levels as:

. . . the estimated budget outlays and proposed budget authority that would be included in the budget for the following year if programs and activities of the United States Government were carried on during that year at the same level as the current year without a change in policy.

Because current services estimates show what outlays, receipts, and budget authority would be if no policy changes were made, they provide a base with which the administration's budget proposals, or other proposals, may be compared. Such comparisons are made in various parts of the budget and serve to highlight the effects of recommended policy changes. A detailed discussion of the current services concept and estimates will be found in *Budget of the United States Government, Fiscal Year 1988, Special Analysis A*.

The current services estimates are based on the same economic assumptions as the President's budget proposals. Changes in economic conditions significantly affect budget estimates because of their effects on tax receipts, unemployment benefits, interest on the Federal debt, and other programs under which spending varies with the unemployment, interest, or inflation rates. As a result, if different economic assumptions were used, it would be very difficult to separate the effects of policy differences from the effects of differences in the economic assumptions.

The Current Services Concept.—The current services estimates are neither recommended amounts nor forecasts regarding what the budget results for 1987-1992 will actually be. Rather, they provide a base against which budgetary alternatives may be assessed. This base embodies the cumulative effects of all past congressional and Presidential budgetary choices. Because the estimates indicate the budgetary implications of the current directions of Federal programs, they in effect answer the question: "How would the budget come out if we simply continued enacted budget policy?"

The guiding principle in developing the conceptual basis for the current services estimates was to make the results useful to Congress and the public. The current services estimates used in this budget generally reflect the expected costs of continuing ongoing Federal programs at 1987 levels in real terms, without policy change; that is, they omit all proposed new legislative initiatives, Presidential or congressional, that are not now enacted. In general, the 1987 level on which the current services estimates are based is that which is authorized or implied by enacted 1987 appropriations or substantive legislation as modified by administrative actions anticipated to be in place before the end of 1987. The estimates allow for the future implications of current law and final regulations, and for anticipated changes of a relatively uncontrollable nature (as distinct from policy changes) such as increases in the number of medicare beneficiaries.

The current services estimates reflect the effects of inflation on virtually all budget accounts, including discretionary programs. The current services estimates thus provide a "constant real program" base against which to measure the President's budget proposals. To facilitate the comparison between the current services estimates and the President's budget proposals, the current services estimates are presented in the same account structure as the budget, even if legislation is required to effect any structural changes that may be proposed in the budget.

The application of the current services concept to the defense function has proved to be very controversial and difficult. During the years when there was broad consensus on the need for real growth, the administration as well as Congress used a variety of approaches to define current services for defense, including, most frequently, the prior year's approved policy level. Last year, the congressional budget committees used zero real growth in budget authority as current services for defense.

Due to the long time it takes to develop, produce, and deploy modern weapon systems, the cost of carrying out the defense mission in any year is influenced by the investment and policy decisions made in earlier years. For example, the cost of flying an aircraft 100 hours will depend on the type of aircraft being flown. Thus, flying an F-18 aircraft costs more than flying the A-4, which is being replaced as a result of a modernization decision made several years earlier. Prior year policy decisions and multi-year commitments result in real growth in defense spending in future years. In fact, our existing defense policies and activities would have to be changed if the defense budget did not grow over several years.

This year's defense budget request continues the policies already accepted by Congress. For example, all of the ships for the 600-ship Navy that will exist by the end of 1989 have been approved by Congress in past year budgets. Thus, an appropriate measure of current services requires inclusion of the resources necessary to operate and man these ships—even if such inclusion results in real increases to the defense program. To assume that other activities would have to be cut back to pay for operating the additional ships clearly would be inconsistent with the definition of "current services." Similarly, the funds necessary to maintain a 600-ship fleet into the future should be included in current services, including the advance procurement funds for two aircraft carriers.

Unlike past budgets, which sought to increase the defense program, this budget reflects the administration's best estimate of the resources necessary to maintain the national defense policies Congress has previously approved. Because these budget estimates contain a 3 percent real increase from the 1987 enacted level, the current services level for defense also incorporates 3 percent real growth.

The mix of operating and investment resources has a large effect on defense outlays. Likely changes in the mix therefore need to be considered in the outlay estimates. In calculating outlays for defense current services last year, the Congressional Budget Office estimate assumed that 1987 spending would follow the pattern of that in 1986. Accordingly, that estimate was derived simply by adding inflation to the budget authority appropriated for each account in 1986. There are two problems with this approach:

- First, real growth in total resources is necessary for the reasons indicated earlier.
- Second, it fails to consider the dynamic nature of defense programs whereby continuation of existing policies requires increases in operating resources even when Congress decides to provide no real increase in the total defense budget. As illustrated in the following table, over the last two years Congress provided real growth in the fast spending appropriation categories—military personnel; operations and maintenance (O&M); research, development, test and evaluation (RDT&E); and family housing—even though total defense appropriations had negative real growth.

For the reasons discussed above, the administration's proposed funding for Defense in 1988 is the same as the current services funding level. Nevertheless, if Congress chooses to use zero real growth for defense current services, then it should at least take into account the need for real growth in the fast spending areas and provide outlays accordingly.

**REAL GROWTH IN APPROPRIATED BUDGET AUTHORITY
FOR DEPARTMENT OF DEFENSE-MILITARY**

(Percentage change)

	<i>1987 compared to 1985</i>	<i>Annual average</i>
Total Department of Defense-Military budget	- 5.6	- 2.8
Appropriation titles increased by Congress:		
Military personnel	2.9	1.5
Operations and maintenance	2.3	1.1
Research, development, test, and evaluation	8.0	4.0
Family housing	2.6	1.3

Current Services Totals.—As shown in the following table, current services outlays are estimated to be \$1060.5 billion in 1988, 4.3 percent higher than in 1987. Outlays are projected to grow at an average annual rate of 4.4 percent from 1988 to 1992. Receipts for 1988 are estimated to increase 8.1 percent on a current services basis—from \$842.3 billion in 1987 to \$910.4 billion in 1988. Receipts are projected to grow at an average annual rate of 6.8 percent from 1988 to 1992. The resulting 1988 current services deficit is \$150.1 billion—\$24.4 billion lower than the \$174.5 billion deficit for 1987. The current services deficit is projected to decline further each year, falling to \$78.3 billion in 1992.

CURRENT SERVICES TOTALS

(In billions of dollars)

	<i>1986 actual</i>	<i>Estimate</i>					<i>1992</i>
		<i>1987</i>	<i>1988</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	
Receipts.....	769.1	842.3	910.4	968.2	1,039.7	1,114.3	1,182.3
Outlays.....	989.8	1,016.8	1,060.5	1,115.1	1,165.4	1,215.5	1,260.6
(National							
Defense)	(273.4)	(282.2)	(297.6)	(312.2)	(330.0)	(349.5)	(370.9)
(Nondefense) ..	(716.4)	(734.6)	(763.0)	(802.9)	(835.4)	(866.0)	(889.8)
Deficit	- 220.7	- 174.5	- 150.1	- 146.9	- 125.7	- 101.2	- 78.3