

CHAPTER 3

OTHER NON-DEFENSE SPENDING**INFRASTRUCTURE/PUBLIC WORKS**

The Administration is taking actions to build an environment for stronger economic growth with initiatives that will restore, improve and expand the Nation's infrastructure. These actions will assure that scarce public resources are used as effectively as possible, that those directly benefitting from an improved infrastructure contribute their fair share of the costs, and that the resources used by inefficient programs are reallocated to better meet our national needs.

- Significant increases in Federal funding will provide for completion and rehabilitation of the interstate highways, as well as for repair of primary system roads and for bridge rehabilitation. In addition, the Federalism initiative will contain a Transportation Block Grant, consolidating programs for which State and local governments are principally responsible.
- For mass transit, there will be increased funding for rehabilitation of existing bus and rail systems, rolling stock purchases, and other capital assistance. Newly enacted formulas will target more funds to those communities with greatest need, and UMTA will ensure that discretionary funds are distributed to best meet current capital needs. Operating assistance will decline in order to encourage a greater reliance by localities on user fees to fund needs and priorities.
- The Administration is proposing major increases to fund aviation infrastructure, including state-of-the-art surveillance, navigation, and communications facilities and airport development. These capital improvements will be fully funded by increased user fees, including a higher passenger ticket tax, increased general aviation fuel taxes, and other aviation excise taxes. Without these increased fees, the necessary upgrading and expansion of the system would not be possible.
- The Administration will reintroduce Enterprise Zone legislation designed to stimulate private sector productivity, job creation, and investment in distressed areas by reducing tax and regulatory burdens.
- Increased expenditures for Corps of Engineers, waterways and port facilities, including locks, dams, and channels will be recovered by increased user fees. The current practice subsidizes not only domestic shippers but also foreign navigation, creates an excessive demand for waterway and port facilities, and results in an inefficient use of scarce federal resources.

Improvements to our national infrastructure will also result from other measures the Administration is taking. These include spending, tax and regulatory reforms that lower interest rates and reduce the borrowing costs of States and localities; that lower inflation rates and stimulate investment by reducing the uncertainty about future costs; and that encourage new technological innovation and increase the Nation's productivity.

EDUCATION, TRAINING, AND EMPLOYMENT SERVICES

The Federal role in meeting education and training needs should be limited to those specific areas where a demonstrated Federal responsibility exists. Historically, the responsibility for meeting most of these needs has rested with State and local governments and the private sector. The 1984 Budget requests \$18.5 billion for education, training and employment programs, compared to \$19.0 billion in 1983. (This includes \$912 million in funding for later transmittal to finance training and employment programs on a calendar year basis).

EDUCATION

The Budget would provide \$13.1 billion for education activities. This includes:

- \$4.6 billion for student aid;
- \$4.6 billion for elementary, secondary and vocational education programs; and
- \$2.1 billion for handicapped education and vocational rehabilitation services.

The request is \$1.0 billion below the 1983 enacted level (adjusted for a technical reestimate affecting 1983 costs of the Guaranteed Student Loan Program).

The request preserves funding at approximately current levels for nearly all major student aid and State grant programs. Major initiatives include:

- Legislation to restructure student aid, within current resource levels, to ensure that families and students pay their fair share of education costs. Also proposed is a tax incentive to encourage savings for education.
- To ensure choice of education alternatives, legislation for tuition tax credits for all parents and for a voucher option for compensatory education for the educationally disadvantaged.

The budget also includes \$50 million in budget authority for the Department of Education and \$20 million in budget authority for the National Science Foundation for the training of new and existing teachers to help in improving the teaching of science and mathematics in secondary schools.

Significant reductions are proposed for vocational education because the Federal incentive to States is no longer needed to encourage States to create large, responsive vocational education systems. The systems are in place; further Federal funding should provide limited flexible resources to help States meet local needs. Other reductions are proposed for smaller grants and categorical programs because these are of lower priority or duplicate other services.

TRAINING AND EMPLOYMENT SERVICES

Federal financing of training and employment programs is intended to enhance individuals' long-term employment and earning prospects and to improve the operation of the labor market. The 1984 Budget provides \$5.4 billion for these activities.

Training and employment activities are financed through grants to States for training, summer youth employment programs, assistance to dislocated workers, and the Employment Service; and through various national programs, including the Job Corps. Legislation enacted in 1982 will enhance the operation of our Federal system in this area by providing States with more flexibility in the use of grants for training and the Employment Service.

- Block grants to States are provided under the new Job Training Partnership Act of 1982 (JTPA) which consolidated several categorical grants of Federal assistance to States for training into a block grant. This grant provides the States with the discretion to use these resources to address their most pressing training and employment problems. It is expected that the \$1.9 billion in budget authority requested for 1984 will support 406,000 years of service, compared to 303,000 to be served under the replaced programs in 1983.
- The summer youth employment program is continued by the new Job Training Partnership Act. Estimated outlays of \$638 million in 1984 will provide approximately 718,000 summer jobs, about the same as in 1983. Legislation is proposed to reduce the minimum wage for youth during the summer months to enable employers to afford to hire unskilled youth. Such youth will then be able to obtain invaluable work experience.

- Assistance to dislocated workers will be provided under the JTPA which authorizes this new program of grants to States to help them assist unemployed workers who are unlikely to return to their previous jobs or occupations. Proposed budget authority of \$240 million in 1984 will provide assistance to approximately 96,000 workers.
- National training and employment service programs include:
 - The Job Corps -- a residential training program for disadvantaged youth that will provide about 40,000 years of service in 1984.
 - The Administration is proposing a mandatory community work experience program that will provide work experience for AFDC recipients that is more useful than what is now provided under WIN. Therefore, the Work Incentive (WIN) program is not funded in the 1984 Budget. The program has not been demonstrated to be cost-effective. In addition, training will continue to be available under the JTPA which requires that AFDC recipients be provided service on an equitable basis.
 - Special programs for, among others
 - Veterans
 - Native Americans
 - Migrant and seasonal farm workers.
- Federal-State employment services have new flexibility under the JTPA, which revised the Wagner-Peyser Act, to plan and operate basic employment services. The revisions permit greater coordination by the States between the employment service and Federal training activities. Estimated outlays of \$886 million in 1984 will provide the same overall level of employment services as are financed in 1983.

SPECIAL ASSISTANCE

The Federal Government provides assistance to particular groups of people and for certain kinds of activities. Some of this assistance is quite properly the province of the Federal Government, some would be more appropriately administered by State and local governments, and some is not appropriate to any level of government and should be left to the private sector.

The President's 1984 Budget proposes a number of significant changes in many of the special assistance programs. For example:

Indians The President's budget contains \$2.3 billion in assistance for Indians. Major changes include:

- Replacement of the current Indian housing activities scattered among Interior, HHS, and HUD with two alternative approaches to be administered by HUD: (1) a \$76 million housing grant program; and (2) a \$75 million Community Development Block Grant program which allows new housing construction as an eligible activity.
- Permitting federally recognized Indian tribes to receive direct funding under the Title XX Social Services Block Grant.
- Permitting federally recognized Indian tribes to be funded directly under the Science and Mathematics Teachers Development Act.
- As a supplement to appropriations, expanding third-party reimbursements (through, for example, health insurance plans) for services offered by the Indian Health Service.

Veterans The 1984 Budget proposes the following changes in veterans programs:

- \$714 million increase in budget authority and 2,300 higher full time equivalent employment over 1983 for medical care and construction. These increases reaffirm the Administration's commitment to quality care for the Nation's Veterans.
- Veterans pensions will be covered under the six-month delay in cost-of-living adjustments recommended by the bipartisan National Commission on Social Security Reform.
- Provide, beginning in April 1985, annual cost-of-living increases on a graduated scale, aligned with the degree of disability.

Minorities Major changes in programs aimed at providing assistance for minorities include:

- The Minority Business Development Agency management and technical assistance program will continue to focus attention on the development of private sector market opportunities for minority businesses. Beginning in 1984, \$6 million (10%) of MBDA's program level will be financed through private sector cost sharing, which will increase gradually to 25% by 1987.
- The number of and average amount of grants to historically Black colleges (HBC's) would increase from the level to be financed from the 1983 appropriation, allowing faster progress by more of these institutions toward self-sufficiency.
- Funding for civil rights activities will increase by \$68 million over 1982 outlays. Outlays for principal civil rights agencies will be increased or maintained at current levels.

Chapter 6, Federalism, provides information on assistance programs that should be administered on the State and local levels.

Private Sector Responsibilities The 1984 budget also proposes reductions in or elimination of assistance that is unwarranted because it is a private sector responsibility. For example:

- The Legal Services Corporation would not be authorized. The States should be given the flexibility and discretion to use block grant funds and private attorneys should fulfill their ethical obligations to serve the poor.
- Postal subsidies would be reduced. Although there are grounds for complete elimination of the subsidy, it has been decided to maintain the subsidy at the \$400 million level because the Administration recognizes the substantial role played by churches and charitable institutions in contributing to volunteer fund raising efforts.
- Federal funding for public broadcasting would be reduced 14% over the next 3 years, requiring the public broadcasting industry to more aggressively seek funding from other sources---from individuals, corporations, and other non-Federal organizations.

SCIENCE AND TECHNOLOGY

The Federal Government invests in scientific research and technology development to meet direct Federal needs such as Defense and to assist in meeting national needs such as support for basic research. Total Federal funding for R&D, including R&D facilities, is proposed at \$47 billion in 1984, an increase of 17% above the 1983 level.

The increase in the 1984 budget for research and development reflects the Administration's policy to exercise greater selectivity in funding R&D, based upon excellence, pertinence to national needs, and the appropriateness of Federal involvement. Thus, the Budget provides:

- A major (29%) increase across all R&D programs of the Department of Defense.
- A significant (10%) increase, through programs of the National Science Foundation (NSF) and other agencies, in support of basic research, with emphasis on the physical sciences and engineering. Advances in these fields are key to future national defense and the long-term competitiveness of the U.S. economy, particularly in high technology industries.

The 1984 Budget, in keeping with Administration policy, also proposes continued reductions in Federal subsidization of near-term civilian R&D and demonstration programs (e.g., in non-nuclear energy technologies). For such programs the private sector, not the Federal Government, has the expertise and capability to select and fund the advancement of technologies that can be successfully brought into the market place.

The Administration will seek, in 1984, to make more effective use of increased research funds, particularly in the basic sciences, by:

- Directing most of the additional basic research funds to universities to increase the production of new knowledge as well as the training of new scientists and engineers.
- Attracting the highest caliber scientists and engineers, particularly young faculty members, into research and encouraging and supporting them in their careers. These efforts will assist in ensuring a high quality scientific workforce to meet the needs of the Nation both in the near- and long-term;
- Encouraging greater and more creative interaction among university, Government and industry scientists to bring the Nation's best scientific expertise together in addressing the most challenging scientific and technical problems and opportunities to advance scientific and industrial growth; and
- Upgrading the scientific instrumentation of universities to enhance productivity and excellence in both research and the training of scientists and engineers.

The budget also includes support for new or enhanced programs in the NSF and the Department of Education to encourage national efforts to improve the teaching of science and mathematics in secondary schools. The Federal funding will help catalyze efforts by the State and local governments and the private sector to reverse the decline in science and mathematics education and assure that the Nation's future workforce will possess the science and mathematics competence necessary in an increasingly technological society.

ONGOING FUNCTIONS OF GOVERNMENT

These general government functions comprise those basic operations that can or should best be performed by government. They include:

- Federal responsibility for protection of life and property -- particularly in the context of criminal interstate or multijurisdictional actions.

Although public safety is primarily a local responsibility in our federalist system, the Federal Government enforces a broad range of laws that are best handled on a national basis because of their multijurisdictional or unique nature.

Fighting drug trafficking is a top Administration priority. The Administration is increasing resources for both Federal law enforcement agencies and for the Federal prison system. Furthermore, direct financial assistance will be provided to State and local governments for effective projects to improve their criminal justice activities.

- The budgets for the FBI, DEA, Immigration and Naturalization Service, U.S. Customs Service, BATF and the criminal investigative arm of IRS are increasing by \$228 million, an 11% increase over 1983.
 - Work on three new correctional facilities is planned.
 - \$90 million will be provided for the criminal justice assistance program.
- Collection of Federal revenues through an efficient and fair tax administration system.

In order to assure that all taxpayers pay their fair share, IRS will be devoting significant resources during 1983 and 1984 to the improvement of tax enforcement.

New administrative provisions of the Tax Equity and Fiscal Responsibility Act should also increase IRS ability to assure compliance.

- As a result there will be additional receipts of \$9 billion in 1984 and over \$50 billion through 1988 from increased compliance alone.
- The provisions for withholding on dividends and interest income will contribute a significant portion of this receipts increase, \$6 billion in 1984 and \$26 billion through 1988.

In 1984, IRS will further seek to assure equity by targeting assistance to those taxpayers who need it most and must depend on the IRS for help - the elderly, the handicapped, low income, and non-English speaking persons.

- Prudent management of Federal and national assets and holdings, including disposal of surplus Federal property and the efficient utilization and costing of Federal office space.

The Administration will continue in the effort to improve management of real property holdings by identifying and disposing of properties that are in excess of the Federal Government's needs.

- In the category of acquired lands GSA will conduct targeted surveys of high value sites that may be excess to agency operational needs.
- Public lands will be identified for disposal using criteria established by the Federal Land Policy and Management Act.

The budget presumes that space rental charges (SLUC) will rise to reflect true commercial equivalent rates. This will force agencies to recognize that space is not a free good and will provide dollar incentives for improved space utilization.

INFRASTRUCTURE/PUBLIC WORKS

HIGHWAYS

AGENCY: Department of Transportation

Functional Code: 401

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	8,765	13,207	13,840	14,579	15,360	16,235	17,160
Obligations	8,533	13,531	13,517	14,319	15,220	16,086	17,003
Outlays	7,988	8,852	12,370	13,074	13,724	14,579	15,464
REAGAN BUDGET							
Budget Authority	8,765	13,184	13,932	14,672	15,433	15,374	15,375
Obligations	8,533	13,046	13,449	14,279	14,694	14,635	14,636
Outlays	7,988	8,817	12,041	12,887	13,563	14,048	14,238
PROPOSED CHANGES							
Budget Authority	--	-23	+92	+93	+73	-861	-1,785
Obligations	--	-485	-68	-40	-526	-1,451	-2,367
Outlays	--	-35	-329	-187	-161	-531	-1,226

NOTE: Increases in Reagan Budget over Current Services for 1984-1986 represent initiation of new Motor Carrier Safety Grant program and transfer of Appalachian Development Highway System funding to the highway budget.

PROGRAM DESCRIPTION

The highway programs provide grants to the States for the Federal share of costs to construct or rehabilitate highways included in these highway systems: Interstate, primary, secondary, and urban. Funds also are provided for rehabilitation or replacement of bridges, for highway safety projects, and for a number of small, separate categorical programs which provide special purpose grants. The Surface Transportation Assistance Act of 1982 significantly increased revenue available to support the Federal highway program. This additional revenue has allowed a major expansion of highway funding in 1983 and 1984, over 1982 levels.

PROPOSED CHANGE

The Administration's budget implements the recently enacted Surface Transportation Assistance Act of 1982. Major increases in funding are provided to upgrade and maintain highway systems which provide the greatest benefit to the Nation as a whole because they carry the majority of interstate traffic:

- Funding for interstate completion and rehabilitation will increase by 64% over 1982 levels and 8% over 1983 levels.
- Interstate rehabilitation funding will show the biggest percentage increase (i.e., 200% over 1982 and 23% over 1983) reflecting the priority given to preserving this system.
- Primary system and bridge rehabilitation programs will increase by 56% over 1982 and 9% over 1983 levels.
- Highway programs primarily benefitting States and localities will be funded at about the 1982 and 1983 levels.
- The 1987-88 reductions from current services reflect the fact that the authorizations in the Surface Transportation Assistance Act terminate in 1986. While Administration projections

basically freeze the 1987-88 budget authority at 1986 levels, the current services estimates increase with inflation.

Overlaying the proposed changes is the Administration's Federalism Initiatives which will include a Transportation Block Grant incorporating a number of highway programs of primary interest to State and local governments.

RATIONALE

The Budget proposals reflect the Administration's thrust to preserve the Nation's basic highway infrastructure while focusing Federal funding on the highest Federal interest programs.

- The Interstate highway system will be funded at a level leading to rapid completion of the system by the early 1990's. Deterioration of the Interstate highway network will be stopped and existing decay will be overcome.
- Rehabilitation of the aging primary highway system, which carries half of all interstate traffic, will receive a high priority as will the repair or replacement of unsafe highway bridges.
- Highway systems that carry basically State and local traffic are of lower priority in terms of a national highway program. While continuing to receive Federal funding, the total infrastructure needs of these systems must be addressed at the State and local level where the real need and priority can best be determined.

EFFECTS OF THE PROPOSED CHANGE

Deterioration of the Nation's highway infrastructure will be abated, providing a safe, efficient network for the movement of people and commerce. In particular, the aging interstate system will be repaired and rehabilitated and bridges will be brought up to higher standards.

1982 AND 1983 CHANGES

The Surface Transportation Assistance Act of 1982 initiated expansion of Federal funding for highway infrastructure. The Act also increased the Federal gas tax from 4¢ to 9¢ per gallon effective April 1, 1983.

TRANSIT

AGENCY: Department of Transportation

Functional Code: 401

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	3,532	4,345	5,043	5,122	5,358	5,661	5,982
Outlays	3,864	3,873	4,234	4,410	4,754	5,129	5,460
REAGAN BUDGET							
Budget Authority	3,532	4,345	3,915	3,437	3,447	3,452	3,442
Outlays	3,864	3,873	3,730	3,690	3,522	3,588	3,564
PROPOSED SAVINGS							
Budget Authority	--	--	1,128	1,686	1,911	2,210	2,540
Outlays	--	--	504	721	1,233	1,541	1,896

PROGRAM DESCRIPTION

The Federal Government provides grant assistance for mass transit through a variety of formula and discretionary grant programs. Funds are provided to grant recipients for capital and operating assistance, planning activities, demonstration of innovative management techniques and advanced technologies, managerial training, and university research.

The Surface Transportation Assistance Act of 1982 restructured the transit program, creating a new formula grant to be distributed to urban and rural areas starting in 1983. In 1983, the grant can be used for capital assistance only; in 1984, for both capital and operating assistance. The Act also set aside one cent of the five cent per gallon motor fuels tax increase for transit use. In 1983, these funds are for the new formula grant. In 1984, and future years, they are to be used for the existing discretionary grant program for capital projects only.

PROPOSED CHANGE

- Capital assistance obligations increase 22% between 1982 and 1983 and 34% between 1982 and 1984. Operating obligations subsidies would drop to 53% of 1982 levels by 1984 and be eliminated in 1985.
- Capital assistance will be available for rehabilitation of existing transit systems, new system construction (to a limited degree), and bus facilities and rolling stock.
- The formula grant program provides proportionately greater assistance to urbanized areas with large, complex transit systems. These are the systems where problems associated with aging infrastructure are greatest. Discretionary grants will also be targeted by UMTA toward those cities with the greatest infrastructure needs.
- The programs funded by new motor fuels taxes will be capped at approximately the levels of receipts estimated by Treasury from those taxes.

RATIONALE

- The Administration proposes a major increase in capital funding because it recognizes the value of mass transportation to the Nation's cities and intends to meet current transit capital needs.

- UMTA estimates transit capital needs to be \$50 billion over the next ten years (includes Federal and non-Federal funding). In order to meet critical rail needs -- mainly in the Northeast and North Central parts of the Country -- and the capital needs of the hundreds of cities providing bus service, the Administration's proposed funding levels are necessary.
- Federal operating subsidies should be reduced because: these funds have supported marginally effective transit services that would not have been provided if Federal assistance did not exist; operating subsidies have permitted fares to remain artificially low; regulations attached to Federal assistance increase transit costs; and productivity has declined during the existence of Federal operating subsidies.

Federal operating subsidies have also reduced funds available for transit capital needs.

EFFECTS OF THE PROPOSED CHANGE

- Cities with aging fixed rail systems will particularly benefit, as funds are directed toward their long deferred capital needs. The average age of the nation's bus fleet will remain 8 to 9 years and bus facilities will be rehabilitated and constructed as the need arises.
- As Federal operating assistance is reduced, State and local funding will increase and inefficient service will be eliminated. Federal dollars will be redirected to meet transit needs.

1982 AND 1983 CHANGES

- Operating subsidies were cut marginally, 8% from 1981 to 1982 and 17% from 1982 to 1983.
- Capital funding dropped 12% from 1981 to 1982 with a large increase in 1983.
- Transit assistance was reconfigured significantly by the Surface Transportation Assistance Act of 1982, as indicated above.

**MODERNIZATION OF THE AVIATION INFRASTRUCTURE:
AIRPORT IMPROVEMENT PROGRAM AND FAA CAPITAL PLANT**

AGENCY: Department of Transportation

Functional Code: 402

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	818	1546	1778	1808	1875	1912	2008
Program Level	663	1143	1340	1484	1590	1678	1762
Outlays	720	910	1291	1335	1456	1572	1664
REAGAN BUDGET							
Budget Authority	818	1546	2280	2663	2609	2374	2698
Program Level	663	1143	1789	1995	2253	2430	2578
Outlays	720	910	1442	1719	1952	2177	2400
PROPOSED INCREASES							
Budget Authority	--	--	502	855	734	462	690
Program Level	--	--	449	511	663	752	816
Outlays	--	--	151	384	496	605	736

PROGRAM DESCRIPTION

The primary mission of the Federal Aviation Administration (FAA) is to ensure the safe and efficient movement of air traffic. Adequate airport capacity as well as state-of-the-art surveillance, navigation and communications facilities are essential.

To provide the necessary aviation infrastructure to meet forecasted demand, the FAA administers airport improvement grants and programs for engineering, development and procurement of facilities and equipment.

PROPOSED CHANGE

- For engineering, development and procurement of facilities and equipment, the budget requests \$1.3 billion, a 72% increase over 1983 and 64% increase over the 1984 current services level.
- For airport improvement grants, the 1984 budget includes obligations of \$700 million. This represents a healthy increase over the 1982 and 1983 obligation limitations as well as an increase over the 1984 current services level.

RATIONALE

- Upgrading and expanding the aviation infrastructure is essential to meet forecasted demand through the year 2000.
- FAA workload indicators, such as services provided to general aviation pilots or number of aircraft handled by air traffic controllers, are projected to increase anywhere from 60% to 80% during 1981-2000.
- The \$1.3 billion to modernize the FAA capital plant includes the fully authorized level for the engineering and development activities and the procurement funds necessary to place under contract all programs which will be ready during 1984.

- The \$700 million obligation level for airport improvement grants will fund safety-related work, reconstruction and improvement of existing facilities, and expansion needed to resolve critical capacity problems.

EFFECTS OF THE PROPOSED CHANGE

The 1984 budget request will allow the FAA capital modernization program to continue on schedule.

1982 AND 1983 CHANGE

The Airport and Airway Improvement Act of 1982 was signed into law on September 3, 1982, as part of the Tax Equity and Fiscal Responsibility Act. The Act increased the passenger ticket tax to 8% and the general aviation gasoline tax to \$.12 per gallon, established a \$.14 per gallon tax on general aviation jet fuel and reinstated other aviation user fees to the 1980 levels.

These increased user fees will pay 100% of the costs associated with airport improvement grants and the modernization of the FAA capital plant as well as cover a portion of the FAA's costs to operate and maintain the National Airspace System. Without the increased user fees, the necessary upgrading and expansion of the aviation infrastructure would not be possible.

ECONOMIC DEVELOPMENT ADMINISTRATION

AGENCY: Department of Commerce

Functional Code: 452

Funding

(\$ in millions)

	1982	1983*	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	224	192	238	252	265	279	294
Outlays	453	349	269	297	267	255	272
REAGAN BUDGET							
Budget Authority	224	34	18	9	7	5	5
Outlays	453	325	181	134	59	19	8
PROPOSED SAVINGS							
Budget Authority	--	158	220	243	258	274	289
Outlays	--	24	88	163	208	236	264

*President's budget includes a 1983 supplemental to transfer \$158M in budget authority to the Small Business Administration (SBA) for increased guaranteed loan defaults.

PROGRAM DESCRIPTION

The Economic Development Administration (EDA) provides grants, loans, and loan guarantees to assist economically distressed areas and to help localities adjust to economic disruptions such as those caused by the closing of a major company or government installation. The annual EDA funding level for economic development assistance was about \$500 million up to 1981.

PROPOSED CHANGE

- As part of its policy of placing greater emphasis on the private sector and transferring primary responsibility for administering community and economic development assistance to States and local governments, the Administration proposed, in March 1981, termination of EDA at the end of 1981. Funds were made available in 1982 to provide for a more gradual phase out of EDA programs and for a longer adjustment period prior to termination.
- The Administration now proposes to terminate EDA as soon as possible in 1983. In 1983, funding will be provided for close-out costs. EDA has exhausted all eligible projects in the pipeline for 1982. No program funds have been requested in 1984.

RATIONALE

- Economic expansion and job creation will be stimulated through the President's overall economic recovery program, which includes general tax, spending, and regulatory reduction measures. Furthermore, States and their localities will continue to receive Federal assistance for economic development through block grant programs that distribute Federal funds more efficiently and provide for more local discretion.
- There is little evidence that EDA public works projects help the unemployed: public works projects employ relatively few people; those who get jobs are mainly skilled construction workers--not the average unemployed worker; and public works implementation is too long term to help in the worst of a downturn.

- The original purpose of EDA was to provide special financial assistance to those few economically distressed areas of the country that were by-passed by general prosperity. The program has evolved to the point where over 80% of the nation qualifies as a distressed area. The legislative proposal pending in the Congress to narrow the eligible areas would still provide EDA funds to 60% of the counties in the U.S.A.
- There is little evidence that the expenditures from these programs have induced development and infrastructure in distressed areas that would not have occurred either there or elsewhere without this investment. In fact, State and local government may actually lessen and delay overall expenditures for public works projects in hopes of Federal funding.
- There is no evidence that the programs being terminated have created new jobs nationwide. Rather, such programs appear to encourage potential growth in some areas at the expense of other areas. Similarly, the Government does not create net new jobs in the economy by moving productive resources from the private sector to the public sector.

EFFECTS OF THE PROPOSED CHANGE

- Because EDA programs often substitute Federal resources for expenditures that would have been made for infrastructure, including industrial parks, water and sewer systems etc., by the private sector or the local public sector in distressed areas or elsewhere, the impact overall of terminating the programs will be insignificant.
- Funds for State and local community and economic development programs will continue to be available in 1984 through the Urban Development Action Grant program (\$0.5 billion program level) and the flexible Community Development Block Grant program (\$3.6 billion program level) which distributes Federal funds more efficiently than EDA. Likewise, specialized assistance for rural areas will continue to be available through the Farmers Home Administration.
- Job creation and revitalization of highly distressed urban areas will be stimulated by the President's urban enterprise zone initiative which is based on a reduction of tax and regulatory burdens.

ENTERPRISE ZONES

AGENCY: Department of Housing and Urban Development Functional Code:451

<i>Funding</i>	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Tax Incentives	--	--	--	--	--	--	--
REAGAN BUDGET							
Tax Incentives	--	--	85	400	765	1,060	1,140
PROPOSED CHANGES							
Tax Incentives	--	--	85	400	765	1,060	1,140

PROGRAM DESCRIPTION

Enterprise Zones is an experimental, free-market approach for dealing with distressed areas. It has two purposes: to create jobs in depressed areas, especially for disadvantaged workers, and to redevelop and revitalize the areas themselves. This represents a new approach to the problems of distressed areas, relying primarily on market processes rather than direct Federal subsidies and central planning.

It would do this by:

- Providing tax relief at the Federal, State, and local levels.
- Reducing unnecessary red tape at the Federal, State, and local levels.
- Improving local public services, possibly through experimentation with the privatization of some public services.
- Involving private, local, and neighborhood organizations in the program.

Through a competitive process and based on applications from States and local governments, the Secretary of the Department of Housing and Urban Development would select 75 enterprise zones (25 per year for three years) in areas of poverty, unemployment, and general distress. In evaluating applications, the Secretary would consider State and local contributions in the areas of tax and regulatory relief and the provision of public services. Once designated, Federal tax incentives relating to investment, payroll, employee income, and capital gains would be applicable to activity within the zones.

PROPOSED CHANGE

Enterprise Zone legislation was first proposed by the Administration in 1982. The Senate Finance Committee approved legislation, but the House failed to act. The proposal will be reintroduced in 1983.

RATIONALE

Past Federal efforts to revitalize distressed areas and provide employment for the disadvantaged and unemployed, though well intentioned, have been far too costly and prescriptive and have not resulted in significant success, especially in highly distressed areas. One major reason for this lack of success has been that these federally financed and administered programs often ignored, and at times worked against, the productivity, job creation, and investment powers of our Nation's strongest economic force, the private sector. Because of our past failures, it is now quite clear that

the only way to succeed is to work with the private sector, States, and local governments. By providing free-market incentives for new investment, jobs, and better public services in distressed areas, Enterprise Zones will promote their revitalization.

EFFECTS OF THE PROPOSED CHANGE

In the 75 zones to be selected over a three year period, increased economic activity, new jobs (particularly for the disadvantaged), and investment are anticipated as a result of reducing business tax and regulatory burdens, increasing public services, and providing incentives for increased employment.

CORPS OF ENGINEERS WATERWAY AND PORT USER FEES

AGENCY: Corps of Engineers-Civil/TVA

Functional Code: 301

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
PROGRAM LEVEL							
Budget Authority	1180	1070	1090	1160	1120	1090	1100
Outlays	1180	1070	1090	1160	1120	1090	1100
OFFSETTING RECEIPTS							
Current Law	30	36	47	52	65	72	80
Policy Increase	--	--	440	460	545	570	595
PERCENT RECOVERED							
Current Law	3	3	4	4	6	7	7
Policy Increase	--	--	40	40	49	52	54

PROGRAM DESCRIPTION

Locks, dams, and channels are constructed and maintained by the Corps of Engineers and Tennessee Valley Authority for barge traffic on the inland waterways. The Corps dredges harbor channels and constructs and maintains other facilities for ocean-going and Great Lakes traffic.

Construction and upkeep of both inland and deep draft waterways have traditionally been provided at almost no cost to commercial users. A fuel tax on inland waterways is being phased in but it will recover less than a third of the cost of maintaining the inland system.

PROPOSED CHANGE

The Administration proposes to recover new construction, and operation and maintenance costs from the users of most navigation facilities.

RATIONALE

- The U.S. trade position can be improved by making the port system more efficient. Better and more efficient harbors translate into stable jobs in our coal fields, railroads, trucking industry and ports.
- Ports in the U.S. are a big business. Foreign payments for U.S. port expenses (does not include Federal dredging) were \$4.6 billion in 1979, and the value of marine terminal facilities is currently in excess of \$40 billion.
- People and firms who benefit from the use of these Federally-constructed commercial facilities should share in the cost.
- Federal deep draft dredging and operation of the inland waterway system is a \$700 million per year subsidy to the users of the harbors and waterway system.
- 15 percent of intercity tonnage travels on the inland waterway system, while rail, its principal competitor, carries 35 percent and pays all its expenses.

EFFECTS OF THE PROPOSED CHANGE

- Funds from user fees will be used to improve and restore these important parts of the nation's infrastructure.
- Traffic on some waterway and harbors may be diverted to other modes of transportation or to other harbors. However, it is unlikely that total economic activity will be affected. Total transportation system efficiency will be improved.

EDUCATION, TRAINING AND EMPLOYMENT SERVICES

HELPING WORKERS FIND JOBS

AGENCY: Department of Labor

Functional Code: 504 and 603

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	3,741	7,113	4,899	5,162	5,430	5,703	5,992
Outlays	4,924	7,005	4,758	5,114	5,380	5,652	5,938
Tax Expenditures	505	530	710	530	195	35	5
REAGAN BUDGET							
Budget Authority	3,741	8,878	4,442	4,494	4,548	4,603	4,661
Outlays	4,924	8,778	4,394	4,499	4,549	4,603	4,661
Tax Expenditures	505	715	1,350	800	260	75	30
PROPOSED CHANGES							
Budget Authority	--	+ 1,765	-457	-668	-886	-1,100	-1,331
Outlays	--	+ 1,773	-364	-615	-831	-1,049	-1,277
Tax Expenditures	--	185	640	270	65	40	25

PROGRAM DESCRIPTION

Workers may receive Federal assistance to help prepare them for work and to help them find jobs through training and employment programs, existing tax credits for hiring the disadvantaged, proposed tax credits for employers hiring the long-term unemployed, and the Employment Service.

The Federal Government's principal training and employment programs are authorized by the Job Training Partnership Act (JTPA) of 1982. JTPA grants are allocated to States which then designate service delivery areas of over 200,000 population, or combinations of such areas, to run local programs. Grants to States are used to provide various types of training, counseling, and other supportive services to unemployed and economically disadvantaged individuals. A temporary program of Federal Supplemental Compensation provides additional weeks of unemployment benefits to those who have used up all their weeks of benefits but have not yet found work. Allocations to States finance a network of local employment service offices which help workers find jobs.

PROPOSED CHANGE

1984 will be the first year of full implementation of the Job Training Partnership Act (JTPA), which replaces the Comprehensive Employment and Training Act (CETA) programs. Reforms included in JTPA assure that disadvantaged youth and adults will be trained for jobs. The program of block grants to States for training, to be funded in 1984 at \$1.9 billion, provides for reforms that would:

- vest in the States the principal responsibility for job training programs;
- assure business a major role in the development of job training programs through local private industry councils which will provide policy guidance and oversee local programs;
- require that 70% of resources be spent on training (only 18% of CETA grant resources were spent on training);
- limit to 30% the amount that could be spent for stipends, other support services, and administration; and
- prohibit public service employment.

In addition, a new JTPA program of job search, job training, and relocation assistance for experienced workers who lose their jobs due to plant closings, technological changes, or other structural causes will be expanded almost ten fold in 1984 to \$240 million to help more than 100,000 workers. The residential Job Corps program will be continued at its 1983 level of \$586 million, and the Summer Youth Employment program will provide about the same number of jobs as in 1983.

The Administration proposes legislation to establish a differential minimum wage for youth under the age of 22 for jobs from May 1 to September 30. This youth opportunity wage will be \$2.50 per hour, 25% below the regular minimum wage of \$3.35. Of course, this wage is only a minimum, and it is expected that youth who already have skills and experience will be paid more.

Under legislation proposed by the President, unemployed workers eligible for Federal Supplemental Compensation could get instead vouchers which would entitle an employer hiring them to a tax credit. This incentive to hire the long-term unemployed, part of the President's proposed FY 1983 extension and modification of the Federal Supplemental Compensation program, would be available until March 31, 1984.

A separate legislative proposal would permit States to use a portion of their unemployment insurance tax receipts for training, job search, and relocation for unemployed workers. The number of workers assisted and the outlays under this program will depend on State actions.

In 1984, States will have greater flexibility in planning and using Federal allotments for basic employment services under amendments included in the JTPA. The 1984 budget request for the Employment Service is the same as the 1983 appropriation, adjusted for expected cost increases.

RATIONALE

- The private sector accounts for eight of every ten jobs. The best way to assure that training will be for jobs that exist is to have business in a pivotal role in the development of training programs.
- The training block grant will place responsibility for training and employment programs at the State level which already has the responsibility for related programs such as vocational and adult education and the Employment Service.
- Stipends accounted for over 40 percent of CETA spending. These monies, which were paid for participation in training programs, can duplicate or supplant regular income maintenance programs. In addition, they can induce people to enter training programs for short-term income gains rather than for long-term improvements in employment and earnings. Placing limitations on the use of stipends assures that most of the resources will be spent for training and for those who are most serious about improving their employability.
- Many inexperienced youth do not have the skills to produce enough of value to make it worthwhile for employers to pay them the current minimum wage. This is especially true for summer jobs, since employers cannot expect to benefit from a youth's productivity improvement resulting from that work experience. Thus these youth are denied the opportunity to gain work skills and experience during summer months that they could use to demonstrate their qualifications to potential permanent employers. This proposal for a summer youth employment differential in the minimum wage would help many to find their first job and gain valuable work experience.
- Tax credits encourage employers to hire the disadvantaged and long-term unemployed workers.
- States should be given the flexibility to use some of their unemployment insurance receipts for retraining, job search, and relocation, if they wish to do so.

EFFECTS OF THE PROPOSED CHANGE

- The most effective program approaches (on-the-job training and classroom training) will be stressed in Federal technical assistance to States, while the least effective approaches, such as public sector work experience and subsidized jobs, will be de-emphasized.
- The budget authority requested in 1984 will finance 406,000 years of service in the block grant to States for training, a one-third increase over 1983.
- The summer youth employment program will be maintained at historical levels providing 718,000 youth with summer work opportunities that will help them when they seek full-time jobs.
- An expanded program of job search, relocation assistance, and training for workers who lose jobs because of plant closings, changes in technology, or other reasons will assist more than 100,000 people. This is four to five times the number of dislocated workers ever helped before.
- The residential Job Corps program will train over 80,000 severely disadvantaged youth, more than were served in 1980 and the same as in 1983.
- At least 200,000 additional youth would find summer employment in the private sector due to the youth differential minimum wage.
- Some 700,000 long-term unemployed workers in 1983-4 will benefit from the tax credit to employers hiring the long-term unemployed.
- States would be able to augment their resources for training and relocation programs for unemployed workers by using some of their unemployment tax receipts.
- States will have more flexibility in planning and operating basic employment services financed with Federal funds.

STUDENT FINANCIAL AID

AGENCY: Education Activities

Functional Code: 502

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	6,643	5,768*	5,963	6,259	6,413	6,682	6,983
Outlays	5,755	5,919	5,875	6,167	6,222	6,479	6,765
REAGAN BUDGET							
Budget Authority	6,643	5,768*	5,615	5,607	5,599	5,615	5,654
Outlays	5,755	5,919	5,476	5,788	5,601	5,611	5,644
PROPOSED CHANGES							
Budget Authority	--	--	-348	-652	-814	-1,067	-1,329
Outlays	--	--	-399	-379	-621	-868	-1,121
Tax Incentives	--	--	13	69	161	268	392

*Adjusted, due to a technical reestimate, downward by \$900 million in funds not needed to operate the Guaranteed Student Loan program in 1983. This reestimate has no effect on outlays or program activity.

PROGRAM DESCRIPTION

Student financial aid includes funds appropriated under the Student Financial Assistance and Guaranteed Student Loan accounts and the new tax benefits to be provided by the Education Savings Account (see below).

- *Student Financial Assistance* provides grants, direct loans and work study to students with demonstrated need either directly or through participating postsecondary institutions.
- *The Guaranteed Student Loan* program provides guarantees and interest subsidies to lending institutions to encourage the availability of capital to eligible students and parents.

PROPOSED CHANGE

- *Student Financial Assistance* Legislation will be proposed that will require every student to contribute (with summer earnings, work study funds, savings or other aid) to the cost of education before receiving a Federal grant. Current Pell Grants would be restructured into Self-help Grants. The Work Study program would be increased by almost 60 percent. No new funding would be provided for Supplemental Educational Opportunity Grants, State Student Incentive Grants and capital contributions to National Direct Student Loans.
- *Guaranteed Student Loans* Legislation will be proposed that would expand the coverage of the need analysis to all applicants (currently limited to those with adjusted gross incomes above \$30,000) to ensure that Federal subsidies do not go to those who do not need them. The origination fee charged graduate and professional students would be increased from 5 to 10 percent as their higher expected incomes will allow them to pay more toward the interest costs of their subsidized loans. Advances (loans) to guarantee agencies for their reserve funds, that are no longer necessary, would be recalled.
- *Educational Savings Accounts* Legislation will be proposed that would provide tax exempt status to earnings on funds deposited in special accounts and used for postsecondary educational costs.

RATIONALE

- The 1984 budget would restore the primary roles of the family and the student in meeting the responsibility for postsecondary educational costs.
- Between 1972 and 1982, Federal support for student assistance programs increased by \$5.6 billion. This expansion in funding has, unfortunately, been accompanied by a major shift in the traditional responsibility for financing college costs from students and families to the Federal Government.
- Recent analyses indicate that, as the proportion of Federal funds assisting students in meeting educational costs has increased, parental contributions have declined -- despite concurrent increases in parental disposable income. (Between 1970 and 1980, for example, average student charges at public universities, as a percent of median family income, declined by over 2 percent.)
- At many schools, average student contributions represent only a small share of education costs and do not begin to reflect actual student earning capacities. Excessive reliance on federally supported student financial assistance abuses the spirit of student aid as a supplement, not a replacement, for other sources of college financing and ignores the fact that students are the principal beneficiaries of their education.
- To correct these problems, the Administration is proposing that postsecondary students contribute to their own education costs before Federal grant assistance is provided, and that families contribute more and make additional use of savings for postsecondary education costs.

EFFECTS OF THE PROPOSED CHANGE

Budget authority of \$5.6 billion is requested, of which \$2.7 billion is for Self-help Grants, \$850 million is for Work Study, and \$2.0 billion is for the cost of the Guaranteed Student Loan program.

- *Self-help grants* After taking into account the family contribution, the student would be required to provide \$800 or 40%, whichever is greater, to educational costs before becoming eligible for a Self-help Grant. The grant would be increased from the present Pell Grant maximum of \$1,800 to a Self-help Grant maximum of \$3,000. This will provide 2.1 million students with awards averaging \$1,300.
- *Work Study Funding* would be increased by almost 60% to \$850 million. This will furnish 1.2 million students with job opportunities, providing an average of \$800, to meet their self-help contribution requirement. The additional funding would expand student employment on campuses, in State and local governments, and in the private non-profit sector.
- Over \$550 million will be available on-campus for relending in the Direct Loan program as a result of repayments to institution based loan funds and which can be used to meet self-help requirements.
- *Guaranteed Student Loans* Over 2.7 million loans to students and parents, totalling over \$7.1 billion, would be insured and subsidized and available to meet self-help requirements.
- *Education Savings Account* Would provide \$13 million in tax exemptions on interest and dividends for the \$550 million that is estimated to be deposited in these special accounts in the first year, with substantially greater amounts being deposited in each succeeding year.

1982 AND 1983 CHANGE

1982 Guaranteed Student Loans A five percent origination fee was imposed on student loans and a need analysis was required for all student applicants with adjusted gross family incomes of \$30,000 or more.

TUITION TAX CREDIT

AGENCY: Education/Treasury

Functional Code: 501

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
REAGAN BUDGET							
Tax Incentives	--	--	245	526	753	779	763

PROGRAM DESCRIPTION/PROPOSED CHANGE

Under the proposed tuition tax credit program, to begin in 1983, parents could receive a tax credit for up to 50 percent of tuition costs paid to private, nonprofit elementary and secondary schools. The program would be phased in over three years, with the maximum allowable credit per child equal to \$100 in 1983, \$200 in 1984, and \$300 in 1985 and beyond.

A full credit would be available to those families with adjusted gross incomes of \$40,000 or less. The allowable credit would be scaled downward for families with adjusted gross incomes between \$40,000 and \$60,000, and would phase out entirely at \$60,000. Credits would not be allowed for tuition payments to schools that follow a racially discriminatory policy.

RATIONALE

The tuition tax credit program will expand educational opportunity and choice for all Americans and foster diversity in educational approaches. The availability of alternatives to public education allows parents to select the type of schooling that will best meet the needs of their children. The rising cost of education has put the opportunity to select private education beyond the reach of a growing number of families. As a matter of equity, a tax relief measure is necessary to assure that lower and middle income families, like the more affluent, can continue to make choices about their children's education.

Some opponents of tuition tax credits argue that they will benefit the wealthy, erode the tax base, undermine the public school system and the traditional separation between church and State, and benefit segregated schools. To the contrary:

- The primary beneficiaries will be working lower and middle income families who can least afford to pay for private education.
- The tax revenues lost per child are small compared to the cost of educating a child at a public school. While the maximum tax credit per child is only \$300, the average annual per pupil cost in public schools exceeds \$2,200.
- The availability of educational alternatives leads to competition and innovation which can strengthen public education.
- Aid for children attending private schools, including church-related schools, is a well established concept in Federal education policy. The Elementary and Secondary Education Act of 1965, and subsequent amendments, have affirmed the Federal commitment to providing students enrolled in private schools with their fair share of Federal aid.
- Strong nondiscrimination provisions in the Administration's proposed bill will assure that no credits are allowed for payments to schools that discriminate on the basis of race.

Providing tuition tax credits to individuals is an administratively simple way to broaden educational opportunity while minimizing intrusion into State or local education systems or the lives of individuals and families.

EFFECTS OF PROPOSED CHANGE

It is anticipated that approximately 2,372,000 families will take advantage of the new tax credit. The cost in lost revenues, (i.e., taxes not collected) is estimated to be about \$245 million in 1984, \$526 million in 1985, and \$753 million in 1986.

SCIENCE AND MATHEMATICS EDUCATION

AGENCY: Education/National Science Foundation **Functional Code:** 502/250

Funding	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
BUDGET AUTHORITY							
Education	--	--	50	50	50	50	--
National Science Foundation	--	15	20	20	20	20	20
OUTLAYS							
Education	-	--	6	40	50	50	45
National Science Foundation	--	8	16	19	20	20	20

PROGRAM DESCRIPTION

Beginning in 1983, joint efforts by NSF and State or local governments or the private sector will provide in-service training for science and mathematics secondary school teachers. The focus will be on upgrading the subject-matter competence of existing teachers. In addition, NSF will fund and administer, with the assistance of the Education Department, a program that gives Presidential teaching awards to outstanding secondary mathematics and science teachers.

The Education Department has no current programs in this area.

PROPOSED CHANGE

The Education Department will initiate a four-year \$50 million per year program of block grants to States to assist in training additional science and mathematics teachers. States would provide one year scholarships to persons holding college degrees to enable them to return to school to become qualified to teach science or mathematics at the secondary school level.

Funding for NSF's programs will increase by \$5 million in 1984 to a total of \$20 million.

RATIONALE

- In order to assist the economic growth of our increasingly technological society, the Nation's future workforce will require better high school training in science and mathematics. Over the years, the quality of this training has declined--principally due to the shortage of qualified science and mathematics teachers. School systems are beginning to address this problem, but more needs to be done and more rapidly.
- A primary goal of the programs being proposed in the budgets of the Department of Education and NSF is to help alleviate this shortage by increasing the incentives for individuals to enter and stay in teaching careers in mathematics and science. The program will also encourage excellence in science and mathematics teaching through the training of new and existing teachers and providing recognition to outstanding teachers.
- All sectors, including State and local governments and the private sector, need to participate in any successful program to solve this problem. Experience from previous NSF science education programs indicates that fragmented efforts by the Federal Government alone are largely ineffective. Therefore, the Federal Government will play a largely catalytic role by combining Federal, State, and private industry efforts through programs designed to assist in alleviating this problem.

EFFECTS OF THE PROPOSED CHANGE

The number of participants in the State block grant training program will depend on how State authorities choose to use their grant funds. The program could train as many as 10,000 people in its first year. NSF's in-service training program would provide subject-matter training for approximately 10,000 current science and mathematics teachers each year. About 100 outstanding teachers would be honored annually under the Presidential awards program.

The Presidential leadership and attention to this problem will encourage industry and State and local governments to increase further their own efforts to solve this problem.

HEAD START

AGENCY: Department of Health and Human Services

Functional Code: 506

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES HHS and USDA							
Budget Authority	984	989	1,048	1,111	1,175	1,242	1,312
Outlays	905	995	1,016	1,078	1,142	1,208	1,276
(USDA FUNDS)							
Budget Authority	(72)	(76)	(78)	(81)	(85)	(90)	(94)
Outlays	(72)	(76)	(78)	(81)	(85)	(90)	(94)
REAGAN BUDGET							
Budget Authority	984	989	1,051	1,051	1,051	1,051	1,051
Outlays	905	995	974	1,050	1,051	1,051	1,051
PROPOSED CHANGES							
Budget Authority	--	--	+ 3	-60	-124	-157	-261
Outlays	--	--	-42	-28	-91	-157	-225

PROGRAM DESCRIPTION

Head Start finances comprehensive education, health, nutrition and social services for low-income children and their families. In FY83, grants to 1200 grantees in 2000 communities provide services to 395,800 preschoolers, at least 10% of whom are handicapped and 90% of whom are from families with incomes below the poverty line. The program emphasizes children's cognitive, emotional and physical development to enable them to reach their highest potential in their present environment and beyond into school and community life. Head Start stresses the role of parents and family in their children's development.

Like other child care programs, Head Start projects are eligible for reimbursement from the Department of Agriculture's Child Care Feeding program.

PROPOSED CHANGE

The President's 1984 budget requests \$1.051 billion for Head Start -- an increase of \$62 million over the comparable figure for 1983. This increase will allow Head Start to serve 424,900 children, 29,100 more than in 1983. Funding increases will be directed to: (1) existing projects that have proven cost-effective while maintaining program quality, and (2) projects testing new or innovative approaches, such as employer-based centers and cooperative agreements with private non-profit child care centers. In addition to \$62 million in expansion funds, \$18 million will be redirected from research and evaluation to cost-of-living increases for existing projects.

The budget proposes that beginning in 1984, Head Start projects will receive all funding directly from HHS, rather than being required to apply separately to USDA for nutrition funding. Head Start's budget has been increased by \$76 million, the amount of funding received by Head Start centers from USDA in FY83.

Finally, beginning in 1983, Head Start will strengthen its relationship with State governments by integrating them into the training and technical assistance network.

RATIONALE

- The budget increase will allow Head Start to serve close to 20% of all children from families living below the poverty line. These children will receive services that promote economic self-sufficiency and family responsibility for their children's development.
- The budget increase is supplemented by redirecting research and evaluation funds which are no longer necessary for a mature demonstration program and should be used for direct services to needy children.
- Consolidating USDA funding into the Head Start grant award will vastly simplify financial management for local projects, who must now deal with separate requirements and reporting forms. Projects will have more flexibility to use funds in a way that best meets their children's needs.
- Involving State governments in Head Start technical assistance will improve the delivery of social services, for which State governments have primary responsibility. State governments also have a primary role in determining the use of the resources within the public school systems into which Head Start children move, and can make sure that these children's developmental gains are maintained.

EFFECTS OF THE PROPOSED CHANGE

- An additional 29,100 children will receive Head Start services that promote self-sufficiency and parental and community involvement. These children will be served by almost 80,000 paid staff and close to half a million volunteers. Head Start will serve 43,000 handicapped children.
- Head Start projects will become more cost-efficient while maintaining program quality, by having more flexibility and control over nutrition funds.
- HHS will continue to implement a Cost Management System developed in fiscal year 1983 which analyzes grantee costs and identifies cost saving opportunities. Cost control will remain a priority for Head Start in order to serve the maximum number of children possible.
- Head Start's linkages to State governments, which play a strong role in educational and social services, will be strengthened.

SERVICES FOR GROUPS WITH SPECIAL EDUCATIONAL NEEDS

AGENCY: Education Activities

Functional Code: 501 and 506

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	5,062	5,315	5,642	5,976	6,320	6,679	7,055
Outlays	4,875	5,197	5,373	5,683	5,988	6,331	6,692
REAGAN BUDGET							
Budget Authority	5,062	5,181	5,161	5,159	5,152	5,152	5,152
Outlays	4,875	5,190	5,188	5,187	5,158	5,153	5,152
PROPOSED SAVINGS							
Budget Authority	--	134	481	817	1,167	1,528	1,903
Outlays	--	7	185	496	830	1,178	1,540

PROGRAM DESCRIPTION

Chapter 1 of the Education Consolidation and Improvement Act of 1981 (ECIA) (1984 BA: \$3 billion) provides funds to State and local education agencies to finance supplemental compensatory services for the educationally disadvantaged. Chapter 1 replaced Title I of the Elementary and Secondary Education Act, which provided similar services. Almost 14,000 school districts receive funds under the basic Chapter 1 program. In addition, funds are used by State agencies to support compensatory programs for migrant children, for handicapped children, for neglected or delinquent children, and for administrative expenses.

The Education for the Handicapped (EHA) programs (1984 BA: \$1.1 billion) help States provide a free appropriate public education to all handicapped children. In 1984 EHA grants will defray about 8% of the average excess educational costs of some 4.1 million handicapped children. A variety of national discretionary activities support research, demonstration, and dissemination of innovative educational practices as well as training for those preparing to become special education teachers.

The Vocational Rehabilitation programs (1984 BA: \$1 billion) provide grants to State agencies to assist physically and mentally handicapped individuals become gainfully employed and live more independently. Education, training, medical and other services are provided, with statutory priority to the severely disabled. This activity also funds research and training in the rehabilitation field, and discretionary rehabilitation projects serving special target groups.

PROPOSED CHANGE

- The Budget proposes a shift of Chapter 1 funding toward basic aid to local school districts and away from the more costly State agency programs. Proposed legislation would give State and local educational agencies the option of providing compensatory education services through a voucher mechanism.
- Overall budget authority for Education of the Handicapped remains equal to the 1983 level. Within the total, resources are shifted toward the basic State grant program and away from Federal discretionary activities.

- Proposed reauthorizing legislation will make changes in the Vocational Rehabilitation State grant program to encourage States to improve their performance in rehabilitating the severely handicapped. Beginning in 1985, up to one-third of State grant funds would be allocated to States based on their success at rehabilitating the severely disabled into suitable, preferably paid, employment. Changes to take effect in 1984 will simplify administration of the program and increase State discretion in service delivery. Overall funding would be maintained at the 1983 level.

RATIONALE

- The Chapter 1 program is the most efficient mechanism for distributing Federal resources to the population of educationally disadvantaged children. The addition of authority for States and school districts to convert the funds into educational vouchers will enhance competition in the delivery of educational services and give parents more control in the education of their children.
- In order to prevent a decline in the Federal share of excess educational costs for the special education services handicapped children receive from local school districts, monies are shifted from federally run discretionary programs, which at times duplicate State responsibilities, to the State grant program.
- Vocational Rehabilitation State grant funds are now allocated based on State population and per capita income. Program performance can be improved by giving States more discretion in determining how services are delivered, while at the same time distributing Federal funds in part on the basis of positive outcomes -- i.e., successful rehabilitations of the severely disabled.

EFFECTS OF THE PROPOSED CHANGE

- The number of school districts receiving Chapter 1 funds will remain stable; the amount of Federal support for their compensatory education activities will rise by \$167 million or about 6.5%. This increase will be offset by decreases in the State agency programs, which will be targeted more closely on children most in need of assistance.
- In Education for the Handicapped, the shift in resources will allow the Federal share of average excess educational costs to be maintained at about 8%. States are projected to serve 40,000 more handicapped children in 1984 than 1983. Reductions in discretionary programs will have limited impact on national service priorities.
- By increasing State flexibility in administering the Vocational Rehabilitation State Grant program, and in 1985, including program success as a criterion for fund allocation, the rate of success at rehabilitating the severely handicapped is expected to increase.

1982 AND 1983 CHANGES

Chapter 1, which became effective on July 1, 1982, represents a streamlining and simplifying of the old Title I program of assistance for the education of disadvantaged children. At the same time, States and localities have been given greater discretion over the development and implementation of compensatory activities.

SPECIAL ASSISTANCE

FUNDING FOR INDIAN PROGRAMS -- GOVERNMENT-WIDE

AGENCY: Government-wide

Functional Codes: 300, 450, 500, 550
600, 800, and 850

Funding

	(\$ in millions)		
	1982	1983	1984
REAGAN BUDGET			
Budget Authority	2,820	2,673	2,320
Outlays	2,368	2,385	2,619

PROGRAM DESCRIPTION

There are a large number of special programs for Indians and for Federally recognized Indian tribes, principally in the Departments of the Interior, Housing and Urban Development, Health and Human Services, Education, and Agriculture. These special programs fund a wide variety of services, including health and hospital care, housing, welfare, nutrition, education, social services, community and economic development, law enforcement, natural resource management, and tribal government. Funding for these programs is in addition to the proceeds from miscellaneous trust funds held by the Federal Government for the Indian people and benefits Indians receive from Federal programs such as social security and food stamps.

PROPOSED CHANGE

The major changes in Indian programs in the 1984 budget include the following:

- Replacement of the current Indian housing activities scattered among Interior, HHS, and HUD with two alternative funding approaches to be administered by HUD: (1) a \$76 million housing grant program; and (2) a \$75 million Community Development Block Grant program which allows new housing construction as an eligible activity;
- Proposal of legislation permitting Federally recognized Indian tribes to receive direct funding under the Title XX Social Services Block Grant (SSBG);
- Proposal that Federally recognized Indian tribes be funded directly under the Science and Mathematics Teacher Development Act, consistent with administration policy supporting government to government relationships with Indian tribes;
- As a supplement to appropriations, expansion of third-party reimbursements (through, for example, health insurance plans) for services offered by the Indian Health Service;
- Termination of the special Indian Education Programs in the Department of Education;
- Transferring to the State of Alaska 10 Bureau of Indian Affairs funded Alaska day schools in June 1983 and the remaining 10 in June 1984;
- Closure of four BIA boarding schools in June 1983 (Mt. Edgecumbe (AK), Intermountain (UT), Concho (OK), Wahpeton (ND)); and
- Administration of funding from the HHS Native Americans program for Federally recognized tribes through Interior's Bureau of Indian Affairs, while funds to entities other than Federally recognized tribes will be phased out over three years.

RATIONALE

- The delivery of Indian housing and related infrastructure has not been effectively coordinated among the various departments. The current HUD Indian housing program produces housing that is overly costly and not culturally appropriate for the Indians served. The current housing delivery system, which is based on the public housing authority model, does not work well in Indian reservations. The proposed programs will provide culturally relevant housing at lower cost through tribal governments rather than special housing authorities and will alleviate the need for extensive interagency coordination to ensure that new homes have water, sewer and other infrastructural necessities.
- The proposals for direct funding under the Title XX SSBG and the Science and Mathematics Teacher Development Act are designed to strengthen tribal self-government and the government-to-government relationship between Indian tribes and the Federal Government.
- The expansion of third party reimbursements (e.g., from private health insurers, medicare, medicaid, and Indians with the ability to pay) for health services for Indians will enhance the resources available to continue the traditional Federal role in providing health care to Indian people. This proposal will result in increased IHS flexibility to maintain existing health services levels despite the increasing costs of medical care.
- Education Department programs for federally-recognized Indians are neither necessary nor appropriated in light of current BIA services in this area (especially Johnson O'Malley assistance) as well as other Federal and state education programs for which Indian students and adults are eligible. Special programs for other Indians are also inappropriate in light of their eligibility for the wide variety of Federal, state, and local education programs for which all disadvantaged Americans are eligible. BIA and Impact Aid, plus other programs, will provide \$456 million in BA for Indian education in 1984.
- The transfer of the BIA-operated day schools in Alaska is part of a continuing effort to establish a single system of education in Alaska for all children. While Federal funding is reduced, educational services for Alaska natives will be maintained or enhanced.
- The closure of four of BIA's boarding schools is recommended because: the schools are excessively costly to maintain and operate (over \$15,000 per pupil at Mt. Edgecumbe); other BIA boarding schools, the Alaska boarding home program, and Alaska public schools have sufficient capacity to accommodate all the Mt. Edgecumbe and Intermountain students; and the Concho and Wahpeton boarding school children should be encouraged to live with their families or in their home communities and attend existing BIA day schools.
- The change in the HHS Native Americans program removes duplication in the administration of programs for Federally recognized tribes and focuses Federal Indian assistance on those tribes recognized as eligible for a special governmental relationship with the U.S.

EFFECTS OF THE PROPOSED CHANGE

- Generally, services to the Federally recognized tribes should be enhanced. Federal outlays will increase by 10% over 1983, and additional non-Federal funds will be attracted to Indian activities, while less of the total will go to non-Federally recognized tribes.
- The change in the HUD Indian housing programs should permit construction of more units in 1984 than Congress provided in 1983, but at lower cost. The housing under the two new programs will be better tailored to Indian cultural needs, delivered through tribal governments, and include funds for necessary infrastructure such as water and sewer, thus avoiding interdepartmental coordination problems.

- Tribal governments should be strengthened through the opportunity to run their own Title XX SSBG program, receive direct funding through the Science and Mathematics Teacher Development Act, and through other initiatives to improve their capacities and develop tribal economies.
- Expansion of third party reimbursements for Indian health services will result in an additional \$60 million being available for health services in addition to the \$653 million requested for IHS clinical services. Such additional support would strengthen efforts to improve the health status of Indian people.
- Unnecessary duplication will be avoided by the changes in Indian education programs. Additional education funds will be available for many school districts serving Indian children on or near reservations because Impact Aid funding for children whose parents live and work on Federal property (including Indian reservations) is being increased.
- Federal funding for Indian tribes will be more efficiently managed by having BIA administer Administration on Native Americans (ANA) funds. Federally recognized tribes, with whom the Federal government has a government to government relationship, will continue to receive funds from ANA as well as from BIA's Small Tribes Initiative and Tribal Government Services program. Non-Federally recognized tribes who have received ANA transitional assistance may apply to BIA for Federal recognition.

1982 AND 1983 CHANGES

Seventeen day schools in Alaska were transferred to the State of Alaska in FY 1982.

INDIAN HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

AGENCY: Department of Housing and Urban Development **Functional Code:** 604 and 451

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Indian Housing Set-aside, HUD Public Housing							
Budget Authority	494	362	380	399	419	440	462
Outlays ^{1/}	--	--	--	--	13	26	39
Indian CDBG Grants							
Budget Authority	30	31	33	35	37	39	41
Outlays (est.)	29	30	30	33	34	35	36
REAGAN BUDGET							
Indian Housing Grants							
Budget Authority	--	--	76	76	76	76	76
Outlays	--	--	40	43	45	48	50
Indian CDBG Grants							
Budget Authority	30	31	75	75	75	75	75
Outlays	29	30	31	50	70	75	75
PROPOSED CHANGES							
Indian Housing Grants							
Budget Authority	--	--	-304	-323	-343	-364	-386
Outlays	--	--	+ 40	+ 43	+ 32	+ 22	+ 11
Indian CDBG Grants							
Budget Authority	--	--	+ 42	+ 40	+ 38	+ 36	+ 34
Outlays	--	--	+ 1	+ 17	+ 36	+ 40	+ 39

^{1/} Outlays shown are for 1984 and subsequent year budget authority only; outlays from 1983 and prior commitments will continue at \$225-250 million over the years shown.

PROGRAM DESCRIPTION

HUD provides funding for the construction of housing in Indian areas using the public housing delivery mechanism. This arrangement involves the use of HUD construction standards and the creation of Indian housing authorities -- separate from tribal governments -- to administer the program. Related water and sewer facility construction is handled by the Department of Health and Human Services' Indian Health Service and roads are funded by the Interior Department's Bureau of Indian Affairs (BIA). The BIA also operates a separate housing repair program for Indians. The HUD program has built 46,000 houses with another 14,000 in process and commitments for 2,000 more units are planned in 1983. Despite intense efforts to reduce costs, new units currently cost an estimated \$71,400 to build.

Indian tribes also receive categorical assistance under the Community Development Block Grant program to support various economic and community development activities, including construction of water and sewer facilities and roads. However, new housing construction is not presently an eligible activity.

PROPOSED CHANGE

- A new Indian Housing Grants program would replace the current public housing for Indians to provide federally recognized tribes with assistance for the development of housing and related infrastructure. The new Indian Housing program entails the use of housing grants in order to write down the cost of housing construction and support the building of water and sewer facilities. The FHA mortgage insurance program would be modified to ensure interim and permanent financing without jeopardizing the trust and status of the Indian land. Rental assistance also would be provided over the 15-year term of the underlying mortgage for those very low income families unable to afford the cost of housing provided under the program.
- New housing construction would be added to the range of activities funded by the CDBG program for Indians (as well as other recipients). The precise activities undertaken would be at the discretion of recipient tribes. Funds may be used by them to complement the assistance provided by the Indian Housing Grants, including housing rehabilitation and construction.
- Both programs are being proposed for 1984. The Indian Housing Grants program would coordinate the now separate efforts of the Departments of Housing and Urban Development, Health and Human Services, and Interior in one program. It is anticipated that less costly housing -- averaging \$30,000 - \$40,000 per unit and another \$7,500 per unit for related water and sewer facilities -- can be built with fewer Federal standards imposed. The Indian Community Development Grants program represents a \$44 million expansion of the current categorical assistance provided by the Community Development Block Grant program.

RATIONALE

The Federal Government has a role to help federally recognized Indian tribes due to the special and historic relationships between the Government and these tribes and the trustee responsibilities of the Government. The trust status of Indian lands makes it difficult to rely upon the private market to supply housing on Indian reservations. In recognition of this special relationship and the unique problems facing tribes, these two programs are being proposed in an effort to help federally recognized Indian tribes better address their housing, community development, and economic needs, while acknowledging the important cultural traditions of Native Americans.

EFFECTS OF THE PROPOSED CHANGE

It is estimated that the Indian Housing Grants program will fund 1,500 housing units annually. Additional units may be provided through the Indian Community Development Block Grant program if tribes elect to use these flexible funds for housing construction and rehabilitation.

INDIAN HEALTH SERVICE

AGENCY: Department of Health and Human Services

Functional Code: 550

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	676	688	699	740	783	828	874
Outlays	654	727	746	740	783	828	874
REAGAN BUDGET							
Budget Authority	676	688	653	653	653	653	653
Outlays	654	727	703	670	659	655	654
PROPOSED SAVINGS							
Budget Authority	--	--	46	87	130	175	221
Outlays	--	--	43	70	124	173	220

PROGRAM DESCRIPTION

The Indian Health Service (IHS) provides directly, or through contracts with tribes and private health organizations, a range of health care services to Indians and Alaska natives. In 1982, the IHS service population consisted of approximately 900,000 persons (64% of the total Indian population in the United States). Health care is provided free of charge to all Indians who request service and are members of federally recognized tribes, regardless of ability to pay or the availability of employer or other (workmen's compensation, automobile indemnity, etc.) health insurance coverage.

PROPOSED CHANGE

IHS will embark upon an expanded program of collecting for services from insurance and other sources, as a supplement to the appropriations request of \$653 million. Currently, IHS only collects a modest amount (\$20 million) from Medicare and Medicaid. The proposal would result in expanded Medicare and Medicaid collections (\$40 million) and initiate charges to Indians and collect from those who could afford to pay for services, as well as from insurers (such as employers) who cover Indians and their families, e.g., FEHB program, (\$30 million). *Indians will be served by IHS regardless of their ability to pay.*

RATIONALE

This proposed change enhances the resources available to maintain the traditional Federal role in delivering health care to the Indians. In addition to the annual appropriations request, however, this proposal will result in increased IHS flexibility to maintain existing health services levels despite the increasing costs of medical care. It is appropriate to use third party coverage as an untapped source of additional revenue to the extent that Indians have their own health insurance coverage and other resources.

EFFECTS OF THE PROPOSED CHANGE

In 1984, in addition to \$653 million requested for free IHS clinical services, up to an additional \$60 million could be collected and would be available during the year for health services. Such additional support would strengthen efforts to improve the health status of Indians, while assuring that third-party payors equitably reimburse for required health services.

NATIVE AMERICANS PROGRAMS

AGENCY: Department of Health and Human Services

Functional Code: 506

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	28	28	30	32	33	35	37
Outlays	32	28	29	30	32	34	36
REAGAN BUDGET							
Budget Authority	28	28	22	19	15	15	15
Outlays	32	28	26	21	18	15	15
PROPOSED SAVINGS							
Budget Authority	--	--	8	13	18	20	22
Outlays	--	--	3	9	14	19	21

PROGRAM DESCRIPTION

The Administration on Native Americans (ANA) funds social and economic development projects for Indian tribes. The purpose of the program is to strengthen tribal government, to encourage the development of local economic activities that provide jobs, and to reduce dependency on welfare while promoting self-sufficiency.

In fiscal year 1983, ANA will make grants to 88 federally-recognized Indian tribes and Alaska Native groups. In addition, ANA gives transitional assistance to 27 tribes who have not been recognized as having a special relationship with the Federal Government. Finally, ANA makes grants to projects assisting urban and rural Indians, Native Hawaiians and national advocacy organizations.

PROPOSED CHANGE

Beginning in the Spring of 1983, Native Americans program funds for federally-recognized tribes and Alaska Natives will be administered by the Bureau of Indian Affairs in the Department of Interior. HHS will retain legislative authority for the program, but will work with Interior to determine program rules and requirements. Financial operations will be handled by BIA in order to improve coordination of Federal assistance to Indian tribes.

The FY 1984 budget proposes a three-year phaseout of assistance to non-recognized groups, special urban and rural projects, Native Hawaiians and national groups. Funding for these groups would be reduced by one-third each year in fiscal years 1984, 1985 and 1986.

RATIONALE

- As the locus of Federal Indian program activity, BIA will be able to coordinate a comprehensive program for Indian development and to eliminate program duplication. Having ANA funds flow through BIA helps achieve the Administration's goals of self-determination for Indian tribes.
- Federally-recognized tribes are those with which the Federal government has a unique political relationship, based on historical treaty rights and obligations. These tribes have met stringent sociological and anthropological tests documenting this relationship. By definition, nonrecognized groups have no continuing claim on special Federal resources, yet they consumed more than 40% of ANA's budget in FY 1982.

- Federal funds for Indians should be under tribal control and not pass through service organizations and advocacy groups who cannot best determine tribes' individual needs.
- ANA's location in HHS is largely a matter of historical accident dating from the dismantlement of the Office of Economic Opportunity in the early 1970's. This has cut off ANA and its grantees from other Federal Indian programs.

EFFECTS OF THE PROPOSED CHANGE

- Federal funding for Indian tribes will be more efficiently managed by having BIA be the central funding source for these programs.
- Federally recognized tribes with the greatest need to develop core governmental capacities will continue to receive funds from ANA as well as from BIA's Small Tribes Initiative and Tribal Governmental Services program. A total of \$83 million for these programs is requested in the FY 1984 budget.
- Those non-federally recognized tribes who have received ANA transitional assistance may apply to BIA for Federal recognition of their government-to-government relationship. If approved, they will qualify for all Federal Indian programs, for which a total of \$2.3 billion is requested in the President's FY 1984 budget.

VETERANS PENSIONS

AGENCY: Veterans Administration

Functional Code: 701

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	4,048	3,827	3,950	3,967	4,090	4,258	4,421
Outlays	3,879	3,954	3,940	3,957	4,079	4,247	4,408
REAGAN BUDGET							
Budget Authority	4,048	3,827	3,837	3,818	3,917	4,037	4,155
Outlays	3,879	3,907	3,873	3,807	3,905	4,025	4,142
PROPOSED SAVINGS							
Budget Authority	--	--	113	150	173	221	266
Outlays	--	46	68	150	173	221	266

PROGRAM DESCRIPTION

A pension to provide income for basic needs is paid to needy wartime service veterans who have become disabled subsequent to their military service or who are age 65 or older. Financially needy survivors may also qualify for benefits. Eligibility is based on active duty service during a designated war period, disabilities considered permanent and total (presumed at age 65), and countable income below a given level. Benefit levels are based on countable income, family size, and whether the beneficiary is a veteran or a survivor.

There are three pension programs: Old Law (Pub. 2, 73rd), Prior Law (P.L. 86-211) and Improved Law (P.L. 95-588). Under the Improved Law, the only one of the three pension programs available for new accessions, virtually all family income is counted in determining eligibility and benefit level. Payments are computed by subtracting total family income from specified income standards. Under this law benefit payments as well as income standards are automatically adjusted each year by the same percentage and on the same effective date as Consumer Price Index (CPI) adjustments for Social Security in order to prevent pension payments from being reduced solely as a result of Social Security increases. This program benefits 550,000 veterans and survivors, 30% of all pension cases, and accounts for 61% of all pension benefits paid.

Benefit levels under the other two pension programs are not adjusted to reflect CPI changes. However, in the Prior Law program income standards are adjusted upwards in the same manner as the Improved Law program to prevent the Social Security cost-of-living adjustment (COLA) increase from removing pensioners from eligibility.

The number of pension beneficiaries is expected to decrease from 1,835,000 in 1982 to 1,735,000 in 1983 and 1,660,000 in 1984 as World War I and World War II veterans and, in particular, survivor populations decrease.

PROPOSED CHANGE

The budget proposes a six-month delay in cost-of-living adjustments from June to December of each year for the Social Security program. This proposal results in an identical COLA delay for veterans pensions, since cost-of-living adjustments for these programs are linked by law. The next COLA effective in December 1983 (reflected in January 1984 checks) is estimated to be 5.1%.

RATIONALE

The six-month delay is consistent with Administration policy toward most income support programs. This policy is intended to achieve budgetary restraint in the most equitable way by restraining the growth of these programs while minimizing the effects of such restraint on beneficiaries.

EFFECTS OF THE PROPOSED CHANGE

Since the computation of income eligibility under both the Prior Law and Improved Law programs is tied to changes in Social Security benefits, and since the link in COLA's between pensions and Social Security is maintained in the President's proposal, the veterans pension caseload will not be reduced. On the other hand, if veterans pensions were "delinked" from Social Security and benefits paid without delay, many veteran pensioners would be dropped from the rolls each time an out-of-phase Social Security COLA took effect, because increases in Social Security income due to COLA's without a corresponding increase in the veterans pension income standard would place many pensioners above the income eligibility standard.

1982 AND 1983 CHANGES

The Budget Reconciliation Act of 1982 embodied several changes effective in either 1982 or 1983 to tighten pension benefit programs. This Act requires that benefit payments be rounded down to the nearest dollar, discontinues entitlement for a dependency allowance at the end of the month (rather than the end of the year) in which dependency ceases, and defers commencement of benefit payments until the first full month of entitlement. The expected savings in FY 1983 are \$42 million.

HOSPITAL AND MEDICAL CARE FOR VETERANS^{1/}

AGENCY: Veterans Administration

Functional Code: 703

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	7,802	8,472	8,868	9,258	9,600	9,975	10,358
Outlays	7,517	8,290	8,908	9,324	9,588	9,873	10,227
REAGAN BUDGET							
Budget Authority	7,802	8,474	9,188	9,564	10,014	10,424	10,862
Outlays	7,517	8,292	8,900	9,341	9,656	10,067	10,441
PROPOSED INCREASES							
Budget Authority	--	2	320	306	414	449	504
Outlays	--	2	8	17	68	194	214

^{1/} Includes construction of medical facilities.**PROGRAM DESCRIPTION**

The Veterans Administration (VA) provides hospital and medical care to veterans by operating a nationwide medical care system consisting of 172 hospitals, 226 outpatient clinics, 101 nursing homes and 16 domiciliary facilities, and by conducting a construction program which maintains the physical plant. In 1982 this system treated nearly 1.4 million patients, provided 18.2 million outpatient visits, and obligated \$416 million to improve and modernize VA facilities.

PROPOSED CHANGE

- The 1984 medical care and construction budget request is \$714 million higher in budget authority and 2,300 higher in full-time equivalent employment than 1983.
- Over \$300 million of the \$714 million increase is in major and minor construction programs. These budget authority levels are, respectively, 66% and 37% higher than 1983 levels.

RATIONALE

These increases in funding reaffirm the Administration's commitment to quality care for the Nation's veterans.

EFFECTS OF THE PROPOSED CHANGE

- All of the staffing and nearly \$400 million of the above funding increase will result in immediate improvements in the care and treatment of veterans. These increases will ensure continued quality care for veterans while providing nearly \$40 million in program improvements and allowing the activation of new and modernized medical facilities.
- The demand for medical care will be met with nearly 5,000 more patients treated and 230,000 more outpatient visits accommodated than in 1982.
- Program improvements include development of decentralized ADP information systems in 60 hospitals, conversion of over 12,000 inpatient beds in 25 hospitals from a ward stock medication distribution system to a unit dose system, activation of two spinal cord injury home care units, development of an additional Geriatric Research, Education and Clinical Center, and initiation of three projects developing automated electrocardiography, supply and equipment systems. These improvements are expected to enhance the quality of care, offer an alternative to inpatient care and shorten the average length of inpatient hospital stay.

- In 1984, construction work on major projects (those costing \$2 million or more) will be undertaken at 35 medical centers. The two largest projects are the construction of a replacement hospital at Minneapolis, MN and modernization of the medical facility at Biloxi, MS. The funding increases will permit a greater effort to correct space and functional deficiencies, replace or modernize outmoded facilities, and provide other facility improvements

VETERANS DISABILITY COMPENSATION

AGENCY: Veterans Administration

Functional Code: 701

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	9,590	9,463	10,331	10,961	11,448	11,986	12,527
Outlays	9,276	9,687	10,290	10,915	11,403	11,942	12,471
REAGAN BUDGET							
Budget Authority	9,590	9,463	10,094	10,669	11,071	11,499	11,942
Outlays	9,276	9,687	10,053	10,632	11,036	11,463	11,905
PROPOSED SAVINGS							
Budget Authority	--	--	237	292	377	487	585
Outlays	--	--	237	283	367	479	566

PROGRAM DESCRIPTION

A monthly benefit is paid to veterans and their survivors based on disabilities incurred in or aggravated by active military service, death while on active duty, or death resulting from service-connected disabilities. The disability benefit is intended to indemnify the veteran for service-connected injury or illness and to provide an income supplement that approximates the average loss of income that the veteran is expected to experience because of the disability. Beneficiaries are rated 10% to 100% disabled on the basis of average earnings impairment for any particular disability, with benefit payments ranging from \$62 to \$1,213 per month on that basis. The total number of beneficiaries is expected to decline from 2,629,000 in 1982 to 2,616,000 in 1983 to 2,612,000 in 1984 largely because older compensation beneficiaries, largely veterans of World War II, are dying faster than new cases are entering the compensation rolls.

PROPOSED CHANGE

- Provide a 5.1% cost-of-living adjustment (COLA) in benefits, effective April 1, 1984, reflecting a 6-month delay from the present *practice* of providing COLA's each October.
- Provide, beginning in April, 1985, annual cost-of-living increases on a graduated scale, aligned with the degree of disability so that those rated at higher disability levels would receive a proportionally larger annual COLA than those with less severe impairments. COLA's would be provided according to the following schedule:

<u>Percent of rated disability</u>	<u>Percent of COLA to be provided</u>
100	100
60-90	85
40-50	60
10-30	45

- Allowances paid to compensate beneficiaries for dependents and to provide clothing allowances to qualified veterans will continue to reflect 100% of the cost-of-living increases.

RATIONALE

- The FY 1984 COLA delay is consistent with the current Government initiative to delay increases or freeze spending in most income support programs across-the-board.
- Providing COLA increases on a graduated scale would restore the emphasis of this program to its intended objective: aiding those veterans in need whose service-related disabilities clearly and substantially restrict their employment opportunities. Those with less severe impairments would still receive annual cost-of-living adjustments, but on a prorated basis.
- Rather than penalizing one group of veterans, the graduated payments proposal would provide a reasonable increase to all disabled veterans in accordance with level of need for additional compensation. Those veterans rated 100% disabled would receive a 100% COLA completely offsetting the increase in the Consumer Price Index each year. Those rated 0-30% disabled would receive only 45% of the COLA since this group is more likely to be working and receiving full COLA's in that capacity.

EFFECTS OF THE PROPOSED CHANGE

- Neither of the proposals would reduce the number of veterans or survivors receiving compensation benefits.
- The moderation of benefits in the graduated payments proposal would be modest for any individual veteran, from \$1 per month for those 10% disabled to \$4 per month for those 90% disabled. However, because of the large number of beneficiaries, savings would be substantial -- \$2.3 billion over 5 years.

1982 AND 1983 CHANGES

The Budget Reconciliation Act of 1982 restricted payments of compensation benefits to the first full month of entitlement and discontinued entitlement for dependency allowances at the end of the month (rather than end-of-year) in which dependency ceases. These changes will cause a \$25.2 million reduction in 1983 obligations.

MINORITY BUSINESS ASSISTANCE

AGENCY: Department of Commerce
Small Business Administration

Functional Code: 376

Funding*

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	108	141**	145	150	154	159	163
Outlays	101	139	142	148	152	160	161
REAGAN BUDGET							
Budget Authority	108	141**	137	136	135	134	135
Outlays	101	139	140	137	136	135	135
PROPOSED SAVINGS							
Budget Authority	--	--	8	14	19	25	28
Outlays	--	--	2	11	16	25	26
PROGRAM LEVEL							
Non-Credit Assistance	81	101	102	104	106	108	109
Credit Assistance	238	491	491	491	491	491	491
TOTAL Program Level	319	592	593	595	597	599	600

* Budget authority and outlay figures do not include the cost of defaulted guaranteed loans.

** Includes \$12 million carryover from FY 1982

PROGRAM DESCRIPTION

Management, technical, and procurement assistance (i.e., non-credit assistance) is provided to minority-owned firms by the Department of Commerce's Minority Business Development Agency (MBDA) and the Small Business Administration (SBA):

- MBDA contracts with public and private organizations to provide management and technical assistance to minority firms.
- The SBA provides non-credit assistance by establishing minority procurement goals for Federal agencies, awarding non-competitive 8(a) contracts and Business Development Expense (BDE) grants to minority firms, and providing management and technical assistance through private contractors.
- Credit assistance is provided through SBA's direct and guaranteed business loans and its Minority Enterprise Small Business Investment Company (MESBIC) program. MESBIC's are privately-owned companies, which are licensed, regulated, and supported financially by SBA, to provide equity financing or long-term loans to small minority firms.

PROPOSED POLICY

- MBDA's management and technical assistance program will continue to focus attention on the development of private sector market opportunities for minority businesses. Beginning in 1984, \$6 million (10%) of MBDA's program level will be financed through private sector cost-sharing, which will increase gradually to 25 percent by 1987.

- SBA will continue to have the lead responsibility for ensuring that minority firms have equal access to procurement opportunities in the Federal sector. SBA will also continue to allocate a greater proportion of its resources to management and technical assistance for minority firms.
- Guaranteed loans would be used in lieu of direct loans to provide credit assistance to minority firms.

RATIONALE

The planned minority business assistance implements the commitment the President made in his December 17, 1982, Minority Business Enterprise Statement to help minority Americans achieve fuller participation in the market economy.

EFFECTS OF THE PROPOSED POLICY

- Approximately \$0.5 billion in credit assistance and \$100 million in management and technical assistance will continue to be made available annually to promote minority business development.
- MBDA will continue to promote market opportunities for minority business in the private sector by financing 100 Business Development Centers (BDC's). The Centers are designed to assist minority businesses to develop marketing strategies, package loan applications, and enter into joint ventures.
- SBA will focus its efforts on improving the ability of minority firms to compete for Federal procurement opportunities and, thereby, ultimately for private contracts. SBA will also continue to attempt to increase the number of Federal contracts awarded to minority firms.
- The continued use of guaranteed loans, rather than direct loans, for minority firms will eliminate a tendency to depend on Federal subsidies for survival; will mitigate -- over time -- the perception of financial institutions that minority firms are higher credit risks; and will foster the development of sound relationships between minority firms and private financial institutions.

TITLE III ASSISTANCE TO HISTORICALLY BLACK COLLEGES (HBC's)

AGENCY: Education Activities

Functional Code: 502

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	40.5 ^{1/}	41.4	43.5	45.5	47.6	49.7	51.9
Outlays	34.3	40.7	42.0	45.0	45.4	47.3	49.4
REAGAN BUDGET							
Budget Authority	40.5 ^{1/}	43.0 ^{2/}	45.7	45.7	45.7	45.7	45.7
Outlays	34.3	40.8	43.2	46.9	45.9	45.7	45.7
PROPOSED CHANGES							
Budget Authority	--	+ 1.5	+ 2.3	+ 0.2	-1.8	-4.0	-6.2
Outlays	--	+ 0.1	+ 1.3	+ 1.9	+ 0.5	-1.5	-3.6

1/ Excludes reappropriation (continuation of availability) of \$8.1 million of unspent funds already accounted for in this amount.

2/ Includes proposed supplemental of \$1.5 million.

PROGRAM DESCRIPTION

Title III of the Higher Education Act authorizes three grant programs for schools with limited financial resources and large percentages of low-income students. The grants are designed to make such institutions more self-sufficient by improving academic quality, program and financial administration, and student service capacity. In the past, HBC's have received about 15% of all grants representing about 30-35% of all funds. In 1982 they received 75 grants.

PROPOSED CHANGE

Even though the total Title III appropriation is proposed to stay at the same level in 1984 as requested in 1983, appropriations language is proposed to ensure that HBC's receive in 1984 what is proposed for 1983 plus adjustments for inflation. The resulting appropriation of \$45.7 million is 41% above funds obligated for HBC grants in 1982.

RATIONALE

The President made clear by issuing E.O. 12320 on September 15, 1981 ("Historically Black Colleges and Universities") that a major component of the Administration's effort to ensure equal access to higher education for minority and disadvantaged students would be increased participation by HBC's in Federal programs. These institutions are a major educational resource of the nation's black community, awarding over half of all bachelor's degrees awarded to black students in America. Later Presidential directives stated that agencies should attempt to preserve or increase relative funding for HBC's in the face of overall funding restraint. The 1984 Budget proposes, through appropriations language, exactly such an increase in the share received by HBC's of a total Title III appropriation held level from 1983 to 1984.

EFFECTS OF THE PROPOSED CHANGE

Both the number and average amount of grants to HBC's would increase from the level to be financed from the 1983 appropriation, allowing faster progress by more of these institutions toward self-sufficiency.

HOWARD UNIVERSITY

AGENCY: Education Activities

Functional Code: 502

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	145.2	145.2	152.9	160.4	167.9	175.5	183.4
Outlays	146.2	166.2	158.6	160.1	167.6	175.2	183.1
REAGAN BUDGET							
Budget Authority	145.2	145.2	159.7	158.2	158.2	158.2	158.2
Outlays	146.2	166.2	164.4	159.1	158.2	158.2	158.2
PROPOSED CHANGES							
Budget Authority	--	--	+ 6.8	-2.2	-9.6	-17.3	-25.1
Outlays	--	--	+ 5.7	-1.0	-9.3	-16.9	-24.8

PROGRAM DESCRIPTION

The Federal Government provides a substantial portion of both the operating and capital costs of Howard University, one of the nation's preeminent primarily minority institutions of higher education. The school provides about 10,000 students with high quality undergraduate and graduate education in 17 schools and colleges. It also operates a 500-bed teaching hospital which annually has about 14,000 admissions and about 150,000 out-patient visits.

PROPOSED CHANGE

The 1984 Budget provides:

- Substantial increases in operating support, up 10.6% from 1983 and 24.2% from 1982.
- Continued support of Howard University Hospital at the \$22.1 million level agreed to by Howard and the Federal Government in 1977.
- \$1.5 million for repair of the Medical Building and continuation of the Freedmen's Hospital renovation project. This meets a one-time funding need of the university; no construction funds are requested in 1985 and beyond.

RATIONALE

Here, as in other areas of support for higher education, the Administration is strongly committed to providing equal access for minority and disadvantaged students. Increased levels of support for Howard will help assure that access by providing needed support to a major educational resource for minorities, particularly black students.

EFFECTS OF THE PROPOSED CHANGE

1984 enrollment will grow to about 10,050, some 2% above 1983 and 4% above 1982. Most of the \$13 million increase in operating support will be used for faculty and staff pay increases required to maintain competitiveness with similar institutions. About 30% will be used for improvements designed to eliminate accreditation problems in several of the schools. The construction funds will permit emergency repairs and additional renovation of the Freedmen's Hospital.

FEDERAL CIVIL RIGHTS ACTIVITIES ^{1/}

Outlays	(\$ in millions)				
	1980	1981	1982	1983	1984
Federal civil rights activities (total) ^{1/}	512.6	544.3	564.2	607.3	632.2
<i>Major civil rights programs:</i>					
Department of Justice/Civil Rights Division	14.5	16.7	17.2	18.6	20.6
Equal Employment Opportunity Commission	130.8	134.2	137.6	147.0	153.0
Department of Housing and Urban Development/Office of Fair Housing and Equal Opportunity	18.4	21.7	24.6	34.1	30.4
Office for Civil Rights					
Health and Human Services	--	19.3	19.1	19.6	19.6
Education Activities ^{2/}	--	44.1	41.8	44.3	42.7
Total	58.8	63.4	60.9	63.9	62.3
Department of Labor/Office of Federal Contract Compliance Programs	50.6	48.1	42.5	43.8	47.4
Commission on Civil Rights	11.5	11.7	11.9	12.0	12.2

^{1/} Includes, in addition to outlays by Executive departments and agencies, expenditures by the Legislative Branch and U.S. Postal Service to implement Federal internal EEO requirements. These figures reflect the most current information available, and include some updates and corrections to figures published in Special Analysis J.

^{2/} These offices were one until 1980, and reliable data for that year is available only on a total basis. Education activities will be proposed for reassignment to appropriate executive departments and agencies pursuant to reorganization legislation to be submitted at a later date.

PROGRAM DESCRIPTION

The Federal Government enforces or implements approximately 130 Federal statutes designed to protect individuals against violations of their civil rights based on race, sex, color, religion, national origin, age or handicap. These statutes are in addition to basic constitutional guarantees and Executive orders. The Federal guarantees are designed to assure equal employment opportunity (within the Federal Government itself, as well as among State, local, and private employers); fair housing; equal credit; nondiscrimination in federally assisted programs and activities; and basic constitutional rights. Federal civil rights activities include agency efforts to implement these guarantees. They also include monitoring and research activities, such as those performed by the U.S. Commission on Civil Rights.

* More detailed information regarding outlays and accomplishments is provided in Special Analysis J, Civil Rights Activities, Budget of the United States Government, 1984.

PROPOSED CHANGE

The proposed 1984 Budget provides for an estimated increase of \$68 million over actual 1982 outlays for these activities. Outlays for most principal Federal civil rights agencies will be increased or maintained at current levels.

RATIONALE

Spending levels for all civil rights activities reflect the administration's commitment to maintaining and expanding protections for the civil rights of individuals, while realizing personnel and other economies available through management and program reforms, increased efficiency, and enhanced involvement of State and local governments in protecting individual civil rights.

EFFECTS OF PROPOSED CHANGE

The 1984 budget provides outlays sufficient to maintain and enhance the effectiveness of Federal civil rights enforcement efforts. Considered individually, outlays for each of the major Federal civil rights programs will exceed 1982 levels. In the only major civil rights activities for which proposed 1984 outlays do not exceed estimated outlays for 1983:

- The Department of Education's Office for Civil Rights has substantially increased the efficiency of its complaint processing, its primary enforcement function (reducing its complaint backlog, for example, by 27% in 1982). Coupled with a downward trend in complaints filed with the Office, these improvements will enable the Office to maintain current protections against discrimination in education activities while realizing the modest dollar savings proposed for 1984.
- The Department of Housing and Urban Development's Office of Fair Housing and Equal Opportunity's (FHEO) 1983 outlays include substantial "seed money" for developing the capabilities of State and local agencies to process fair housing complaints now handled by FHEO and for the development of Community Housing Resource Boards to involve the private sector in preventing and eliminating discriminatory housing practices. 1984 outlays reflect savings achieved through increased State and local processing of complaints now processed by FHEO, as well as the completion of most of the costly "start-up" activities.

1982 AND 1983 CHANGES

- The administration continued its efforts to refocus Federal enforcement on protecting the civil rights of individuals. These efforts included:
 - Continued refinement of the Department of Justice's new approach to remedying employment discrimination. This involves, in place of the quotas of the past, requirements that employers guilty of discrimination institute specific programs assuring that members of previously excluded groups are considered for employment opportunities, and that they use genuinely nondiscriminatory procedures in selecting from the resulting pool of eligibles.
 - A wide range of appellate and other litigation by the Department of Justice designed to reassert Title VII's basic requirement that employment decisions be based on individuals' abilities and characteristics, not on presumptions based solely on their race, sex, color, national origin, or religion. The Department filed a brief with the Supreme Court defending Boston firefighters against layoffs based on race, and another challenging the practice of many pension plans of setting contribution or periodic benefit levels solely on the basis of sex. In response to the protests of female, Hispanic, and white male police officers who may be denied promotions they have earned solely because of their race, the Department has intervened in a Circuit Court case involving

the New Orleans Police Department. And the Department obtained a Supreme Court decision establishing, once and for all, that persons employed by subsidiaries of foreign corporations are protected by statutes prohibiting employment discrimination.

- Continued opposition to discrimination against individuals in other significant areas, including a Presidential Task Force's firm rejection of suggestions that quotas be imposed to limit the participation of blacks in the armed services; the Administration's continued opposition to the assignment of students on the basis of race and national origin, either through *de jure* segregation or forced busing; and a proposed amendment to the Age Discrimination in Employment Act designed to ban mandatory retirement based solely on age.
- Continued improvements in EEOC's activities on behalf of victims of discrimination. For example, EEOC complaint processing and legal enforcement resulted in the recovery of \$134.6 million in backpay for identified victims of discrimination in 1982 (compared to \$77.6 million in 1980).
- The Administration initiated management improvements in civil rights activities throughout the Federal Government. For example, actions to correct long-standing financial and personnel management problems at the EEOC were initiated in 1982, and will be continued through 1983.
- The Administration continued efforts to utilize the capabilities of State and local governments in assuring nondiscrimination. For example, during 1982, the EEOC provided over \$17.5 million in grants to State and local nondiscrimination agencies, and deferred 38,800 charges of employment discrimination to these agencies for processing. During 1982, HUD's FHEO referred 56.7% of the Fair housing complaints it received to State and local agencies for processing (compared with only 13% in 1980).
- The President announced his support for extending the Congressional authorization of the U.S. Commission on Civil Rights (due to expire this year) in his State of the Union Message. This is but one indication of the importance to this Administration of the Commission's mandate to assure that the laws protecting individuals against discrimination are faithfully executed.

LEGAL SERVICES CORPORATION

AGENCY: Legal Services Corporation

Functional Code: 752

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	241	241	256	272	288	304	322
Outlays	259	242	256	272	288	304	322
REAGAN BUDGET							
Budget Authority	241	241	--	--	--	--	--
Outlays	259	242	21	--	--	--	--
PROPOSED SAVINGS							
Budget Authority	--	--	256	272	288	304	322
Outlays	--	--	235	272	288	304	322

PROGRAM DESCRIPTION

The Legal Services Corporation (LSC) funds State and local agencies that give free civil legal assistance to the poor. LSC is a private non-profit corporation that acts independently of related Federal social and community services programs. Grantees are involved both in cases for individual clients and in broader "law reform" activities.

PROPOSED CHANGE

The Administration proposes that the corporation not be reauthorized and that no further separate Federal funding be provided. LSC funding already enacted by Congress would be used for responsibilities in existing cases, separation costs of Corporation and grantee staff, and related close-out functions.

RATIONALE

The Legal Services Corporation has operated since 1980 without an authorization approved by Congress, due to differences over the proper Federal role, funding mechanism, and administrative structure for legal services. The Administration proposes adopting a different approach: giving States flexibility and discretion to use block grants funds for legal services activities, and relying on private attorneys to fulfill their ethical obligations to serve the poor.

The Administration's \$2.5 billion Social Services Block Grant includes adequate authority to fund whatever legal services activities States may wish to provide for their citizens. These sources of funds will give more flexibility to States, and permit the services to be more responsive to the direct needs of their citizens, than the current Legal Services Corporation.

The American Bar Association (ABA) Code of Professional Responsibility states:

"The basic responsibility for providing legal services for those unable to pay ultimately rests upon the individual lawyer, and personal involvement in the problems of the disadvantaged can be one of the most rewarding experiences in the life of a lawyer. Every lawyer, regardless of professional prominence or professional workload, should find time to participate in serving the disadvantaged."

The nearly 600,000 attorneys nationwide can be a significant resource for legal services for the poor. The Administration believes private bar members can and should do more to fulfill their obligations through *pro bono* services. Private bar activities for the poor have increased modestly over the past two years, in response to the Administration's call for greater involvement, and trims enacted in the LSC budget. However, much more can be done. For example, 40 hours/year per attorney in donated services would provide more legal aid resources than the entire quarter-billion dollar Federal LSC program.

In addition, the Federal Government should no longer subsidize the private bar in the fulfillment of its ethical responsibilities to the poor. Revenues received by private law firms alone exceed \$25 billion per year. Significant legal services for the poor can also be made available through modest fee assessments and service requirements of State and local bar associations, and through inclusion of service requirements in law school curriculum.

Restrictions on advertising, competition, and other barriers to normal market forces for legal services have been substantially reduced over the last few years. This will increase the availability of low-cost private legal services, particularly in "routine" cases such as divorce. Cases involving family law (primarily divorces), consumer finance problems, landlord/tenant relations, and wills and estates -- areas which are handled on a regular basis by a large number of private attorneys -- comprise over 50% of all LSC-funded casework.

Most legal services are now delivered by LSC grantees, operating as staff attorney offices directly handling individual cases. A major Congressionally-mandated study concluded that other legal service delivery systems which make greater use of the private bar are viable - "judicare" (operating in conjunction with staff attorneys) and contracts with law firms. States could use Social Services Block Grant funds to finance such legal services if they so choose.

EFFECTS OF PROPOSED CHANGE

With the use of Social Services Block Grant funds, State priority setting and control over resources will be enhanced, overhead will be decreased and coordination among different social services at the local level will be improved. Increased *pro bono* services will give the poor greater access to the legal system and will help fulfill private ethical obligations. Participating in a variety of direct legal matters with low-income clients will also be a useful professional experience for young attorneys competing in tight job market. Direct assistance to eligible individual clients could be maintained or increased above the current level. States will decide how the Social Services Block Grant funds may be best used in serving the legal needs of the poor, including, for example, coordinating and supporting *pro bono* work by private attorneys.

1982 AND 1983 CHANGES

In each of the last two budgets, the President has proposed eliminating separate LSC funding. Congress has reduced the LSC budget by 25% and imposed tougher restrictions on LSC and grantee activities, but the structure of independent, federally funded legal aid programs in every county in the nation remains largely intact. Efforts to increase private attorney involvement in legal services for the poor have increased, but remain at a relatively low level overall.

OLDER AMERICANS PROGRAMS

AGENCY: Department of Health and Human Services
 Department of Labor
 Department of Agriculture

Functional Code: 506

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	1,006	1,054	1,105	1,156	1,210	1,264	1,322
Outlays	988	1,041	1,091	1,141	1,195	1,249	1,296
REAGAN BUDGET							
Budget Authority	1,006	1,054	998	998	998	998	998
Outlays	988	1,041	1,108	999	998	998	998
PROPOSED CHANGES							
Budget Authority	---	---	-107	-158	-212	-266	-324
Outlays	---	---	+ 17	-142	-197	-251	-298

PROGRAM DESCRIPTION

Older Americans programs fund nutrition, social and other services designed to promote economic well-being and independence for the elderly. They include: Administration on Aging programs under Title III of the Older Americans Act administered by the Department of Health and Human Services, the Elderly Feeding Program administered by the Department of Agriculture, and the Senior Community Service Employment Program administered by the Department of Labor.

The Administration on Aging (AoA) in HHS makes grants to 57 State and, through them, to 670 Area Agencies on Aging. These agencies deliver a range of social services to over 9 million older Americans including transportation, information and referral, legal services and homemaker/home health services. AoA also funds congregate and home-delivered meals. In FY 1983, 191 million meals were served to over 3 million people. All persons over age 60 are eligible for AoA programs, regardless of income. AoA also makes grants to Indian tribes and conducts research, training, and evaluations.

Under USDA's Elderly Feeding Program, nutrition projects are entitled to reimbursement in cash or commodities for each meal they serve, subject to an overall annual funding level. In FY83, 92% of these funds were paid to States in cash.

The Senior Community Service Employment Program (SCSEP) makes grants to national contractors and State Agencies on Aging to subsidize part-time jobs for low-income persons aged 55 or over. In FY83, 54,200 persons hold subsidized community jobs as day care aides, conservation workers, legal aides, nutrition workers, or home-health care aides. National contractors receive 78% of all funds for this program.

PROPOSED CHANGE

The Administration proposes to consolidate into AoA's existing Title III program those Older Americans programs currently administered by other Federal agencies. The FY84 budget requests \$998 million for Older Americans programs. This funding level will maintain the level of services and meals provided in FY83.

Legislation will be proposed to reform and transfer the Elderly Feeding program from USDA to HHS, which administers all other nutrition activities under Title III of the Older Americans Act.

Second, the legislation will broaden AoA's Title III authority to allow continuation of subsidized employment for older persons out of an expanded Title III grant to State and area agencies on Aging. The FY84 budget requests no separate funding for SCSEP.

Reductions are proposed for State administrative activities and research, training and evaluations to preserve funding for activities which directly serve the elderly.

RATIONALE

- Expanding the range of services funded by AoA programs will enhance the ability of State and Area Agencies on Aging to promote economic independence and well-being for the elderly. These agencies are by law the principal coordinators of services to the elderly, and their ability to serve this role will be strengthened if they no longer have to deal with three separate Federal agencies in order to assist the elderly.
- Consolidating two Federal programs into AoA further extends the flexibility already available to States to transfer funds among AoA's categorical programs. The budget proposal will give State and Area Agencies more control over resources and will strengthen their ability to design effective programs.
- AoA administration of senior employment would enhance coordination of programs now assisting the elderly. Almost half the jobs currently subsidized involve service to the elderly. In addition, State and local resources will be maximized since no more than 8.5% of AoA funds can be spent on administration, compared to 15% for SCSEP.
- Similarly, consolidating Elderly Feeding into AoA programs will reduce wasteful and duplicative overhead. Most meal programs already choose to receive cash, and States will be free to continue purchasing commodities from USDA should they wish to do so.
- The FY84 budget request is sufficient to maintain the number of meals served and the level of other services provided at or above their FY83 levels. As the General Accounting Office has pointed out, considerable savings can be achieved by improving the management of AoA programs, without affecting program quality. Further, service levels can be maintained by encouraging voluntary contributions. In 1983, for example, an average contribution of less than 60¢ per meal generated \$118 million for Area Agencies to redirect toward the neediest older Americans.
- Reductions in administrative and discretionary activities restrain growth in Federal spending while preserving funding for direct services to older Americans.

EFFECTS OF PROPOSED CHANGE

- Over 11,000 paid staff at the State and local level will serve an even stronger role in planning and delivering services to older American.
- Service levels will be maintained. 191 million meals will be served in congregate settings or home-delivered. Nine million people will receive supportive social services. Employment opportunities will be promoted for older Americans.
- Grants to 83 Indian tribes will support meals and services for 15,000 older Indians.

ACTION

AGENCY: ACTION
(Domestic Volunteer Programs)

Functional Code: 506

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	132	129	130	134	139	143	147
Outlays	135	132	130	133	137	141	146
REAGAN BUDGET							
Budget Authority	132	129	110	110	110	110	110
Outlays	135	132	113	110	110	110	110
PROPOSED SAVINGS							
Budget Authority	--	--	20	25	29	33	37
Outlays	--	--	16	22	27	32	36

PROGRAM DESCRIPTION

ACTION provides financial support for volunteers under four major programs. Three are for older Americans: the Foster Grandparents program, which provides stipends to low-income elderly working 20 hours a week in various settings with children who have handicaps or other special needs; the Senior Companion program, which provides stipends to low-income elderly working 20 hours a week to help prevent the institutionalization of the chronically homebound elderly; and the Retired Senior Volunteer Program (RSVP), which pays project costs and incidental expenses for the elderly volunteering to provide various services to their communities. The fourth program is the Volunteers in Service to America (VISTA), which provides expenses, stipends, and allowances to full-time volunteers serving in a variety of community-based organizations. In addition, ACTION provides seed-money assistance to encourage volunteer activities.

PROPOSED CHANGE

The 1984 budget request would complete the phase out of the VISTA program started in the 1981 Reconciliation Act. It would also substantially reduce the portion of the ACTION budget devoted to Federal employment and administrative expenses.

RATIONALE

The VISTA program is both more expensive and less effective than the older American volunteer programs.

In 1982, almost 21% of ACTION's budget went for program support, an extremely high proportion.

EFFECTS OF THE PROPOSED CHANGE

The 1,750 VISTA volunteer service years provided in 1983, an insignificant portion of nationwide voluntary service, would no longer take Federal funding.

The portion of ACTION's budget devoted to program support would be reduced to 16.5%; FTE would decline from 490 in 1983 to 375 in 1984.

1982 AND 1983 CHANGES

In 1982, the number of VISTA volunteer years was reduced to 2,227 from the 4,208 financed in 1981. This total was reduced to 1,750 in 1983.

REFUGEE AND ENTRANT ASSISTANCE

AGENCY: Department of Health and Human Services Functional Code: 609

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	689	579	485	355	288	246	200
Outlays	1,011	632	521	366	299	254	225
REAGAN BUDGET							
Budget Authority	689	579	485	355	288	246	220
Outlays	1,011	632	521	366	299	254	225
PROPOSED CHANGE							
Budget Authority	--	--	--	--	--	--	--
Outlays	--	--	--	--	--	--	--

PROGRAM DESCRIPTION

With Federal financial support, States administer programs of cash, medical, and other assistance to refugees and entrants for up to three years after their arrival in the U.S. Other refugee and entrant assistance activities include matching grants to voluntary agencies for Soviet refugee resettlement and public health grants. U.S. refugee admissions and entrant flows have decreased dramatically from a high of 210,000 in 1980 to 90,000 anticipated in 1983. Outlays for refugee and entrant assistance are expected to decline in 1984 and in the future due to reduced flows from Indochina and elsewhere. In recent years, the refugee assistance program has experienced welfare dependency rates as high as 80%.

PROPOSED CHANGE

Consolidate Federal funding in a single per capita grant to State for all assistance to refugees and entrants who are not categorically eligible for AFDC, Medicaid, or General Assistance. Those who are eligible for regular Federal or State welfare programs would not be affected, and Federal reimbursement of these programs would continue.

RATIONALE

States and voluntary agencies directly administer refugee and entrant assistance. The per capita grant for assistance to non-categorically eligible refugees and entrants would give States and localities greater flexibility and discretion needed to reduce high welfare dependency and special refugee/entrant adjustment problems. The complete discretion States would have under the per capita grant program recognizes the wide variations in assistance programs and economic conditions in each State. States could continue the existing programs "as is", or finance a new mix of exemplary services designed to meet the needs of newly arriving refugees given particular conditions in the State. Most of the current Federal constraints on State and local activities and services would be eliminated.

EFFECTS OF THE PROPOSED CHANGE

There would be *no* funding reduction from current estimates of refugee and entrant assistance costs under the per capita grant for FY84.

States would receive formula grants based on the state refugee and entrant population, currently the basis for distributing social services funds.

1982 AND 1983 CHANGES

The Refugee Assistance Amendments of 1982 strengthened work requirements for refugees and entrants on public assistance and prohibited aid to refugees and entrants who are full time students. Beginning in FY82, the Office of Refugee Resettlement implemented new cash and medical assistance regulations limiting Federal reimbursement of such aid to refugees and entrants not categorically eligible for AFDC, Medicaid and General Assistance to 18 months after arrival in the U.S., after which refugees and entrants would be eligible for public assistance as other Americans are.

FARM PROGRAMS

AGENCY: Department of Agriculture

Functional Code: 351

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	16,063	17,858	10,491	11,000	12,400	13,400	12,100
Outlays	11,652	18,859	12,394	13,700	13,400	14,600	12,500
REAGAN BUDGET							
Budget Authority	16,063	15,186	10,418	6,800	5,400	6,200	6,300
Outlays	11,652	18,255	9,255	7,700	6,600	7,000	7,200
PROPOSED SAVINGS							
Budget Authority	--	2,672	73	4,200	7,000	7,200	5,800
Outlays	--	604	3,138	6,000	6,800	7,600	5,300

PROGRAM DESCRIPTION

The Commodity Credit Corporation (CCC) finances price support, export credit and related programs to mitigate the adverse effects of price fluctuations on farmers and help ensure a vital U.S. farm economy. Price support is provided through loans, purchases and direct payments.

PROPOSED CHANGE -- beginning in FY 1983

- *Payment-in-Kind (PIK)* -- In return for reducing their production, farmers of wheat, corn, sorghum, cotton, and rice would receive, at no cost to them, some of the surplus commodities now pledged as collateral for Federal price support loans or owned by CCC (the corresponding loans would be forgiven).
- *Freeze of target prices* -- Target prices for wheat, feed grains, cotton, and rice would be frozen at current (1983 crop) levels.
- *Increased exports* -- Enhanced promotion and credit programs should help increase the amount of farm exports for cash and credit (described in further detail in a separate fact sheet).
- *Increased donations* -- Surplus commodities held by CCC would be made available for donation through international humanitarian organizations.
- *Honey price support* -- The honey price support program would be changed from mandatory to discretionary.
- *ELS cotton price support* -- The extra-long staple cotton support formula would be modified and the acreage allotments and quotas would be eliminated.

The PIK and export initiatives are being implemented now under current authorities. Legislation is being proposed for the other above program changes.

RATIONALE

- The President's farm program is designed to protect formers' income while simultaneously reducing excess inventories and excess production, and enhancing farm product demand, to correct the current agricultural supply/demand imbalance.

- During the past two years, good weather has resulted in unexpected increases in farm crop production. This increased supply, coupled with lower demand than anticipated, has reduced prices and created large surpluses.
- As price support programs automatically cushion the adverse effects of low prices and excess supplies, CCC budget outlays have increased to record highs of \$11.7 billion in 1982 and over \$18 billion in 1983. This occurred because the Agriculture and Food Act of 1981 built in high and increasing guaranteed target prices based on previously expected inflation in costs and market prices. However, actual farm costs declined, farm prices remained low and supply and demand remained out of balance.
 - The 1981 Farm Program has built in 22-33% cumulative increases in target prices over the 1981-85 crop year period.
 - Costs of production are expected to increase a total of only 13% to 15% over the same period.
 - Current target prices generally cover these increased costs.
- Unless changed now, these excessively high target prices will continue to provide an incentive for overproduction; maintaining large surplus stocks, low farm crop prices and high Government costs.
 - A freeze of target prices would more than cover current and projected increases in farm production costs and provide substantial savings to the American taxpayer.
 - This proposed freeze is consistent with other inflation-related program proposals, including a freeze in cost-of-living adjustments and freezes of many discretionary Federal programs Government-wide.
- This new comprehensive program should be less costly to the general taxpayer and less of a restriction on farm producers than any other course available to us.

EFFECTS OF THE PROPOSED CHANGE

Surplus grain stocks, which have been overhanging the market and depressing prices, are expected to be reduced by one-third from current services levels by crop year 1984.

Outlay savings under the President's farm program can be divided as follows:

	(\$ in millions)					
	1983	1984	1985	1986	1987	1988
PIK and other reforms	604	2,588	4,100	3,500	3,300	300
Target price freeze	--	550	1,900	3,300	4,300	5,000
Total savings	604	3,138	6,000	6,800	7,600	5,300

1982 AND 1983 CHANGES

As part of the Reconciliation Act of 1982, Congress approved the Administration's proposal to reduce dairy program costs and enacted a new dairy assessment program which is expected to help bring dairy production more in line with demand and reduce dairy outlays in 1984 and thereafter from levels of \$2.2-3.2 billion a year to about \$600 million a year. The President's budget assumes continuation of this program.

SOIL AND WATER CONSERVATION

AGENCY: Department of Agriculture

Functional Code: 301, 302 and 304

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	798	805 ^{1/}	840	864	887	910	935
Outlays	809	816 ^{1/}	876	870	890	913	929
REAGAN BUDGET							
Budget Authority	798	730 ^{2/}	544	549	549	549	549
Outlays	809	780 ^{2/}	711 ^{2/}	589	581	579	565
PROPOSED SAVINGS							
Budget Authority	--	75 ^{3/}	296	315	338	361	386
Outlays	--	36 ^{3/}	165	281	309	334	364

^{1/} Appropriation

^{2/} Net of proposed rescissions.

^{3/} Amount proposed for rescissions.

PROGRAM DESCRIPTION

The Soil Conservation Service (SCS) provides soil and water conservation technical assistance to landowners, conducts soil surveys, and collects national information on soil and water related conservation problems. It also assists sponsors of small water resource projects in planning and implementing works of improvement in small watersheds primarily to reduce flood damage in rural areas and small communities.

The Agricultural Stabilization and Conservation Service (ASCS) administers the Agricultural Conservation Program (ACP), a program of financial assistance to cost share with landowners the cost for installing soil and water conservation practices on private lands.

PROPOSED CHANGE

- The FY 1984 Budget for SCS is \$475 million, a net decrease of \$44 million from the FY 1983 appropriation (net of proposed rescissions).

Changes from FY 1983

- *Conservation Operations* +\$5.3 million
Reflects increase in operating costs and targeting of conservation technical assistance, partially offset by decreases in inventory and monitoring and resource appraisal and program development.
- *Water Resource Programs* -\$23.4 million
Reflects reduction in number of new starts for river basin surveys, a no new planning starts policy, and a no new project construction starts policy for small watershed and flood prevention projects
- *Great Plains Conservation Program* -\$5.8 million
Reflects reduction in number of new contracts.
- *Resource Conservation and Development program* -\$20.1 million
Reflects proposed termination of RC&D program in FY 1983.

- The FY 1984 Budget for conservation cost-share programs of the ASCS provide \$69 million for FY 1984, a net decrease of \$143 million from FY 1983.
 - *Agricultural Conservation Program, Emergency Conservation Program, Water Bank Program, Forestry Incentives Program* - \$155.3 million
The objective of these cost-share programs are combined in a single consolidated ACP.
 - *Colorado River Salinity Control* + \$12.6 million
New on-farm salinity control program is proposed.

RATIONALE

- Funding for discretionary programs must be carefully controlled if the economic recovery is to be sustained. Accordingly, for these discretionary programs, Federal assistance is proposed for funding critical needs, and selective reductions are proposed for relatively lower priority situations.
- Total funding for soil and water conservation activities in FY 1984 is consistent with priorities established in the Secretary's program for USDA soil and water conservation under RCA for:
 - Targeting Federal technical assistance to geographical areas where there is a concentration of critical problems affecting soil productivity.
 - Assigning highest priority to reducing soil erosion and water conservation.
 - Placing a greater reliance on State and local governments for solutions to resource problems.
- Investments in planning and developing water resource projects were deferrable and their benefits mainly local in nature.
- A substantial portion of water resource projects provide recreation enhancement or offer the potential for increased crop production through flood protection for agriculture lands. These are of lower priority in this budget and fiscal situation.
- Reviews of RC&D programs conducted since 1975 by SCS, USDA and by the GAO have been unable to demonstrate significant measurable program effectiveness. Moreover, the local resource and economic development objectives of RC&D projects primarily are more appropriate as objectives for State and local governments.
- The decrease and consolidation of ACP from the FY 1983 appropriations for the ASCS and for the Great Plains Conservation Program of SCS are both proposed for the following reasons:
 - This Administration's PIK program is designed to substantially increase the acreage of land taken out of production. The lands set aside are likely to be the most erosion-prone land, thereby substantially reducing the need for Federal cost share assistance for reducing soil erosion on cropland.
 - Reductions in these cost-share programs can be more readily made than in other conservation programs involving RIF's of trained personnel.
 - The consolidated ACP would allow State and county offices greater flexibility to make tradeoffs between conservation programs in targeting Federal funds (\$56 million) to their most critical conservation needs. This should contribute to a more cost-effective use of available funds.

EFFECTS OF THE PROPOSED CHANGE

- Technical assistance will be targeted to 282 additional counties in FY 1984. A total of 806 counties in 44 States will receive \$26.3 million.

- No new planning and no new project construction starts are proposed for the Watershed and Flood Prevention programs in FY 1984. Available funds are concentrated in completing work already underway.
- RC&D would be terminated in FY 1983 and no funding sought for FY 1984.
- The proposed Colorado River Salinity Control Program will provide cost-sharing and technical assistance to reduce salt loading in the Colorado River Basin through improved on-farm water management, and to improve water quality for downstream users in the U.S. and Mexico.
- Proposed reduction for the Great Plains Conservation Program in FY 1984 would come entirely from new cost-share agreements. An estimated 300 new contracts on 625K acres would be signed in FY 1984 and commitments to present cooperators would be honored.

1982 AND 1983 CHANGES

- Allocations for the FY 1983 ACP program have been announced and include targeting of \$19 million to the critical areas jointly identified by ASCS and SCS.
- Targeting of technical assistance to critical soil and water resource problem areas was provided in FY 1982 at \$6.6 million in 205 counties, growing to \$12.5 million in 524 counties in FY 1983.

EXPORT CREDITS AND GUARANTEES

AGENCY: Export-Import Bank

Functional Code: 155

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Direct Loans	3,516	3,830	4,030	4,230	4,430	4,625	4,835
Guaranteed Loans	5,832	8,000	8,420	8,840	9,250	9,660	10,095
Outlays	1,173	1,192	1,460	956	782	527	578
REAGAN BUDGET							
Direct Loans	3,516	3,830	3,830	3,830	3,830	3,830	3,830
Guaranteed Loans	5,832	8,000	10,000	10,000	10,000	10,000	10,000
Outlays	1,173	1,192	1,433	853	566	190	116
PROPOSED CHANGES							
Direct Loans	--	--	-200	-400	-600	-795	-1,005
Guaranteed Loans	--	--	+1,580	+1,160	+750	340	-95
Outlays	--	--	-27	-103	-216	-337	-462

PROGRAM DESCRIPTION

The Export-Import Bank provides credit support for the sale of American goods and services overseas in the form of long-term direct loans and loan guarantees and insurance against defaults by foreign purchasers. The programs enable U.S. exporters to obtain financing on terms competitive with those offered foreign exporters by their governments or in areas where commercial lenders are either unable or unwilling to extend credit without an Eximbank guarantee.

PROPOSED CHANGE

The Administration proposes to:

- maintain direct lending at \$3.83 billion in 1984; and
- increase loan guarantees from \$5.8 billion in 1982 to \$10 billion by 1984.

In addition, the President will seek a supplemental authorization for direct loan obligations of up to \$2.67 billion for 1984 if necessary to meet subsidized foreign officially supported competition.

RATIONALE

The Administration's proposals are designed to respond to market conditions and to counter foreign trade-distorting practices:

- In the past eighteen months, the Administration has successfully negotiated major increases in minimum interest rates on export credits, and market interest rates have declined.
- As a result, the majority of official export credit financing provided by the United States and other OECD countries is now offered at or above market rates. Loan guarantees can provide export financing at competitive rates.
- If, however, market conditions became unfavorable, foreign export subsidies could again become a problem. In this situation, increased direct lending may be justified if it is explicitly temporary, serves the strategic purpose of increasing the cost of interventionist policies by foreign governments, and convinces them to reduce their trade distortions.

- The Administration remains opposed to export credit subsidies because they are a form of protection which hurts the country which adopts them as well as those which respond to them. Nonetheless, the possibility of providing subsidies is held open, in order to serve the strategic objective of reducing foreign trade barriers.

EFFECTS OF THE PROPOSED CHANGE

The Bank's programs supported export financing that covered 2.6% of U.S. merchandise exports in 1982 and are forecast to support 3.7% of exports in 1984 if proposed authority is fully utilized.

1982 AND 1983 CHANGES

- The Bank's programs are now competitive with most foreign official export credit programs. Interest rates are at the minimum rates permitted under international agreements but above its cost of funds in the majority of cases.
- The Bank's programs are now better targeted with resources focused on meeting foreign financing and supplementing private capital.

URBAN DEVELOPMENT ACTION GRANTS

AGENCY: Department of Housing and Urban Development **Functional Code:** 451

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	--	440	468	497	526	556	588
Program Level	--	566	748	533	562	592	624
Outlays	--	488	516	536	523	519	574
REAGAN BUDGET							
Budget Authority	474*	440	196	440	440	440	440
Program Level	337	566	476	476	476	476	476
Outlays	388	488	512	479	439	414	440
PROPOSED SAVINGS							
Budget Authority	--	--	272	57	86	116	148
Program Level	--	--	272	57	86	116	148
Outlays	--	--	4	57	84	105	134

* The 1982 budget authority figure includes a \$39 million reappropriation.

PROGRAM DESCRIPTION

The Urban Development Action Grant (UDAG) program provides discretionary, competitive grants to units of local government for use in conjunction with private funds to promote locally determined and project-specific economic development. By law, at least 25% of these funds are earmarked for small cities.

PROPOSED CHANGE

For 1984, the Administration is proposing budget authority of \$196 million. This funding, coupled with deferred funding from FY 1983 of \$244 million, will maintain the level of UDAG funding announcements at \$440 million. In addition, an estimated \$36 million in recaptured deobligations will be available.

RATIONALE

In 1982 and 1983, the Congress provided direct appropriations of budgetary resources to maintain a \$440 million program level, excluding deobligations. By the end of 1982, a substantial amount of previously appropriated resources remained unobligated. To avoid a wasteful and inefficient surge in 1983 program activity, the Administration has deferred \$244 million of the unobligated resources carried over from 1982 to 1983. These resources will be used to fund 1984 activity.

EFFECTS OF PROPOSED CHANGE

The UDAG program will continue to assist communities in partnership with private businesses in undertaking economic development projects in order to generate new jobs, increase tax bases, and promote economic revitalization in distressed areas.

The action grants projects approved during 1982 are expected to create 54,000 jobs and raise \$35 million in new tax revenues for the local governments involved. 1982 obligations will leverage \$2.0 billion in private investment.

RENTAL REHABILITATION GRANTS

AGENCY: Department of Housing and Urban Development **Functional Code:** 451

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Sec. 8 Mod. Rehab.							
Budget Authority	--	1,080	1,134	1,190	1,250	1,325	1,378
Outlays	--	107	195	272	336	403	472
Rehabilitation Loan Fund							
Budget Authority	--	--	--	--	--	--	--
Outlays	--	1	43	-2	-2	-2	-2
REAGAN BUDGET							
Rental Rehabilitation Grants							
Budget Authority	--	--	150	150	150	150	150
Outlays	--	--	--	75	150	150	150
Sec. 8 Mod. Rehab.							
Budget Authority	435	--	--	--	--	--	--
Outlays	44	107	178	217	222	226	230
Rehabilitation Loan Fund							
Budget Authority	--	--	--	--	--	--	--
Outlays	-23	1	--	--	--	--	--
PROPOSED CHANGES							
Budget Authority	--	-1,080	-984	-1,040	-1,100	-1,175	-1,228
Outlays	--	--	-60	+22	+38	-25	-90

PROGRAM DESCRIPTION

At present, two programs of the Federal Government subsidize the rehabilitation of rental properties: the Section 8 Moderate Rehabilitation program and the Rehabilitation Loan Fund. In addition, localities may use Community Development Block Grant funds to rehabilitate rental properties.

PROPOSED CHANGE

The Administration proposes to terminate the Section 8 Moderate Rehabilitation program and the Rehabilitation Loan Fund and substitute a new grant program for subsidizing the rehabilitation of rental units. This program -- Rental Rehabilitation Grants -- would be linked with the Modified Section 8 Housing Payment Certificate program. When a unit is rehabilitated under this program, it will be made available to low-income tenants with housing payment certificates. The program will provide grants to States and units of local government for up to half the cost of rehabilitating rental properties. The Administration is proposing an authorization of \$150 million for fiscal year 1984.

RATIONALE

The Administration proposes the replacement of the Section 8 Moderate Rehabilitation program and the Rehabilitation Loan Fund with the new Rehabilitation Grant program because:

- Up-front grants are more efficient subsidies than the present program.

- Coupling Rehabilitation Grants with the Modified Section 8 Housing Payment Certificates will assure that Federal rehabilitation efforts will primarily benefit low-income tenants.

EFFECTS OF THE PROPOSED CHANGE

At an anticipated average grant of \$5,000 per unit, the new program would assist in the rehabilitation of an estimated 30,000 rental units annually.

FEDERAL SUBSIDY FOR SAINT ELIZABETHS HOSPITAL

AGENCY: Department of Health and Human Services Functional Code: 550

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	95	77	63	55	48	41	35
Outlays	69	98	75	65	53	44	36
REAGAN BUDGET							
Budget Authority	95	77	63	55	48	41	35
Outlays	69	98	75	65	53	44	36

PROGRAM DESCRIPTION

In 1855, Congress established a government hospital for the insane on the "Saint Elizabeths tract" in southeast Washington to provide mental health services to residents of the District of Columbia and certain Federal beneficiaries. Like the recently-repealed 1798 entitlement to free care for merchant seamen, Saint Elizabeths Hospital (SEH) entitlements to federally subsidized care for District residents are based on needs of an earlier era and on a Federal role established before District of Columbia home rule.

SEH offers a full range of services to approximately 1,760 inpatients (about 90% are District residents) and 1,800 outpatients. Programs are financed largely by Federal appropriations and by modest reimbursements for services rendered to patient groups--primarily residents of the District of Columbia.

The availability of beds at SEH and the willingness of the Federal Government to subsidize the cost of care there have been incentives to inappropriate institutionalization of large numbers of District residents. The U.S. District Court in the District of Columbia recognized this in 1975 and ordered the Federal and District governments to provide mental health care in less restrictive settings for several classes of SEH patients. Despite community outplacement of several hundred SEH patients since that date, surveys of patient care needs indicate that up to 740 of the inpatients currently at SEH should be in less restrictive community settings.

PROPOSED CHANGE

The FY 1984 budget proposes a continuation of the policy that the District of Columbia assume an increasing share of the cost for the care of patients who are District residents.

RATIONALE

Approximately 90% of the patients at SEH are District residents. Contributions made by the District, however, amounted to only 18% of the Hospital's operations in FY 1982 and 19% in FY 1983. In FY 1984, the District will be expected to make a larger contribution toward the operating costs of the Hospital, with the 10 year goal of phasing over to the District the costs of care for its residents in order to accomplish the following objectives:

- accelerate implementation of the Dixon court order requirements;
- transfer many District patients to more appropriate, less restrictive, and less expensive environments;

- reduce direct Federal subsidies and direct Federal services delivery for District residents consistent with the more limited Federal support that residents of other States receive; and
- increase District responsibility for and control over mental health services delivered to District residents, consistent with home rule and federalism.

EFFECTS OF THE PROPOSED CHANGE

The SEH operating budget for FY 1984 will be funded by:

- a direct Federal subsidy for District of Columbia patients of \$63 million;
- an estimated \$40 million payment from the District of Columbia for SEH care provided District residents;
- an estimated \$28 million reimbursement from Medicaid for care of Medicaid-eligible patients at SEH; and
- an estimated \$12 million for reimbursements from Federal agencies whose beneficiaries receive care; other third party reimbursements; and reimbursements from the National Institute of Mental Health (NIMH) for services provided to the NIMH research facility on the Saint Elizabeths grounds.

1982 AND 1983 CHANGES

The Joint Commission on Accreditation of Hospitals awarded the Hospital a two-year accreditation status through calendar year 1983.

An expanded Medicare certification was obtained from the Health Care Financing Administration and the Hospital has received Medicaid certification from the District of Columbia Government. Medicare and Medicaid certification permits the Hospital to obtain all reimbursements for services delivered to its Medicare and Medicaid eligible patients.

The Hospital continues to implement the Dixon Plan. During FY 1983, an additional 300 inpatients are to be outplaced and 1,100 outpatients are to be transferred to community-based mental health services, contingent upon the availability of adequate services and termination of the current court ordered moratorium on outpatient transfers. Increased admissions, offset by additional outplacement, reduces the census to 1,760 at the end of FY 1983. The outpatient census is reduced from 1,850 in 1982 to 1,800 in 1983.

**TERMINATION OF DISTRICT OF COLUMBIA GOVERNMENT REPAYABLE
ADVANCES AND CAPITAL BORROWING FROM THE U.S. TREASURY**

AGENCY: Department of the Treasury

Functional Code: 850

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Short-term (Borrowing Cost)	12	10	10	10	10	10	10
Capital Borrowing	145	145	145	145	145	145	145
REAGAN BUDGET							
Short-term (Borrowing Cost)	12	10	--	--	--	--	--
Capital Borrowing	145	145	115	--	--	--	--
PROPOSED SAVINGS							
Short-term (Borrowing Cost)	--	--	10	10	10	10	10
Capital Borrowing	--	--	30	145	145	145	145

PROGRAM DESCRIPTION

Traditionally, the District of Columbia Government has met short-term cash flow needs by obtaining repayable interest-free advances from the U.S. Treasury. Generally, the City repays these short-term, interest-free loans in the same year. The 1982 amount for short-term, interest-free advances was \$140 million.

The District of Columbia has financed all of its capital improvement projects by borrowing from the U.S. Treasury at the prevailing Treasury rate. The payback period for each loan is 30 years in equal annual payments. The loans outstanding as of September 30, 1982, totalled \$1.7 billion. Because of congressional concern about the District's financial position, the Congress has several times extended this authority to continue borrowing from the Treasury for capital projects until it can enter the bond market.

PROPOSED CHANGE

Beginning in 1984, the Administration will no longer make interest-free repayable advances to the District for its cash flow needs. Under existing authority in the Home Rule Act, the District may issue revenue anticipation notes to meet its operating cash needs. In exercising this authority, the District will be meeting its cash needs in a manner similar to other municipalities.

Also beginning in 1984, the Administration proposes to provide authority for one year transitional borrowing for capital projects in the amount of \$115 million. This authority is intended to supplement the District's capital projects needs in that year as the City seeks to enter the tax exempt bond market to finance capital projects.

RATIONALE

The Administration supports the efforts of the District of Columbia Government to enter the private market. This would enhance the financial independence of the District, and would reduce the cost of borrowing for the District Government. This action would be consistent with the policies of the Administration to eliminate the Federal Government as an unnecessary financial intermediary and to reduce Federal involvement in the affairs of local government.

EFFECTS OF THE PROPOSED CHANGE

- The termination of interest-free repayable advances eliminates the implicit subsidy to the District. The U.S. Treasury will no longer incur interest expenses as it borrows funds to make interest-free loans to D.C.
- It is more costly for the District to borrow from the U.S. Treasury than to finance capital projects in the municipal bond market. If the District were in the tax exempt bond market, it would save the City millions of dollars each year.

SUBSIDIES FOR NON-PROFIT MAILERS

AGENCY: U.S. Postal Service

Functional Code: 372

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	707	789	760	964	985	1,046	909
Outlays	707	789	760	964	985	1,046	909
REAGAN BUDGET							
Budget Authority	707	789	400	400	400	400	400
Outlays	707	789	400	400	400	400	400
PROPOSED SAVINGS							
Budget Authority	--	--	360	564	585	646	509
Outlays	--	--	360	564	585	646	509

PROGRAM DESCRIPTION

The Postal Service provides mail service at reduced rates for certain classes of mail. These include rural newspapers, non-profit organizations, classroom publications, and non-profit organizations. This appropriation reimburses the Postal Service for revenue that it uses as a result of these lower rates. Although these funds are appropriated to the Postal Service, they really represent a subsidy to these nonprofit mailers. The subsidy enables these organizations to mail at rates that are lower than their true cost to the Postal Service.

PROPOSED CHANGE

The Administration will submit legislation to reduce the subsidy by changing the method by which the subsidy is allocated. This will result in lower cost to the Federal government.

RATIONALE

- The Administration believes that clearly assignable costs--such as these mailing costs--should be borne by those who incur them. This would argue for complete elimination of the subsidy. Moreover, the subsidies have little programmatic merit. The Federal Government already provides substantial subsidies to churches and charitable institutions through the existing tax structure.
- However, the Administration recognized the substantial role played by these organizations in contributing to the volunteer fund-raising effort in this country. Therefore, it has been decided to maintain the subsidy at the \$400 million level.

EFFECTS OF THE PROPOSED CHANGE

- Subsidized mailers will receive an added incentive to trim mailing lists. Mailers frequently send more than one copy of a mailing to the same individual because it is cheaper to mail duplicates than to canvass mailing lists for duplicate names.
- Third-class, non-profit mailers represent approximately 70% of the total subsidized mail volume. Currently, approximately one-half the total mailing costs of these mailers are paid by the government. This proposal would reduce this to approximately one-fifth of these costs.

PUBLIC BROADCASTING FUNDS

AGENCIES: Corporation for Public Broadcasting Functional Code: 503
 National Telecommunications and Information Administration
 (NTIA)

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	--	152	142	148	155	161	168
Outlays	--	161	154	154	156	161	168
REAGAN BUDGET							
Budget Authority	190	152	130	85	75	65	55
Outlays	184	161	153	96	77	65	55
PROPOSED SAVINGS							
Budget Authority	--	--	12	63	80	96	113
Outlays	--	--	1	59	79	96	113

PROGRAM DESCRIPTION

The Corporation for Public Broadcasting provides funds for production and programming to the 230 radio and 170 television stations which comprise the public broadcasting network. NTIA, through its Public Telecommunications Facilities Program (PTFP), provides grants for public broadcasting facilities construction and the purchase of telecommunications equipment in areas of the country not currently served by the public broadcasting industry.

PROPOSED CHANGE

The Administration proposes to terminate the PTFP in 1984. The CPB is funded two years in advance and the Administration is proposing to rescind \$45 million for 1985 (bringing the total CPB appropriations to \$85 million). Further reductions in funding are sought for 1986.

RATIONALE

There are several reasons why the Administration is seeking the proposed reductions in public broadcasting funding.

- The Administration has sought to induce private and user support of public services whenever feasible and equitable. Public broadcasting is enjoyed by a sector of the population which can provide significant financial support. As data gathered from independent surveys indicate, 41% of the public television audience has family incomes greater than \$20,000. If each of these higher income viewers were to contribute just six or seven dollars to public broadcasting, the need for Federal support of the CPB and PTFP would be unnecessary. Similar support from public radio audiences would further assure public broadcasting's independence from Federal support.
- The Administration cannot now support extensive funding for programs which may be desirable, but which are discretionary in nature. In an effort to lower the Federal deficit and assist the American economic recovery in the most equitable way possible, many similar programs have also been cut dramatically.

- There are additional funds for public broadcasting targeted through other programs and agencies. The Department of Education, as well as the National Endowment for the Arts and the National Endowment for the Humanities, also provide funds for programming and production. These funds are more specifically designed to further the missions commonly ascribed to public broadcasting, such as education.
- Other factors also have affected the Administration's position on this issue. Potential changes in FCC rules and regulations would further allow the public broadcasting industry to be independent of Federal support without compromising their requirement to serve the public. For example, the FCC could issue rules allowing FM broadcasters (including public radio) to more fully utilize a portion of their assigned spectrum, which frequently goes unused. The telecommunications industry is also experiencing rapid technological advances that should encourage the development of television services similar to those currently supported by the CPB. Producers of public radio programming are developing plans to become independent of all CPB support. These developments further support the Administration's position on reduced CPB and PTFP funds.

EFFECTS OF PROPOSED CHANGE

This 14% reduction in public broadcasting funds over the next 3 years will require the public broadcasting industry to more aggressively seek funding from other sources--from individuals, corporations, and other non-Federal organizations. The beneficiaries of public broadcasting funds--viewers and listeners--should not experience any loss in services.

1982 AND 1983 CHANGES

Much has been done to slow the growth of Federal funding for public broadcasting for 1982 and 1983. The PTFP program has been reduced from \$18 million in 1982 to \$15 million in 1983. However, now that over 95% of the United States receives public broadcasting services, Federal expenditures to expand public broadcasting coverage are unnecessary.

CPB appropriations have similarly been reduced in the last 2 years from \$137 million for 1983 and \$130 million for 1984. The potential for private support of CPB has been largely untapped (only about 10% of public broadcasting funding is provided through individual donations). More aggressive fundraising from both individuals and corporations, as well as other financing mechanisms such as limited advertising, are real and feasible alternatives to Federal financing at the current levels.

NUCLEAR WASTE FUND

AGENCY: Department of Energy

Functional Code: 270

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
PROGRAM LEVEL							
Budget Authority/Obligations	179	217	307	325	379	450	468
Outlays	189	214	277	323	370	437	466
OFFSETTING RECEIPTS	--	98	448	482	531	591	640
PERCENT RECOVERED (BA)	--	45	146	148	140	131	137

* Fees exceed obligations in early years because major construction and operating costs for the geologic repository are not incurred until the 1990's.

PROGRAM DESCRIPTION

In his policy statement (October 8, 1981) on nuclear power, the President said that the Government had failed to meet its responsibility for nuclear waste disposal. He therefore directed that the Federal Government work closely with industry and State governments to deploy swiftly the means for storing and disposing of commercial nuclear waste.

On January 7, 1983, the President signed the Nuclear Waste Policy Act of 1982, Public Law 97-425. The most significant provision of the new legislation is that the Government must start to take title to and dispose of nuclear waste by January 1998.

The Act establishes the Nuclear Waste Fund to pay for activities undertaken by the Federal Government related to the development, construction, and operation of a repository for high-level radioactive waste from commercial nuclear power plants. The Fund is financed by fees paid by nuclear utilities.

The nuclear waste program is now focusing on three media and four locales as primary candidates for a repository: basalt flows underlying the Hanford Site in Washington, tuffs underlying Yucca Mountain at the Nevada Test Site, salt domes in the Gulf Coast States and bedded salt formations in Texas and Utah. In addition, the program will continue a nationwide screening of sites in other geologic media, such as the granitic rocks of the Lake Superior and the Appalachian region.

Beginning in 1983, exploratory shafts will be sunk in basalt, tuff, and one of the salt sites. Acceptable sites will then be examined further so that an application to license the waste repository can be submitted to the Nuclear Regulatory Commission in 1988.

The President's recommendation of a repository site for a license application can be disapproved by the host state. This disapproval can be overridden only by a joint resolution of Congress.

PROPOSED CHANGE

Fees from utilities will be deposited in a special fund in Treasury. These fees will be used to offset appropriations made to support the waste disposal activities authorized by the Act. Unobligated balances will remain in the fund until they are needed to pay for the major repository construction that will begin in the 1990's.

For 1983, the Congress provided funds for the waste program, as in past years, from general revenues. In accordance with the Nuclear Waste Policy Act, the budget for 1984 provides a single account for Nuclear Waste activities in which appropriations are offset by fees collected from utilities.

RATIONALE

It is appropriate to have those parties who benefit from the program -- nuclear utilities and their customers -- pay for the program.

With a steady source of funding and a means for resolving potential problems between state governments and the Federal Government, it is now possible to assure that the Federal Government will be able to provide for nuclear waste disposal by 1998.

EFFECTS OF THE PROPOSED CHANGE

Enactment of comprehensive waste management legislation has removed one of the major uncertainties inhibiting the future development of nuclear power. The lack of waste disposal capability will no longer be an issue in licensing new reactors.

The cost of nuclear-generated electricity will be increased by about two percent. The full cost of waste disposal will no longer be subsidized by the taxpayer.

With a firm commitment on *permanent* capability from the Federal Government, utilities can plan and finance their *interim* storage needs accordingly.

SCIENCE AND TECHNOLOGY

**FEDERAL R&D PROGRAMS AND SUPPORT
FOR BASIC RESEARCH***

AGENCY: Government-wide Functional Code: 250 and others

Funding

(\$ in millions)

	1982	1983	1984
<u>FEDERAL R&D PROGRAMS (including facilities)</u>			
Department of Defense (DOD)	20,866	23,502	30,320
Non-DOD	<u>16,722</u>	<u>16,607</u>	<u>16,671</u>
Total Obligations	37,588	40,109	46,991
<u>SUPPORT FOR CONDUCT OF BASIC RESEARCH (included above)</u>			
Agencies primarily supporting physical and engineering sciences (e.g. DOD, DOE, NASA, NSF)	3,017	3,347	3,864
Agencies primarily supporting life and other sciences (e.g., NIH, USDA)	<u>2,422</u>	<u>2,678</u>	<u>2,755</u>
Total Obligations	<u>5,439</u>	<u>6,025</u>	<u>6,619</u>

PROGRAM DESCRIPTION

The Federal Government funds about half of the Nation's R&D effort, including about 70 percent of all basic research. Six Federal departments and agencies (DOD, DOE, HHS, NASA, NSF, and Agriculture) provide over 95 percent of the total Federal funds for R&D and for basic research.

About 65 percent or \$30 billion, out of a total of \$47 billion in Federal funds for R&D, is for DOD programs. Within the overall total, Federal support of basic research is estimated to be \$6.6 billion in 1984.

In addition to direct funding of R&D, the Administration encourages private investments in R&D through tax incentives, patent policy, antitrust policy, and regulatory relief.

PROPOSED CHANGE

The 1984 Budget provides for major increases in Defense R&D and in Government-wide support of basic research. Total Federal obligations for R&D programs, including R&D facilities, are expected to be \$47 billion in 1984, an increase of \$7 billion or 17 percent above 1983. Within this overall increase:

- R&D programs of the Department of Defense would increase by 29 percent to cover a range of programs from enhanced basic research to development of new and improved weapons systems.
- Federal support of basic research would increase by 10 percent, from \$6.0 billion in 1983 to \$6.6 billion in 1984. Within this increase, an emphasis is placed on basic research in the physical sciences and engineering. Funding in agencies primarily supporting such research (e.g. DOD, DOE, NASA, and NSF) would increase by 15 percent.

* Further details on these programs are provided in Special Analysis K: Research and Development included in the Special Analyses volume of the 1984 Budget.

- Largely within the support for basic research, a most \$400 million would be available in 1984 for upgrading research instrumentation at universities under the proposed budgets for NSF, the Departments of Energy and Defense, and other agencies.
- Several major new initiatives are proposed in 1984, particularly in the general science programs of the Department of Energy and in NASA. These include a new center for materials research at the Lawrence Berkeley Laboratory, expansion of the National Synchrotron Light Source at Brookhaven National Laboratory, a new colliding beam facility at the Stanford Linear Accelerator Center, and a numerical aerodynamic simulation capability at the NASA Ames Research Center.
- Nearer term civilian technology development and demonstration programs (e.g., energy technologies) will continue to be reduced with greater reliance placed on private sector investments.

RATIONALE

The overall increase in R&D funding proposed for 1984 stems from recognition of the importance of strengthening investments to meet key Federal responsibilities while avoiding unwarranted subsidization of the private sector. In 1984:

- Increases in Defense R&D are needed to strengthen the long-term research base relevant to defense needs and provide for the development of new weapons to ensure a strong national defense.
- The significant increase in support of basic research, largely at academic institutions and particularly in the physical and engineering sciences, reflects the Administration's view that such support is vital to long-term economic growth, particularly in the high technology industries. Basic research at academic institutions helps advance scientific knowledge and contributes to the training of scientists and engineers--thus providing the foundation for technological advancement of the Nation. The Federal Government supports basic research not only to meet agency mission needs but also in the broad national interest because the private sector does not have sufficient economic incentives to make adequate investments.
- Support for upgrading research instrumentation at universities is important because researchers need access to modern scientific instrumentation to advance the state of scientific knowledge. Such support will help to increase the research productivity of the Nation's scientific enterprise. In addition, it will also ensure that future scientists and engineers are trained in the use of modern instruments and techniques.
- The funding of major new initiatives in the current Department of Energy and NASA will enhance the research productivity of the Nation's scientific community by providing it with new and powerful tools for basic research and by encouraging greater and more creative interaction among university, Government, and industry scientists.
- Continued reductions in support of nearer term R&D and demonstration programs are justified because the private sector, *not the Federal Government*, has the expertise and capability to select and fund the advancement of technologies that can be successfully brought into the marketplace. Tax incentives, reductions in the burden of regulations, and other economic measures of the Administration are designed to encourage increased private investment in R&D.

EFFECTS OF PROPOSED CHANGE

- Federal investments in R&D will assure a stronger national defense.
- Government-wide support of basic research would grow, in real terms, by over 4 percent in 1984 and would further strengthen the foundation for long-term technological advancement and economic growth.

1982 AND 1983 CHANGES

In 1982 and 1983 Congress has sustained most of the reductions in nearer term R&D and demonstration programs proposed by the Administration. This has allowed a refocusing of Federal investments on long-term, high-payoff basic research and technology development programs that are appropriate Federal responsibilities.

In addition, Congress has also enacted the Administration's proposals for several tax incentives to encourage greater private investments in R&D. In 1983 such private investments are expected to increase by over 10 percent.

NATIONAL SCIENCE FOUNDATION

AGENCY: National Science Foundation

Functional Code: 250

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	1006	1099	1154	1208	1262	1317	1373
Outlays	1100	1065	1159	1194	1238	1290	1339
REAGAN BUDGET							
Budget Authority	1006	1099	1297	1297	1297	1297	1297
Outlays	1100	1065	1231	1320	1339	1348	1301
PROPOSED CHANGES							
Budget Authority	--	--	+ 143	+ 89	+ 35	-20	-76
Outlays	--	--	+ 72	+ 126	+ 101	+ 58	-38

PROGRAM DESCRIPTION

The National Science Foundation (NSF) primarily supports basic research in all fields of science and engineering through research project grants, mostly to researchers in academic institutions. NSF also supports major basic research centers and facilities, especially in ground-based astronomy and in the atmospheric and ocean sciences. In addition, NSF supports programs in science and engineering education.

PROPOSED CHANGE

The 1984 Budget proposes an increase of 18 percent over 1983 for NSF programs, from \$1.1 billion to \$1.3 billion. The 1984 program includes:

- An 18 percent increase in support for the conduct of basic research, with special emphasis on physical sciences and engineering disciplines such as materials science; physics; mathematics; and electrical, computer and chemical engineering. Included within this increase is an initiative to encourage young scientists and engineers to undertake academic careers and to provide them initial research support.
- A 61 percent increase for upgrading research instrumentation at universities, to a total of \$180 million, included within increased support for the conduct of basic research.
- A 23 percent increase, from \$83 million in 1983 to \$102 million in 1984, for the U.S. Antarctic program to improve logistics support for the research sponsored by NSF in the Antarctic.
- Efforts begun in 1983 (\$15 million) and enhanced in 1984 (\$20 million) to improve the teaching of science and mathematics in the Nation's secondary schools through teacher training and Presidential awards to the best science and mathematics teachers in the Nation. These programs, along with the science and mathematics education efforts of the Department of Education, are further discussed under the heading "Science and Mathematics Education" in the Education, Training and Employment Services section of this volume.

RATIONALE

The major increase in NSF's budget, almost entirely for the support of basic research, reflects the Administration's view that such support is vital to long-term economic growth, particularly in the high-technology industries. NSF support of basic research, representing about 18 percent of the total Federal support of basic research, is important to assist in balancing overall Federal support across all scientific disciplines, particularly in the physical sciences and engineering.

In addition:

- The significant increase for research instrumentation recognizes that researchers need access to the latest scientific equipment to best ensure the continued advancement of scientific knowledge. NSF's proposed 1984 funding for upgrading obsolete research instrumentation at academic institutions, along with similar, though smaller, efforts by other agencies, would help increase the productivity of the Nation's research enterprise.
- The increase proposed for the Antarctic program, primarily for necessary aircraft overhauls and the replacement of a repair facility for vehicles, is necessary for the safe and effective conduct of scientific research and for the protection of U.S. interests in that region.
- Although the primary responsibility for pre-college education rests with State and local governments, the Federal Government can play an important catalytic role in assisting them through a few well designed and leveraged efforts. The efforts to improve pre-college science and mathematics teaching are important to help provide the Nation's future workforce with the technical training needed for economic growth in an increasingly technological society.

EFFECTS OF PROPOSED CHANGE

- The sharp increase in the overall NSF budget would result in substantial growth in support of research in relatively high priority fields, such as mathematical and physical sciences (22 percent over 1983), and engineering (22 percent over 1983).
- The initiatives in science and engineering education help to focus national attention on the need to alleviate the decline in the quality of pre-college education in science and mathematics.

CHANGES IN 1982 AND 1983

The Congress approved deletion of many fragmented and ineffective science education programs previously supported by NSF. The programs begun with additional funds appropriated by Congress in 1983 (\$15 million), provided the basis for a more focused and effective response to assist in meeting an important national problem.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

AGENCY: National Aeronautics and Space Administration Functional Code: 250, 402

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	6,044	6,831	6,987	6,714	6,053	6,059	5,322
Outlays	6,026	6,713	6,929	6,867	6,228	6,073	5,485
REAGAN BUDGET							
Budget Authority	6,044	6,831	7,098	6,967	6,335	6,273	5,443
Outlays	6,026	6,713	6,973	6,957	6,444	6,263	5,654
PROPOSED INCREASES							
Budget Authority	--	--	111	253	282	214	121
Outlays	--	--	44	90	216	190	169

PROGRAM DESCRIPTION

Programs of the National Aeronautics and Space Administration (NASA) consist primarily of space transportation activities and R&D in space science and applications and in aeronautics.

Other NASA programs support satellite tracking and data acquisition; NASA civil service and administrative costs; construction of R&D facilities and maintenance of the NASA's physical plant; and R&D on fundamental technology problems and opportunities common to a broad spectrum of space programs.

PROPOSED CHANGE

The 1984 Budget for NASA provides for an overall increase of \$267 million over the 1983 budget.

- For Space Transportation, the budget provides increases for additional spare Shuttle structural components. The budget also continues development of a new Centaur upper stage booster for use with the Shuttle and initiates a tethered satellite program jointly with the Government of Italy.
- For Space Science, increases are proposed to initiate the Venus Radar Mapper project to explore the Earth's sister planet, Venus; and a small new satellite to permit additional investigations in ultra-violet astronomy. Continuing programs include the Space Telescope and the Gamma Ray Observatory Mission, leading to launches in 1985 and 1988 respectively; and the Galileo project to Jupiter to be launched in 1986.
- For Space and Terrestrial Applications, the budget proposes a joint industry/Government cost-shared development of an Advanced Communications Technology Satellite. Continuing activities include completion of the last experimental LANDSAT satellite, completion and launch of the Earth Radiation Budget Experiment, and continued development of new instruments for future use in upper atmospheric research.
- For Aeronautics Research and Technology, a vigorous NASA program is proposed with significant increases for fundamental research in the aeronautical sciences and several areas of aeronautical technology development. Examples of increased R&D activities include advanced composite materials for large aircraft structures, a large computer-based aerodynamic simulation capability, and advanced rotocraft technology.

- For agency-wide supporting activities, increased funding is provided for Tracking and Data Relay Satellite System lease payments and for facilities construction, primarily in support of the space transportation and aeronautics programs and the general rehabilitation of the agency's physical plant.

The following table summarizes the proposed 1984 Budget for NASA:

	1982	Budget Authority (\$ in Millions)	
		1983	1984
Space Transportation	3,056	3,598	3,498
Space and Science	572	683	779
Space and Terrestrial Applications	332	360	293
Aeronautics R&T	265	280	300
Agency-wide supporting activities	<u>1,819</u>	<u>1,910</u>	<u>2,228</u>
Total NASA	6,044	6,831	7,098

RATIONALE

- **For Space Transportation**, the budget provides the funds needed to assure timely transition to a fully operational, robust and cost-effective Shuttle system to meet planned user needs and reduce the lead time for any future additional orbiter procurements. The Centaur upper stage development will provide increased capability to launch future planetary and DOD missions.
- **For Space Science**, the new Venus Radar Mapper and Extreme Ultraviolet Explorer projects are being initiated to continue the preeminence of the United States in planetary exploration and space-based astronomy.
- **For Space and Terrestrial Applications**, the Budget will emphasize fundamental research and development related to better understanding of the Earth, its dynamics, its resources, and its environment. The advanced Communications Technology Satellite development project will permit continued U.S. leadership in satellite communications technology, with Federal funding limited to the longer-term, high-risk technology elements. The overall reduced funding for space applications in 1984 reflects the completion of two ongoing projects, LANDSAT and the ERBE, while the Advanced Communications Technology Satellite project is still in the early, relatively lower cost phase of development.
- **For Aeronautics R&T**, research would be increased significantly to help sustain the knowledge base which underlies the long-term strength of the Nation in aviation technology. Highest priority technology development efforts that are important for national security and civil aviation but unlikely to be financed by industry would also be supported.
- **For Agency-wide Supporting Activities**, generic space research and technology would be increased at a significant rate to assure a timely and growing flow of new knowledge and technology to future space programs. Funding will increase for construction of new R&D facilities and continued rehabilitation and maintenance of aging facilities. Personnel, tracking and data acquisition functions and administrative costs are proposed at levels necessary to support proposed and operational R&D programs.

EFFECTS OF THE PROPOSED CHANGE

- The NASA budget for 1984 provides an increase of \$267 million in budget authority over 1983, an increase of about 4 percent.
- Within the moderate overall increase in funding proposed, significant program increases are permitted in selected areas (noted above). This is made possible by the completion of several major ongoing space science and applications programs and the transition of the Space Shuttle program from the development and orbiter production phase to revenue generating operations. Space Shuttle revenues, including prepayments for future flights, are estimated to rise from \$154 million in 1983 to about \$265 million in 1984.
- The overall effect of the proposed 1984 program for NASA is to sustain U.S. leadership in aeronautics and space.

1982 and 1983 CHANGES

The 1984 Budget continues both the Centaur upper stage program and the Advanced Communications Technology Satellite (ACTS) program added by Congress in 1982 and 1983, but with the provision for significant cost sharing by industry in the ACTS program. The proposed 1984 program for aeronautics R&T builds on Congressional funding add-ons in 1983 and the results of an Administration study supporting the importance of aeronautics R&T to meet future national needs.

NATIONAL INSTITUTES OF HEALTH**AGENCY:** Department of Health and Human Services

Functional Code: 552/3

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	3,642	4,002	4,186	4,377	4,569	4,762	4,964
Outlays	3,665	3,959	4,186	4,377	4,569	4,762	4,964
REAGAN BUDGET							
Budget Authority	3,642	4,002	4,077	4,059	4,059	4,059	4,059
Outlays	3,665	3,959	4,032	4,059	4,059	4,059	4,059
PROPOSED SAVINGS							
Budget Authority	--	--	109	318	510	703	905
Outlays	--	--	154	318	510	703	905

PROGRAM DESCRIPTION

Over the past 10 years, the taxpayer has spent over \$26 billion through the National Institutes of Health (NIH) for biomedical research and training programs. These funds have supported biomedical and behavioral research at universities here and abroad, financed research in Federal laboratories, and subsidized the training of researchers.

PROPOSED CHANGE

The 1984 request includes an increase of \$75 million, or 2%, over 1983 and \$435 million, or 12%, over 1982. New and competing research awards are the highest priority and NIH will support the maximum number of such grants within the \$4.1 billion requested in 1984. To accomplish this, NIH will achieve economies in lower priority areas, including research in its own Federal laboratories.

RATIONALE

NIH has grown by 330% over the past twelve years. This rate of growth is not sustainable indefinitely by the Federal Government. Within the increases in 1984, however, research project grants-funded at over \$2 billion-will continue to receive the highest priority because they are the primary means by which fundamental discoveries emerge. Thus, they are the key mechanism in Federal support of biomedical research.

EFFECTS OF THE PROPOSED CHANGE

In 1984, the increase of \$75 million will enable NIH to continue funding of \$2 billion for highest priority new and competing research project grants. This extensive level of support will remain the principal source of funds for biomedical research conducted by individuals and institutions.

**ENERGY RESEARCH AND DEVELOPMENT: REDUCTIONS
IN NON-NUCLEAR PROGRAMS**

AGENCY: Department of Energy

Functional Code: 270

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	799	623	774	809	845	879	916
Outlays	1,439	1,168	961	832	838	863	897
REAGAN BUDGET							
Budget Authority	799	623	293	348	358	366	379
Outlays	1,439	1,168	697	448	379	370	377
PROPOSED SAVINGS							
Budget Authority	--	--	481	461	487	513	537
Outlays	--	--	264	384	459	493	520

PROGRAM DESCRIPTION

The non-nuclear energy R&D programs (in the existing Department of Energy) support applied research and development related to energy conservation technologies and to new energy production technologies using fossil fuels and solar and other renewable energy resources.

PROPOSED CHANGE

The following table summarizes proposed funding for non-nuclear energy R&D by major program category:

	1982	Budget Authority (\$ in Millions) 1983	1984	Program Level in 1984*
Fossil Fuels	416	218	94	138
Solar and Other Renewables	258	252	101	101
Conservation	<u>125</u>	<u>153</u>	<u>98</u>	<u>98</u>
Total Non-Nuclear Energy R&D	799	623	293	337

* The program level includes new budget authority plus budget authority not used in prior years and available in 1984. It is a better indicator of program size than new budget authority alone

The 1984 budget reduction for these programs is based on the following policy:

- Budget subsidies should be eliminated for development and demonstration of technologies that private industry is already investing in or has the capability to invest in. Examples of such activities include optimization of phosphoric acid fuel cells technology, continuation of testing at coal gasification and liquefaction pilot plants, large scale demonstration of photovoltaics technology, and development of large wind machines.
- Federal support should continue and be increased for a balanced program of long-term research focused on areas where the private sector has little incentive to invest because the risks and payoffs are either too long range or uncertain or the benefits cannot be captured by private investors -- for example, research on coal chemistry and materials development.

- To ease the transition to reductions under this policy, Federal support would continue for selected projects nearing completion (such as the geothermal demonstration underway in Heber, California) and for completion of test programs at selected existing facilities (such as the solar thermal pilot plant at Barstow, California).

RATIONALE

- The development of non-nuclear energy technologies can generally best be financed and undertaken by private industry. The private sector has the resources and incentives to do it well.
 - Private industry has a proven track record of pursuing R&D effectively and aggressively-- on computers and pharmaceuticals, for example-- when market forces are allowed to work and there is a reasonable prospect that the R&D investment will pay off. The same is true for energy R&D.
 - In the past, Federal controls on oil markets inhibited energy-related investment, including investment in energy R&D. As long as controls were in place, some government subsidy in this area may have been justified. But with controls eliminated, the original justification for these subsidies disappears.
 - Private sector investment in non-nuclear energy R&D is substantial. Business Week, for example, reports that major energy companies spent \$2 billion in 1981 for R&D.
- The government can be most effective in this area if it concentrates its efforts on improving the climate for industry investment and limits its financial support to activities that the private sector is unlikely to invest in adequately because the risks and payoffs are either too long term or uncertain or the benefits of the investment cannot be realized by any one firm.
 - This policy avoids squandering Federal resources on activities that the private sector can undertake.
 - It avoids pursuing energy investments because they are politically popular -- even though they may have little prospects for competing successfully in the market.
 - It permits the government to increase its investment in basic and other long-term research.

EFFECTS OF THE PROPOSED CHANGE

- Adopting these proposed changes in Federal support for non-nuclear technology development would save the taxpayer over \$260 million in 1984 and over \$2 billion through 1988 compared to current services estimates.
- Federal activity in this area will be more appropriate, focused and cost effective.
- The overall reduction in funding for non-nuclear energy R&D masks the fact that support for long-term research is being increased. For example:
 - Outlays for basic research in support of non-nuclear energy technologies (funded in the DOE Basic Energy Sciences Program) increase by 10 percent in 1984.
 - Outlays for basic and applied research in the solar energy program will increase by 21 percent in 1984. Outlays for basic and applied research in fossil energy in 1984 will be 66 percent higher than in 1982.

- This policy is unlikely to affect adversely the development of promising new technologies to produce and use energy more efficiently. In fact, the proposed policy is likely to increase productive change in the economy.
 - For technologies that are particularly promising, private sector R&D spending has been, and will likely remain, strong. For example, in solar photovoltaics, private R&D spending has increased at an average of 35 percent per year between 1979-1982, and a recent NSF survey indicated that it should continue to rise.
 - For technologies that are less promising there is likely to be a winnowing out process by industry -- but this is an inevitable and useful development, preserving capital and other resources for other more productive uses elsewhere in the economy.

1982 and 1983 CHANGES

In the 1982 and 1983 budgets, the Administration and Congress have generally agreed not to initiate new large-scale demonstration projects that are inappropriate for government support and have large funding requirements.

As a result of revised policy in this area, budget savings of \$2.8 billion have resulted in 1981-1983 from the levels projected by the previous administration.

ONGOING FUNCTIONS OF GOVERNMENT

FEDERAL BUILDINGS FUND (SLUC)

AGENCY: General Services Administration

Functional Code: 804

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CONGRESSIONAL FREEZE							
SLUC Income	1,796	1,762	1,762	1,762	1,762	1,762	1,762
REAGAN BUDGET							
SLUC Income	1,796	1,762	2,170	2,421	2,592	2,764	2,887
ADDITIONAL INCOME INTO FUND							
SLUC Income	--	--	408	659	830	1,002	1,125

PROGRAM DESCRIPTION

The Federal Buildings Fund (FBF) was established in 1972.

The law authorizes and directs the Administrator of General Services to assess user charges for space and associated services against Federal agencies occupying GSA controlled buildings. These charges, called Standard Level User Charges (SLUC), approximate commercial charges for comparable space and services found in the private sector.

The income derived from SLUC is deposited in the FBF and provides the source of funding for all direct Public Buildings Service programs including the operation, maintenance, protection and repair of GSA operated buildings; rental payments for leased buildings; purchase contract payments; and the acquisition or construction of new buildings.

PROPOSED CHANGE

For fiscal year 1983, the Congress imposed a freeze on the rates that could be charged agencies under the SLUC system. Specifically, rates could not exceed those charged in 1982.

The 1984 Reagan Budget reflects a return to the intent of the original Act by proposing increases in square foot charges commensurate with commercial charges for comparable space and services.

RATIONALE

This change is necessary to ensure that agencies recognize that space charges are a true cost of operation -- space is not a free good. Just as the process was beginning to take hold and agencies started to recognize that space costs were a controllable item in the budget, the impetus for improvement was eliminated through the congressionally imposed freeze which kept rates at unrealistically low levels.

EFFECTS OF THE PROPOSED CHANGE

In addition to encouraging performance budgeting by providing dollar incentives for improved space utilization, the SLUC/FBF process establishes a businesslike landlord/tenant relationship between GSA and occupant agencies, enhances oversight of space-related activities, and improves building operation services. If the existing freeze on SLUC charges were continued for any length of time, the loss of SLUC income would not only jeopardize funding for new Federal construction and major repairs, but also endanger the ability to pay landlords for leased space or carry out essential maintenance and repairs on existing buildings.

Should the congressional freeze level be maintained in 1984, there would be no new construction program (\$133 million), no repair and alteration program (\$200 million) -- work required to prevent deterioration and damage to buildings -- and lower than required funding (of approximately \$53 million) for other mandatory obligations such as rental payments to landlords.

PROPERTY SALES

AGENCY: Department of Agriculture
 Department of the Interior
 General Services Administration

Functional Code: 954

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
Gross Sales Revenues							
Agriculture	--	--	200	200	200	200	200
Interior	--	--	300	300	300	300	300
General Services Administration	105	643	887	480	440	240	240

PROGRAM DESCRIPTION

The Property Review Board was established in 1982 to oversee implementation of the Administration's property sales initiative.

Goals of the initiative are:

- To place unneeded Federal real property holdings in private ownership promoting higher and better economic use and increasing the tax base.
- To have GSA assist agencies in identifying and disposing of improved properties excess to their needs.
- Interior and Agriculture properties not meeting retention criteria will be sold to reduce management costs, to contribute to reducing the national debt, and to stimulate local economic development.
- No wilderness, wilderness study areas, wildlife refuge system, national park system, nationally significant environmental areas or other congressionally designated special areas are to be sold.
- Sales of public lands needed for community expansion will continue under existing laws.
- Under existing laws, approximately 2.7 million acres have been previously identified as suitable for sale by the Bureau of Land Management. Completion of local land use plans are expected to identify an additional 1.8 million acres for disposal.

PROPOSED CHANGE

- In Interior during FY 1984, the Bureau of Land Management will offer under existing laws properties with an estimated fair market value of \$300,000,000.
- For Agriculture, legislation will be proposed for a limited sales authority which would allow sales of isolated Federal tracts, boundary modifications, etc. for properties managed by the Forest Service. Properties with an estimated fair market value of \$200,000,000 are expected to be sold in FY 84.
- GSA program of identifying and disposing of improved properties excess to agencies' needs will continue.

RATIONALE

There are several categories of real property holdings which should be disposed of from the Federal inventory. These include:

- Acquired properties excess to agency operational needs;
- Lands which meet the criteria for disposal by the BLM as established in the Federal Land Management and Policy Act of 1976;
- Forest Service lands which are isolated, interspersed with private land holdings and are consequently inefficient and uneconomic to manage; and
- Forest Service lands which are no longer needed for the purpose acquired.

EFFECTS OF THE PROPOSED CHANGE

- The proceeds of such sales will be deposited in a special account in the Treasury and used to retire national debt, thus benefiting all Americans.
- Disposal of unneeded and uneconomic tracts will improve the Federal government's ability to manage the remaining lands effectively and efficiently, thereby benefiting local governments, adjacent landowners and the general public who own the Federal lands.

RECREATION USER FEES

AGENCY: Agriculture/Army/Interior

Functional Code: 300

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES RECEIPTS							
Agriculture (Forest Svc)	11.2	10.8	11.7	12.5	13.3	14.2	16.1
Army (Corps of Engineers)	8.0	9.0	10.0	11.0	12.0	13.0	14.0
Interior	<u>18.3</u>	<u>19.2</u>	<u>20.0</u>	<u>21.0</u>	<u>22.0</u>	<u>23.0</u>	<u>24.0</u>
Offsetting Receipts	37.5	39.0	41.7	44.5	47.3	50.2	54.1
REAGAN BUDGET RECEIPTS							
Agriculture	11.2	10.8	36.7	37.5	38.3	39.2	41.1
Army	8.0	9.0	26.0	27.0	28.0	29.0	30.0
Interior	<u>18.3</u>	<u>19.2</u>	<u>52.0</u>	<u>54.0</u>	<u>55.0</u>	<u>56.0</u>	<u>57.0</u>
Offsetting Receipts	37.5	39.0	114.7	118.5	121.3	124.2	128.1
PROPOSED SAVINGS (Increased Receipts)							
Offsetting Receipts	--	--	73.0	74.0	74.0	74.0	74.0

PROGRAM DESCRIPTION

The Federal Government provides recreational facilities for the public, including picnic areas, trails, campsites, visitor centers, exhibits, roads, boat ramps, lake and river access areas, swimming facilities, marinas, concession operations, skiing sites, and wilderness areas.

At present, the law imposes major restrictions on the collection of recreation user fees, such as:

- freezing National Park Service entrance fees at 1979 levels and sharply limiting the number of units where fees can be charged (these fees have not been raised since early 1970's);
- prohibiting any fees at about 80 percent of the recreation areas managed by the Army's Corps of Engineers, which provide more than 400 million visitor-days of recreation annually; and
- prohibiting entrance fees to National Forests and collection of user fees at about 40 percent of the Forest Service's campsites.

PROPOSED CHANGE

The Administration proposes to:

- increase existing recreation use fees at Federal recreation areas;
- expand the number of areas where fees are charged;
- remove the prohibition on fees at most Corps of Engineers and National Forest facilities; and
- provide that the fees collected will be used for operation and maintenance of the areas.

RATIONALE

The Administration believes that specific identifiable beneficiaries of Federal services should pay more of the costs of the services. Many recreation fees have not been increased since the 1960's and the fees now cover only about 4 percent of the costs of providing the recreation. As a result, the general taxpayer is picking up an ever increasing portion of the costs of recreation, including the variable costs associated with increased use (as opposed to the fixed costs of having the park or wilderness set aside and maintained for the good of all). In addition, the low fees for camping and other services often compete unfairly with services provided by private enterprise in the vicinity of Federally-owned lands.

EFFECTS OF THE PROPOSED CHANGE

- The proposed increase in fees would more than double revenues from Federal recreation areas, lessening the subsidy from the general taxpayer to the user of public recreation sites.
- Increased fees will be set so that citizens will not be prevented access to public recreation sites or use of public facilities.

FEDERAL RECREATION LAND ACQUISITION

AGENCY: Department of the Interior
Department of Agriculture

Functional Code: 303

Funding

	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	172	182	189	196	202	210	216
Outlays	136	193	191	149	145	169	175
REAGAN BUDGET							
Budget Authority	172	152	65	68	70	73	76
Outlays	136	193	125	71	70	73	76
PROPOSED SAVINGS							
Budget Authority	--	30	124	128	132	137	140
Outlays	--	--	66	78	75	96	99

PROGRAM DESCRIPTION

Using Land and Water Conservation Fund receipts, Interior's National Park Service, Fish and Wildlife Service, and Bureau of Land Management, and Agriculture's Forest Service acquire land to create or expand recreation areas (national parks, refuges, forests).

PROPOSED CHANGE

Federal recreation land acquisition would be limited to property subject to awards under condemnation proceedings begun in prior administrations, emergency purchases to protect endangered resources, and very high-priority conservation areas.

RATIONALE

- Purchase of recreational land is postponable in times of budget stringency, without adverse effect on jobs, the national economy or critical national needs.
- The Federal Government already owns more than 760 million acres of land, more than one-third of the U.S. State and local governments hold 6 percent of total land in the U.S.
- The large backlog of authorized Federal land acquisition (over \$4 billion) includes many parcels that have no unique, nationally significant features. Acquisition of such tracts spreads Federal operational resources thin; dilutes the quality of the national park, refuge, and forest systems; and reduces local decision-making over recreation resources that are primarily local in use and service.
- In 1982 the Administration announced a new land protection policy emphasizing (1) alternatives to Federal cash purchases of fee simple title, such as easements, cooperative agreements, and zoning controls, and (2) cooperation with landowners, State and local governments, other Federal agencies, and the private sector to manage land for public use or protect it for resource conservation. This policy is expected to reduce the need for 1984 and out-year acquisition funding.

EFFECTS OF THE PROPOSED CHANGE

The request will fully fund those court awards anticipated in 1984 from pending condemnation cases, except for the Redwoods National Park in California. If a final determination of value is made on Redwoods, supplemental appropriations will be requested.

1982 and 1983 CHANGES

1982 and 1983 appropriations, while exceeding Administration requests and funding some discretionary acquisitions which are postponable or unnecessary, are less than half the level of the 1977-1979 average of about \$400 million annually.

LAW ENFORCEMENT CROSSCUT

AGENCY: Department of Justice
Department of Treasury

Functional Code: 751 and 803

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	2,504	2,875	2,955	2,998	3,054	3,101	3,189
Outlays	2,399	2,837	2,892	2,913	2,960	3,004	3,090
REAGAN BUDGET							
Budget Authority	2,504	2,875	3,183	3,105	3,091	3,147	3,231
Outlays	2,399	2,837	3,109	3,081	3,058	3,101	3,177
PROPOSED INCREASE							
Budget Authority	--	--	228	107	37	46	42
Outlays	--	--	217	168	98	97	87

PROGRAM DESCRIPTION

Principal law enforcement agencies in the Departments of Justice and Treasury include the Federal Bureau of Investigation, the Drug Enforcement Administration, the Immigration and Naturalization Service, the U.S. Customs Service, the Secret Service, the Bureau of Alcohol, Tobacco, and Firearms, and the criminal investigative arm of the Internal Revenue Service. These agencies' direct resources are further augmented by reimbursement for their work performed in support of the organized crime drug enforcement initiative.

Besides carrying out traditional law enforcement activities, these agencies perform other tasks such as providing information to the executive branch relating to national security, maintaining a national repository for fingerprint identification, controlling the manufacture of controlled substances, processing naturalization and citizenship applications, controlling, regulating and facilitating the movement of carriers, persons and commodities between the United States and other nations, and ensuring that alcoholic beverages are properly produced and accurately described.

PROPOSED CHANGE

Increased law enforcement staff and equipment such as airplanes and radios would be provided for the following purposes: (1) combating drug trafficking; (2) enhancing top priority investigations in such areas as terrorism and foreign counterintelligence; (3) improving protective services for the President; (4) expanding export control efforts; and (5) providing adequate law enforcement for the 1984 Olympics in Los Angeles. Also, major increases for ADP and telecommunications resources are being requested for the Federal Bureau of Investigation and the Immigration and Naturalization Service to improve management, investigative, and fingerprint processing capabilities.

RATIONALE

- Reducing crime is a top Administration priority. Our domestic defense is as important as our national defense. While crime control is primarily a state and local responsibility, the Federal Government has an obvious role to play, especially in those areas that are best handled on a national basis because of their multi-jurisdictional or unique nature.

- After a two-year review of Federal resources available to fight crime, it became clear that more efficient, effective Federal law enforcement is needed if the nation is to make a dent in major criminal activities such as illegal drug trafficking and illegal exportation of high technology.

EFFECTS OF THE PROPOSED CHANGE

Increased resources, including personnel, will result in major improvements in Federal law enforcement efforts. Some positive effects are as follows:

- The major initiative to combat drug trafficking by organized criminal enterprises will continue.
- The Federal Bureau of Investigation will purchase special radio equipment so that agents will be able to communicate without being overheard by others. Increased resources will allow the Bureau to fully automate management and investigative efforts in the northeastern region.
- The U.S. Customs Service will have better technology at its disposal to prevent illegal exports.
- The Secret Service will have more agents to protect the President.

ORGANIZED CRIME DRUG ENFORCEMENT

AGENCY: Department of Justice
Department of Treasury

Functional Code: 751 and 803

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	--	128	132	113	115	117	119
Outlays	--	104	1,431	117	113	113	115
FTE	--	805	1,566	1,566	1,566	1,566	1,566
REAGAN BUDGET							
Budget Authority	--	128	139	115	115	117	119
Outlays	-	104	136	121	113	113	115
FTE	--	805	1,585	1,585	1,585	1,566	1,566
PROPOSED INCREASES							
Budget Authority	--	--	7	2	--	--	--
Outlays	--	--	5	4	--	--	--
FTE	--	--	19	19	19	--	--

PROGRAM DESCRIPTION

In order to attack the problem of drug trafficking controlled by various organized criminal enterprises, the Administration has established a new program initiative, which creates 12 regional task forces involving not only the Federal Bureau of Investigation, the Drug Enforcement Administration, and the U.S. Attorneys, but also the Internal Revenue Service, the U.S. Customs Service, and the Bureau of Alcohol, Tobacco, and Firearms. These task forces, under the direct control of the Attorney General, are designed to engage in long-term investigative cases targeted at disrupting the operations and leadership of organized criminal enterprises engaged in drug trafficking.

Other aspects of the organized crime drug enforcement initiative include funds to: (1) increase the availability of local jail space to house Federal pretrial detainees; (2) increase Federal prison space to accommodate the increasing prison population; and (3) purchase various equipment such as radios and computers to enhance the efficiency of Federal law enforcement.

This program began in mid-year 1983. During this first year of operations, the Justice Department reimbursed other agencies, such as the Internal Revenue Service, for their participation in the task forces.

PROPOSED CHANGE

In 1984, increased funds will be available for personnel and related resources for the task forces themselves and for more local jail improvement. Obligation of funds for one-time equipment purchases and for Federal prison renovation will be accomplished by the end of 1984. A 3-year Presidential Commission on Organized Crime is to be established to assess the nature and scope of organized crime as it exists today. Agencies in the Treasury Department will receive their own direct resources totaling \$33 million for this program in 1984.

RATIONALE

Crime has become increasingly organized and sophisticated, especially in the area of trafficking in illicit drugs. Because organized crime drug trafficking threatens our entire society, its demise has become a top Administration priority. It is the Federal Government's role to enforce such laws as those against drug trafficking because the problem not only crosses state boundaries, but also involves foreign countries. Furthermore, fighting drug trafficking by organized criminal enterprises involves investigative and prosecutorial efforts that are, generally, unique in nature. The regional task forces will focus on prosecuting individuals who organize and finance illegal narcotics trafficking. The objectives include seizure and forfeiture of assets of these individuals as well as their long-term imprisonment.

EFFECTS OF THE PROPOSED CHANGE

The task forces will be fully operational throughout the country in 1984. The increase in resources for local jail improvements will guarantee Federal Government needed bedspace in local jails. The Presidential Commission will conduct nationwide and region-by-region assessments of the power and influence of organized crime.

CRIMINAL JUSTICE ASSISTANCE

Agencies: Department of Justice

Functional Code: 751

FUNDING:	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	--	--	--	--	--	--	--
Outlays	--	--	--	--	--	--	--
REAGAN BUDGET							
Budget Authority	--	--	92	92	2	2	1
Outlays	--	--	36	92	58	2	1
PROPOSED INCREASES							
Budget Authority	--	--	92	92	2	2	1
Outlays	--	--	36	92	58	2	1

PROGRAM DESCRIPTION

A new \$92 million criminal justice assistance program is proposed. Of this amount, \$72 million will be in the form of formula grants to States to support programs of proven effectiveness such as career criminal projects to apprehend and prosecute repeat offenders or community crime prevention programs such as neighborhood watch projects. These formula grant funds will also be used to fund innovative State and local projects. Formula grants will be awarded to States with each receiving a base of \$250,000 and the remainder allocated according to relative population. Federal monies will be matched dollar-for-dollar. The remaining \$18 million will fund discretionary grants for four purposes: (1) training; (2) technical assistance; (3) national or multi-jurisdictional projects; and (4) demonstration programs. Another \$2 million is provided to cover administrative costs of the program.

PROPOSED CHANGE

This program will differ from that of the former Law Enforcement Assistance Administration in that resources will be targeted to assure that only successful, tried programs will be funded. Furthermore, the 50-50 matched Federal and State or local funding will ensure State and local commitment and maximize the impact of Federal assistance.

RATIONALE

The crime rate is a serious national issue. While recognizing that crime control is primarily a local responsibility in our Federalist system, the Administration also recognizes that the Federal Government must play a leadership role, not only in terms of Federal investigations and prosecutions, but also in terms of direct assistance to State and local governments.

During the last 2 years, this Administration has closely examined the intergovernmental roles in the criminal justice area. A result of this review has been a realization that reductions in this area were too severe in previous years. It is as important to Americans as national defense that they feel safe in their homes and on the streets. A targeted assistance program that helps fund proven, successful programs will provide a positive role for the Federal Government, yet leave the implementation and ultimate success of these programs where they belong--with State and local governments.

EFFECTS OF THE PROPOSED CHANGE

Establishing a new criminal justice program in which the Federal Government shares the cost, for a limited time period, of successful, tested programs, will have a positive impact on local criminal justice systems. Over the long-term, improvements in law enforcement, the judicial process, and the correctional system should result.

PRISON CONSTRUCTION

AGENCY: Department of Justice

Functional Code: 753

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	--	7	7	7	8	8	9
Outlays	--	30	30	23	15	8	8
REAGAN BUDGET							
Budget Authority	56	7	97	80	34	39	40
Outlays	15	30	45	56	83	63	33
PROPOSED INCREASES							
Budget Authority	--	--	90	73	26	31	31
Outlays	--	--	15	33	68	55	25

PROGRAM DESCRIPTION

The Federal Prison System (FPS) facilities development program plans, designs and constructs correctional facilities that provide a safe, secure and humane environment for those persons charged with or convicted of violating Federal law.

PROPOSED CHANGE

A increase is proposed in 1984 to fund several new construction projects.

RATIONALE

As increased investigative and prosecutorial efforts commence, additional physical capacity is required to address both current FPS overcrowding (currently 21% over rated capacity with a population of approximately 29,000 inmates) and the increased prisoner population to be generated by the Organized Crime Drug Enforcement initiative. The FPS estimates that its population will be at least 30,000 by the end of 1984 and that it will reach 31,300 by the end of 1987. FPS must project its prison population several years forward since any new Federal facilities requested in this budget will not become operational until 1987 at the earliest.

EFFECTS OF THE PROPOSED CHANGE

The \$90 million increase proposed will fund the following projects: (1) construction of one 500-bed prison in the northeastern United States; (2) planning and site acquisition funds for a second 500-bed prison in the northeast; (3) construction of a 500-bed jail for pretrial detainees in Los Angeles; (4) continued renovation of the Leavenworth penitentiary; and (5) various modernization and rehabilitation projects.

Also, as part of the Organized Crime Drug Enforcement initiative, \$6 million will be provided for an additional 340 bedspaces at existing Federal facilities (780 bedspaces were funded in 1983). These funds are not reflected in the above numbers since they are included in the Organized Crime Drug Enforcement initiative.

TAX ADMINISTRATION

AGENCY: Department of the Treasury
Internal Revenue Service

Functional Code: 803

Funding

	(\$ in billions)						
	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	2.7	3.0	3.2	3.3	3.3	3.4	3.4
FTE	83,756	91,239	91,239	91,239	91,239	91,239	91,239
Receipts	--	2.1	2.4	2.4	1.3	.6	--
REAGAN BUDGET							
Budget Authority	2.7	3.0	3.3	3.4	3.5	3.6	3.6
FTE	83,756	91,239	92,548	92,548	92,548	92,548	92,548
Receipts	--	4.5	11.1	10.5	11.2	11.5	11.8
PROPOSED INCREASES							
Budget Authority	--	--	.1	.1	.2	.2	.2
FTE	--	--	1,309	1,309	1,309	1,309	1,309
Receipts	--	2.4	8.7	8.1	9.9	10.9	11.8

PROGRAM DESCRIPTION

The Internal Revenue Service (IRS) is a tax processing and enforcement agency, the primary mission of which is enhancement of compliance with the tax laws.

PROPOSED CHANGE

The 1984 budget for IRS reflects an increase of \$133 million and 1,309 full-time equivalent employees over current services estimates. This increase is the net of increases for implementation of the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and for projects to automate and modernize antiquated operations, and a decrease related to a change of thrust in the taxpayer service program.

RATIONALE

In TEFRA, the Congress has provided the IRS with significant new compliance tools including: withholding of tax on interest and dividend income, reporting on the sale of commodities and tip income, and penalties for submitting or preparing false returns. In addition, provisions relating to the statutory interest rate on underpayments and overpayments have been changed to better conform to economic realities by requiring biannual adjustment and daily compounding and to limit interest on overpayments claimed on late returns. Moreover, substantial workload has been imposed by the comprehensive amendments to corporate and Keogh pension plans.

A second major thrust for the IRS is continuation of efforts to modernize tax processing and operational systems. Over half the requested increases in this area are related to projects begun in 1983: replacement of antiquated tax processing systems, automation of procedures for collection of delinquent accounts and audit of tax returns, and implementation of optical character recognition for some documents. New projects focus on the development of innovative systems, including: testing of laser optical technology for storage of returns, automation of support functions and major redesign of the tax processing system.

The 1984 budget also reflects a change in delivery mechanisms for taxpayer service to better meet taxpayer needs in a more cost-effective, less labor intensive manner.

EFFECTS OF THE PROPOSED CHANGE

- The new administrative provisions of TEFRA should greatly aid the IRS in the accomplishment of its mission. The improved voluntary compliance as a result of TEFRA is estimated to generate almost \$9 billion in additional receipts in 1984 and over \$50 billion through 1988. The provisions for withholding tax on dividend and interest income contribute a substantial portion of this increase, \$6 billion in 1984 and \$26 billion through 1988.
- The modernization efforts will permit the IRS to greatly streamline its operations by utilizing updated data input, processing and operational technologies. The major benefits in outlays, personnel and interest savings will not accrue for several years, however, due to system design and acquisition costs and the fact that new and old systems will have to be run in parallel for awhile.
- The new thrust for taxpayer service will focus direct assistance efforts on those who need help most -- the elderly, handicapped, low-income and non-English speaking--through neighborhood outreach programs, walk-in service and taxpayer education. The new approach will ensure help for those who must depend on the IRS while eliminating duplication of service available from the private sector.

1982 AND 1983 CHANGES

A key initiative in the 1983 Budget was the dedication of 5,225 full-time equivalent positions and \$154 million to improvement of tax enforcement by increasing emphasis on identification and collection of unpaid taxes and by reducing backlogs in the appeals process. In 1984, this effort will be maintained and further expanded. Overall, this increased emphasis on tax enforcement will result, according to IRS estimates, in additional receipts of \$2.1 billion in 1983 and \$2.4 billion in 1984.

Reductions in programs that have achieved their regulatory objectives. By 1984 EPA's responsibilities for developing and promulgating regulations under several environmental statutes will be nearly completed, including the issuance of the final round of industrial wastewater discharge limitations and the completion of all significant regulations for the disposal of hazardous wastes. Accordingly, these regulatory efforts and the research activities that supported them are being reduced while enforcement and implementation activities increase.

EFFECTS OF PROPOSED CHANGE

The reductions in staffing and funding will not affect any of the substantive pollution control efforts at the State or Federal levels. All statutory or court ordered requirements will be met, and all high priority non-regulatory activities such as research on groundwater, ocean disposal and acid rain will be carried out at or above 1983 levels.

STRATEGIC PETROLEUM RESERVE

AGENCY: Department of Energy

Functional Code: 270

Funding

(\$ in millions)

	1982	1983	1984	1985	1986	1987	1988
CURRENT SERVICES							
Budget Authority	3,875	2,316	3,015	1,655	3,486	3,040	2,732
Outlays	3,878	2,139	3,250	3,006	1,878	3,868	2,293
REAGAN BUDGET							
Budget Authority	3,875	2,316	742	1,565	1,610	1,673	1,739
Outlays	3,878	2,055	2,094	1,567	1,560	1,644	1,705
PROPOSED SAVINGS							
Budget Authority	--	--	2,273	90	1,876	1,367	993
Outlays	--	84	1,156	1,439	318	2,224	588

PROGRAM DESCRIPTION

The Strategic Petroleum Reserve (SPR) is the oil stockpile which the Federal Government is accumulating to help deal with disruptions in world oil markets.

- The SPR is one important part of an overall strategy designed to protect U.S. energy security. The nation's first line of defense for dealing with an import interruption is to rely on market forces to allocate available oil--from domestic production, remaining imports and private inventories. The SPR provides an additional source of supply to augment market forces and reduce the economic impact of the interruption.
- The SPR now contains some 300 million barrels of oil--the equivalent of over 70 days worth of U.S. oil imports and 170 days of imports from OPEC countries.
- The SPR is currently growing at an average rate of 220,000 barrels per day (B/D) toward its long-term goal of 750 million barrels (MB).

PROPOSED CHANGE

The Current Services budget assumes that the SPR will be filled at a rate of 220,000 B/D until 500 MB are stored and, thereafter, at a rate sufficient to fill available permanent storage facilities as they are developed. The 750 MB Reserve would be completed in 1989.

The 1984 budget proposes a fill rate of 145,000 B/D in 1984, with a budget planning assumption of 100,000 B/D thereafter.

The 1984 budget continues to provide for the 750 MB reserve. The revised schedule calls for completing 600 MB of storage facilities, plus land acquisition, design and initial construction of the remaining 150 MB, with the final development schedule to be determined within the next year.

RATIONALE

- Key aspects of the world oil market have changed dramatically for the better since the SPR was first established.

- In 1977, the initial plan for a 500 MB SPR was based on projected 1985 import levels of 7.3 to 10.4 M B/D, with some DOE forecasts as high as 11 M B/D. In 1982, actual net imports were only 4 M B/D, and DOE currently projects 1985 imports at only approximately 6 M B/D, a reduction of as much as 45 percent from the earlier forecasts.
- When world oil markets were disrupted in 1973 and again in 1979, there was very little spare production capacity in major oil producing countries. The most recent CIA data show that oil producing countries in the free world have at least 10 million B/D of excess current capacity. This greatly reduces the prospect of a shortage from a disruption involving one or two producers.
- The OPEC share of U.S. oil imports has declined over the past decade, from a peak of 70 percent to 43 percent today. The share of Arab OPEC imports has declined from 37 percent to only 18 percent.
- The decline in the volume of Arab OPEC imports has been even more startling: from a 1978-79 peak of 3 million B/D to about 900,000 B/D during 1982.
- The United States and its allies are better prepared today to deal effectively with disruptions in oil supplies. The progress is significant and permanent.
 - Current SPR stocks are nearly three times as large as they were two years ago, providing 70 days of 1982 net oil imports; almost 5 months worth of protection should half of U.S. imports be interrupted; and the equivalent of 11 months of U.S. oil imports from Arab OPEC sources. In addition, the private sector has safety stocks which are available for use during a supply distribution.
 - Counterproductive controls on U.S. oil markets have been abolished. These controls amplified past supply disruptions in the U.S. As the experience of other countries clearly demonstrates, elimination of controls should make any subsequent disruption less difficult for the American people to deal with.
 - Through the International Energy Program (IEP), our allies now have significant energy emergency preparedness capabilities. For example, oil stockpiles worldwide are over 4 billion barrels. Of this amount, our allies currently have over 1.5 billion barrels, including about 120 million barrels of government-owned stocks.
- The policy pursued by the Administration and proposed in the budget compares favorably with an alternative presented in the Energy Emergency Preparedness Act (EEPA). At the same time, the 1984 budget policy on SPR fill allows significant budget savings.

The EEPA calls for an SPR fill rate of 300,000 B/D, unless the President finds that this is not in the national interest, in which case the rate is 220,000 B/D or the highest practicable fill rate achievable subject to the availability of funds. The actual fill rate is to be determined each year based on the funding provided in the annual appropriation act.

	FY 1983	FY 1984	FY 1985	FY 1986
Fill rate (B/D)				
EEPA (220,000)	220,000	220,000	168,000	124,000
Budget	220,000	145,000	100,000	100,000
Difference	---	75,000	68,000	24,000
Cumulative fill (MMB)				
EEPA (220,000)	358	438	500	545
Budget	358	411	448	484
Difference	---	27	52	61

- The difference in cumulative fill for the two policies in 1984 will be only 27 MB or 7 percent.

- Measured in terms of the 6 MB/D of imports now projected for 1985 by DOE, the 220,000 B/D fill rate provides 83 days of coverage. The fill rate proposed in the budget provides 75 days of coverage -- a difference of only 8 days.
- As recently as 1980, DOE was projecting 1985 imports of 8.3 MB/D. The 220,000 B/D fill rate would have provided only 60 days of protection by 1985 based on that import level. But, even with the lower fill rate provided in the budget, we now expect 75 days of coverage--25 percent more protection than we expected to have in 1980.
- The EEPA was based on the assumption that DOE should buy more oil now because oil prices were projected to increase by 7 percent per year. Yet many analysts now expect oil prices to stay flat or fall in the next few years--indicating that there is no financial advantage to buying SPR oil early. For example, buying additional oil today at \$33 per barrel with borrowed money costs the Treasury the same amount of money as buying a barrel in 1985 for \$39.
- Buying oil at or above the 220,000 B/D rate requires the use of temporary storage which would cost an additional \$1 to \$5 per barrel per year, create added administrative complexity, and pose greater security risks.
- The proposed SPR policy reduces Federal outlays by an average of \$1.3 billion per year in 1984 and 1985. Though most of these outlays are off-budget, they affect Federal borrowing and economic activity the same as on-budget spending.

EFFECTS OF THE PROPOSED CHANGE

- The SPR will continue to be developed at a reasonable rate.
- U.S. energy security will remain above the levels expected when the SPR originally got underway and as recently as two years ago.
- Federal outlays and borrowing requirements will be reduced by \$2.6 billion over the next two years.

1982 AND 1983 CHANGES

The Administration has taken major steps to accelerate the SPR and improve our emergency preparedness.

- The SPR fill rate for 1981-1983 will average 242,000 B/D --three times higher than the 77,000 B/D average over the four years of the previous Administration.
- The SPR will have tripled in size, from just over 100 MB at the start of 1981 to 358 MB at the end of 1983.
- Nearly \$10 billion will have been spent on this program during a period of tight restraint on the budget--\$3.8 billion in 1981, \$3.9 billion in 1982, and \$2.1 billion in 1983.

OUTER CONTINENTAL SHELF OIL AND GAS LEASING

AGENCY: Department of the Interior Functional Code: 950

Funding	(\$ in millions)						
	1982	1983	1984	1985	1986	1987	1988
1983 BUDGET							
Receipts	7,861	18,000	18,000	18,000	19,500	21,000	N/A
CURRENT SERVICES AND 1984 BUDGET							
Receipts	6,250	11,793	11,895	12,200	13,400	14,400	15,100
CHANGE							
Receipts	-1,611	-6,207	-6,105	-5,800	-6,100	-6,600	NA

PROGRAM DESCRIPTION

The budget proposed implementation of the final 5-year OCS oil and gas program approved by Secretary Watt on July 21, 1982.

This schedule assumes sales as follows:

	1983	1984	1985	1986	Thru June 1987
Number of sales	10	7	9	8	6

PROPOSED 1983 AND 1984 CHANGES

The Department will consider entire planning areas for potential lease offering. Under the 5-year program nearly the entire OCS will be considered for leasing. During this consideration, environmental, coastal zone, oil and gas reserve, and other values will be carefully balanced. Only a small portion of the considered areas is expected to be leased. Receipt estimates are based on estimates of potentially recoverable oil and gas in the lease areas, value to extracting companies, and royalties on oil extracted.

RATIONALE

The program changes in the 5-year OCS oil and gas program are designed to achieve early exploration of OCS areas with oil and gas promise while protecting OCS values other than oil and gas resources.

The changes in budget receipts estimates compared with those in the 1983 budget are a result of events occurring since the publication of that budget, including further increases in offshore development costs; softening of world oil prices; and delays in litigation about the distribution of receipts held in escrow pursuant to section 8(g) of the OCS Lands Act pending determination of amounts, if any, owed to adjacent states.