



EXECUTIVE OFFICE OF
THE PRESIDENT
OFFICE OF MANAGEMENT
AND BUDGET

**BUDGET
OF THE
UNITED STATES
GOVERNMENT**

FISCAL YEAR
1989

THE BUDGET DOCUMENTS

Budget of the United States Government, 1989 contains the Budget Message of the President and presents an overview of the President's budget proposals. It includes summary information on the economic assumptions used in the 1989 Budget, Federal receipts, and Federal spending. In addition it includes supplemental information on the baselines used in the Budget, Federal credit programs, Federal capital expenditures, several topics that help place the budget in perspective, the budget system and concepts, a listing of the Federal program by agency and account, and summary tables.

United States Budget in Brief, 1989 is designed for use by the general public. It provides a more concise, less technical overview of the 1989 budget than the above volume, including summary and historical tables on the Federal budget and debt, together with graphic displays.

Budget of the United States Government, 1989—Appendix contains detailed information on the various appropriations and funds that constitute the budget. The *Appendix* contains more detailed information than any of the other budget documents. It includes for each agency: the proposed text of appropriation language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of entire agencies or groups of agencies. Supplemental proposals for the current year are presented separately. Information is also provided on certain activities whose outlays are not part of the budget totals.

Special Analyses, Budget of the United States Government, 1989 contains analyses that are designed to highlight specified program areas or provide other significant presentations of budget data. The first part of this document includes information about two alternative views of the budget; i.e., the current services and Gramm-Rudman-Hollings budget baselines, and the national income accounts. The second part provides analyses and tabulations of the totals that cover the Federal Government's finances and operation as a whole and reflect the ways in which Government finances affect the economy. Financial information on Federal research and development programs and data on Federal civilian employment are also included in this part.

Historical Tables, Budget of the United States Government, 1989 provides data on budget receipts, outlays, surpluses or deficits, and Federal debt covering extended time periods—in many cases from 1940-1993. These are much longer time periods than those covered by similar tables in other budget documents. The data in this volume and all other historical data in the budget documents are consistent with the concepts and presentation used in the 1989 Budget, so the data series are comparable over time.

Management of the United States Government, 1989 includes the President's Management Message and provides the goals and strategies of the President's Management Improvement Program. It reports on the credit management program, the program to improve financial management in executive branch agencies, the President's Productivity Program, the activities of the President's Council on Integrity and Efficiency, and the President's Council on Management Improvement. This document also describes the status of Grace Commission recommendations and the status of debt collection and prompt payment efforts.

Major Policy Initiatives, 1989 highlights the major policy changes proposed in the 1989 Budget. Each description includes a brief history of the program and the conditions that precipitated the need for change. The President's proposal describes concisely the initiative and, in most examples, presents a summary funding chart that contains the budget authority and outlay changes that would occur if enacted.

Instructions for purchasing copies of any of these documents are on the last two pages of this volume.

GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in the tables, text and charts of this volume may not add to the totals because of rounding.

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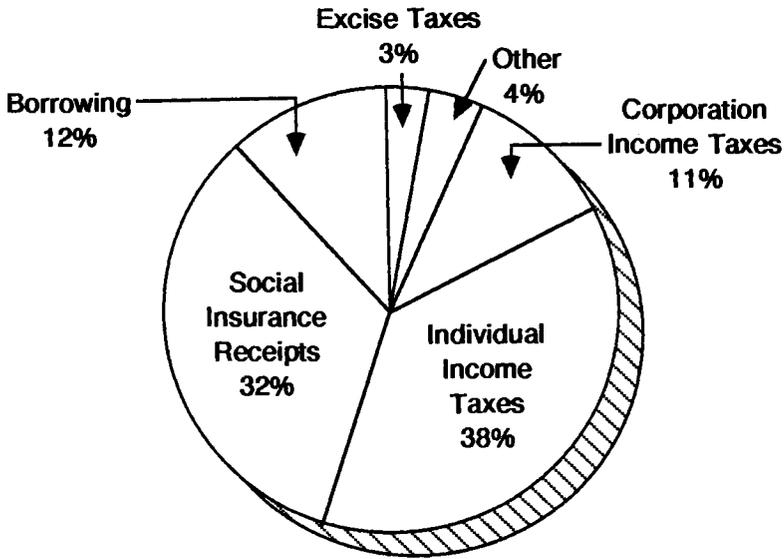
PART 1

**THE BUDGET MESSAGE
OF THE
PRESIDENT**

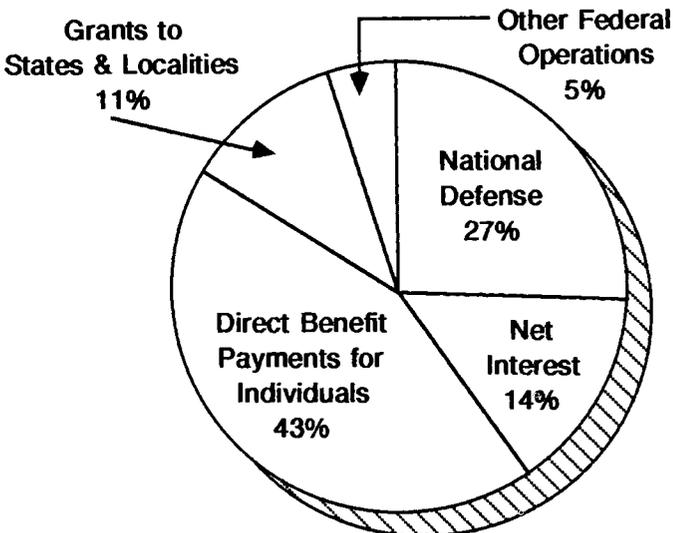
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The Federal Government Dollar Fiscal Year 1989 Estimate

Where It Comes From ...



Where It Goes ...



THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

As we consider the state of our Nation today, we have much cause for satisfaction. Thanks to sound policies, steadfastly pursued during the past 7 years, America is at peace, and our people are enjoying the longest peacetime economic expansion in our Nation's history.

By reordering priorities so that we spend more on national security and less on wasteful or unnecessary Federal programs, we have made freedom more secure around the world and have been able to negotiate with our adversaries from a position of strength. By pursuing market-oriented economic policies, we have uncorked the genie of American enterprise and created new businesses, more jobs, improved production, and widespread prosperity. And we have done all this without neglecting the poor, the elderly, the infirm, and the unfortunate among us.

SEVEN YEARS OF ACCOMPLISHMENT

Let me note a few of the highlights from our Administration's record of accomplishment:

- The current expansion, now in its sixty-third month, has outlasted all previous peacetime expansions in U.S. history. Business investment and exports are rising in real terms, foreshadowing continued economic growth this year and next.
- Since this expansion began, 15 million new jobs have been created, while the unemployment rate has fallen by 5 percentage points—to 5.7 percent, the lowest level in nearly a decade. By comparison, employment in other developed countries has not grown significantly, and their unemployment rates have remained high.
- Inflation, which averaged 10.4 percent annually during the 4 years before I came to office, has averaged less than a third of that during the past 5 years.
- The prime interest rate was 21.5 percent just before I came into office; it is now 8.5 percent; the mortgage rate, which was 14.9 percent, is now down to 10.2 percent.
- Since 1981, the amount of time spent by the public filling out forms required by the Federal Government has been cut by hundreds of millions of hours annually, and the number of

pages of regulations published annually in the *Federal Register* has been reduced by over 45 percent.

- Between 1981 and 1987, changes in the Federal tax code, including a complete overhaul in 1986, have made the tax laws more equitable, significantly lowered earned income tax rates for many individuals and corporations, and eliminated the need for 4.3 million low-income individuals or families to file tax forms.
- At the same time, real after-tax personal income has risen 15 percent during the past 5 years, increasing our overall standard of living.
- The outburst of spending for means-tested entitlement programs that occurred in the 1970's has been curbed. Eligibility rules have been tightened to retarget benefits to the truly needy, and significant progress has been made in improving the efficiency and effectiveness of these programs.
- We have begun the process of putting other entitlement programs on a more rational basis. This includes medicare, which was converted from cost-plus financing to a system that encourages competition and holds down costs.
- Federal spending for domestic programs other than entitlements has been held essentially flat over the past 5 years, while basic benefits for the poor, the elderly, and others in need of Federal assistance have been maintained. This is a dramatic improvement over the unsustainably rapid annual growth of these programs that prevailed before 1981.
- The social security system has been rescued from the threat of insolvency.
- Our defense capabilities have been strengthened. Weapons systems have been modernized and upgraded. We are recruiting and retaining higher caliber personnel. The readiness, training, and morale of our troops have been improved significantly. Because we are stronger, enormous progress has been achieved in arms reduction negotiations with the Soviet Union.
- Federal agencies have undertaken a major management improvement program called "Reform '88." This program has two main objectives: to operate Federal agencies in a more business-like manner, and to reduce waste, fraud, and abuse in government programs.
- Some functions of the Federal Government—such as financing waste treatment plants—are being transferred back to State and local governments. In other instances—such as water projects—State and local governments are bearing a larger share of costs, leading to more rational decision-making in these areas.

- Finally, we have made real progress in privatizing Federal activities that are more appropriate for the private sector than government. Notable examples include the sale of Con-rail, the long-term lease of National and Dulles Airports, and the auction of billions of dollars in loan portfolios.
- Related to this shift away from the Federal budget are our achievements on cost sharing and user fees, shifting the cost of projects and programs where appropriate to non-Federal sources.

While we have reason to be proud of this record of achievement, we must be vigilant in addressing threats to continued prosperity. One major threat is the Federal deficit.

DEFICIT REDUCTION, THE AGREEMENT, AND G-R-H

If the deficit is not curbed by limiting the appetite of government, we put in jeopardy what we have worked so hard to achieve. Larger deficits brought on by excessive spending could precipitate rising inflation, interest rates, and unemployment. We cannot permit this to happen, and we will not.

BUDGET SUMMARY

(In billions of dollars)

	1987	1988	1989	1990	1991	1992	1993
Receipts	854.1	909.2	964.7	1,044.1	1,124.4	1,189.9	1,258.1
Outlays	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0	1,281.3
Surplus or deficit (—)	—150.4	—146.7	—129.5	—104.2	—79.3	—51.1	—23.3
Gramm-Rudman-Hollings deficit targets	—144.0	—144.0	—136.0	—100.0	—64.0	—28.0	0.0
Difference	6.4	2.7	—6.5	4.2	15.3	23.1	23.3

Note.—Totals include social security, which is off-budget.

The Congress acknowledged the pressing need to reduce the deficit when, in December 1985, it enacted the Balanced Budget and Emergency Deficit Control Act, commonly known for its principal sponsors as the Gramm-Rudman-Hollings (G-R-H) Act. This Act committed both the President and the Congress to a fixed schedule of progress toward balancing the budget.

In 1987, the budget deficit was \$150 billion—down \$71 billion from the record level of \$221 billion reached in 1986. This was also a record decline in the deficit. To some extent, however, this improvement represented one-time factors, such as a high level of receipts in the transitional year of tax reform. Economic forecasters predicted that without action the 1988 and 1989 deficits would be higher than the 1987 level. In order to prevent this, and to preserve and build upon the 1987 deficit-reduction progress in a realistic fashion, last fall the Congress modified the G-R-H Act.

Specifically, it required that the 1988 deficit target be \$144 billion and the target for 1989 be \$136 billion.

Last year, members of my Administration worked with the Leaders of Congress to develop a 2-year plan of deficit reduction—the Bipartisan Budget Agreement. One of the major objectives of the budget I am submitting today is to comply with that agreement—in order to help assure a steady reduction in the deficit until budget balance is achieved.

The Bipartisan Budget Agreement reflects give and take on all sides. I agreed to some \$29 billion in additional revenues and \$13 billion less than I had requested in defense funding over 2 years. However, because of a willingness of all sides to compromise, an agreement was reached that pared \$30 billion from the deficit projected for 1988 and \$46 billion from that projected for 1989.

In submitting this budget, I am adhering to the Bipartisan Budget Agreement and keeping my part of the bargain. I ask the Congress to do the same. This budget does not fully reflect my priorities, nor, presumably, those of any particular Member of Congress. But the goal of deficit reduction through spending reduction must be paramount. Abandoning the deficit reduction compromise would threaten our economic progress and burden future generations.

This budget shows that a gradual elimination of the deficit is possible without abandoning tax reform, without cutting into legitimate social programs, without devastating defense, and without neglecting other national priorities.

Under the Bipartisan Budget Agreement, progress toward a steadily smaller deficit and eventual budget balance will continue, but this projected decline rests on two assumptions: continued economic growth, and implementation of the Agreement. If the economy performs as expected, and if the Bipartisan Budget Agreement reflected in this budget is adhered to, the deficit should decline to less than 3 percent of GNP in 1989. For the first time in several years, the national debt as a proportion of GNP will actually fall. Reducing the deficit and the debt in this manner would bring our goal of a balanced budget and a reduced burden on future generations much closer to realization.

Moreover, adherence to the Agreement, as reflected in this budget, will ensure the achievement of additional deficit reductions in future years, because in many cases the savings from a given action this year will generate deficit savings in subsequent years. Given the good start made in 1987, we have an opportunity this year to put the worst of the deficit problem behind us.

MEETING NATIONAL PRIORITIES

In formulating this budget, I have endeavored to meet national priorities while keeping to the terms of the Bipartisan Budget Agreement and the G-R-H Act. In essence, the Agreement limits the 1988-to-1989 increase in domestic discretionary program budget authority to 2 percent. To address urgent national priorities insofar as possible within this overall 2 percent limit, my budget proposes that some programs—such as those for education, drug enforcement, and technology development—receive larger funding increases, while others are reduced, reformed, or, in some cases, terminated.

High-priority programs must be funded adequately. One of our highest priorities is to foster individual success through greater education and training opportunities. For example:

- I propose an increase of \$656 million over the \$16.2 billion appropriated for 1988 for discretionary programs of the Department of Education. Although State and local governments fund most educational activity, Federal programs provide crucial aid for the poor, the handicapped, and the educationally disadvantaged.
- I have proposed reform of our over-centralized welfare system through State experimentation with innovative alternatives. In addition, my initiative would overhaul current employment and training programs for welfare recipients, and strengthen our national child support enforcement system.
- By emphasizing housing vouchers, I would provide housing assistance to 135,500 additional low-income households in 1989—8 percent more than the 125,000 additional households receiving housing subsidies in 1988.
- Ineffective programs to assist dislocated workers would be replaced by an expanded \$1 billion worker readjustment program (WRAP) carefully designed to help those displaced from their jobs move quickly into new careers.

In addition, I am proposing funds to strengthen U.S. technology and make America more competitive. For example:

- I propose a continued increase in federally supported basic research aimed at longer-term improvements in the Nation's productivity and global competitiveness. This budget would double National Science Foundation support for academic basic research, increase support for training future scientists and engineers, and expedite technology transfer of Government-funded research to industry.
- I would provide \$11.5 billion for space programs, including: essential funding for continued development of America's first permanently manned Space Station; increased support for improving the performance and reliability of the space shuttle; a

major new initiative, the Advanced X-ray Astrophysics Facility, for space science; further support to encourage the commercial development of space; and a new technology effort, Project Pathfinder, designed to develop technologies to support future decisions on the expansion of human presence and activity beyond Earth's orbit, into the solar system.

- I also recommend \$363 million in 1989 to initiate construction of the Superconducting Super Collider (SSC), including \$283 million for construction and \$60 million for supporting research and development. The SSC as currently envisaged will be the largest pure science project ever undertaken. It will help keep this country on the cutting edge of high energy physics research until well into the next century.

This budget also reflects my belief that the health of all of our citizens must remain one of our top priorities:

- I continue to urge enactment of an affordable self-financing insurance program through medicare to protect families from economic devastation caused by catastrophic illness.
- To attack the scourge of AIDS, I propose \$2 billion for additional research, education, and treatment in 1989—a 38 percent increase over the 1988 level and more than double the Federal Government's effort in 1987. This includes \$1.3 billion in funding for the Public Health Service.
- Building upon the Nation's preeminence in basic biomedical research, I seek a 5.1 percent increase for non-AIDS research at the National Institutes of Health;

Our fight against drug abuse must continue, as well as our efforts to protect the individual against crime:

- For expanded law enforcement, including efforts targeted at white collar crime, organized crime, terrorism and public corruption, I propose \$4.5 billion—an increase of 6 percent over 1988.
- For drug law enforcement, prevention, and treatment programs, I propose \$3.9 billion in 1989, a 13 percent increase over the 1988 level.
- To relieve prison overcrowding and adequately house a growing inmate population, I would provide \$437 million—more than double the \$202 million devoted to Federal prison construction in 1988.

Other areas of Federal responsibility receive priority funding in this budget:

- For the Federal Aviation Administration to continue its multi-year program to modernize the Nation's air traffic control systems, I would provide \$1.6 billion—a 44 percent increase over the level of 1988.

- To improve coordination of Federal rural development programs and to redirect funding toward needy rural areas and program recipients, I propose a rural development initiative to be coordinated by the Secretary of Agriculture.
- To carry out the joint recommendations of the U.S. and Canadian Special Envoys on Acid Rain, I recommend total funding of \$2.5 billion for innovative clean coal technology demonstration projects over the period 1988 through 1992.
- I also recommend an expansion of hazardous waste cleanup efforts, with an increase in Superfund outlays of some \$430 million in 1989.
- To continue filling the Strategic Petroleum Reserve (SPR) at the current rate of 50,000 barrels per day, I would provide \$334 million in 1989. Contingent upon the enactment of legislation authorizing the sale of the Naval Petroleum Reserves (NPR), I would provide an additional \$477 million to bring the fill rate up to 100,000 barrels per day, and an additional \$208 million to establish a separate 10 million barrel defense petroleum inventory to offset the disposition of the NPR.
- To improve the speed and accuracy of tax processing and expand information services provided to taxpayers, I would provide a \$241 million increase for the Internal Revenue Service. These funds are designed to assure smooth implementation of the 1986 tax reforms.

Maintaining peace in a troubled world is the most important responsibility of government. Fortunately, during the past 7 years, our defense capabilities have been restored toward levels more consistent with meeting our responsibility to provide an environment safe and secure from aggression. Specifically, combat readiness has been improved, and our forces have been modernized.

The proposals for national security contained in this budget represent an essential minimum program for keeping America safe and honoring our commitments to our friends and allies. Anything less would jeopardize not only our security—and that of our friends and allies—but also would dim the prospects for further negotiated agreements with our adversaries.

As called for in the Bipartisan Budget Agreement, my budget requests defense funding of \$299.5 billion in budget authority and \$294.0 billion in outlays for 1989. It also provides for about 2 percent real growth in these programs in future years. Also, as called for in the Agreement, my budget requests \$18.1 billion in budget authority for discretionary spending for international affairs. This includes \$8.3 billion in security assistance to allied and friendly countries where the United States has special security concerns.

NEEDED PROGRAMMATIC REFORMS

Incentives.—It is essential to continue to change the incentive structure for many domestic Federal programs to promote greater efficiency and cost-effectiveness. This budget proposes to create such needed incentives.

Many Federal programs offer payments without sufficient regard for how well taxpayers' money is being spent. For example, farm price support programs, under the Food Security Act of 1985, are much too costly. I plan to continue pushing for the elimination of artificially high price supports, thereby reducing the need for export subsidies. In particular, I plan to propose amendments to the Act to modify the counterproductive sugar price support program that currently poses significant problems in the areas of trade policy, foreign policy, and agricultural policy. The importance of agricultural trade to the economic health of the farm sector and the Nation as a whole mandates increased reliance on free markets, not government largess.

The budget proposes certain reforms in the medicare program in order to achieve the savings agreed to in the Bipartisan Budget Agreement. First, as justified by the results of several independent studies, I propose to reduce the add-on payment for teaching hospitals under the prospective payment system (PPS) for indirect medical education from 7.70 percent to 4.05 percent, the best estimate of the added costs incurred historically by teaching hospitals. Second, I propose to limit medicare overhead payments for graduate medical education and make consistent varying secondary payor enforcement mechanisms. To reduce escalating supplementary medical insurance costs and help slow future increases in beneficiary premiums, I propose to limit payments for certain overpriced physician procedures, limit payments for durable medical equipment and supplies, and eliminate a loophole in the payment process for kidney dialysis. In total, these reforms would reduce spending for medicare by \$1.2 billion from the level that would occur if current law were continued. Spending for the medicare program would still increase by 7 percent from 1988 to 1989.

Although the provision of needed legal services for those who cannot afford them is an important goal in our society, the current system earmarks a large portion of the funding to "National and State Support Centers" that have been criticized for political involvement. I urge Congress to disallow use of Federal funds for such "think tanks" and limit the use of funds to the *direct* assistance of the poor in need of legal aid.

The Government often continues programs at the Federal level that are no longer needed. This is the case with rural housing programs, the Economic Development Administration, urban mass transit discretionary grants, urban development action grants,

sewage treatment, Small Business Administration direct loans, housing development action grants, the housing rehabilitation loan program, and economic development programs of the Tennessee Valley Authority. Efforts to reverse this situation have been undertaken by prior administrations as well as my own, but the limited results to date indicate the difficulty of curbing excessive government involvement in these areas.

Regulatory Relief.—For 7 years I have worked to reduce the excess burdens of government regulation for all Americans—working men and women, consumers, businesses, and State and local governments. As a result, various departments and agencies have reduced the scope and costs of Federal regulation. Federal approval of experimental drugs has been expedited, making them available to treat serious or life-threatening diseases when other treatments do not work. Excessive burdens on State and local governments are being lifted. Access to goods and services has been made easier, and at less cost. Federal reporting requirements on individuals and businesses have been eased, as well as the paperwork burden on those who wish to compete for contracts with the Federal Government. Under the leadership of the Presidential Task Force on Regulatory Relief, headed by the Vice President, the Administration will continue these and other efforts to lessen the burden of excessive government regulation.

As a case in point, my budget proposes termination of the Interstate Commerce Commission, contingent upon enactment of legislation that completes deregulation of the motor carrier industry. There is no justification for continued economic (as opposed to safety) regulation of surface transportation, and there is a substantial argument against it. As a result of economic deregulation of trucking and railroads, consumers save tens of billions of dollars each year, and the industry is healthier, more innovative, and better able to adapt to changing economic circumstances. This is no time to turn back the clock.

Privatization.—The government and the private sector should do what each does best. The Federal Government should not be involved in providing goods and services where private enterprise can do the jobs cheaper and/or better. In some cases, the fact that no private provider exists is a reflection of government policy to prohibit competition—as with first class mail service. In other cases, an absence of private providers reflects a government policy of providing large subsidies—as with uranium enrichment. Invariably, the taxpayer ends up paying more for less.

Accordingly, my budget proposes that a number of Federal enterprises be transferred back to the private sector, through public offerings or outright sales. Following our successful sale of Conrail

and auctioning of \$5 billion in selected loan portfolios, I am proposing the sale not only of the Naval Petroleum Reserves, but also of the Alaska Power Administration, the Federal Government's helium program, excess real property, and a further \$12 billion in loan portfolios. In addition, I have proposed legislation to authorize a study of possible divestiture of the Southeastern Power Administration, and plan to study possible privatization of our uranium enrichment facilities, as well as ways of making the U.S. Postal Service more efficient through greater reliance on the private sector. Such "privatization" efforts continue to be a high priority of this Administration, and I look forward to acting on the final recommendations of the Privatization Commission, which I established last September.

Privatization does not necessarily imply abrogation of government responsibility for these services. Rather, it recognizes that what matters is the service provided, not who provides it. Government has an inherent tendency to become too big, unwieldy, and inefficient; and to enter into unfair competition with the private sector.

The Federal Government should also depend more on the private sector to provide ancillary and support services for activities that remain in Federal hands. Therefore, I am proposing the development of a private mediating institution to reduce the backlog of cases before the U.S. Tax Court. I propose that the private sector be relied upon for booking functions for concessional food programs. I also encourage the complete privatization of wastewater treatment plants, certain mass transit projects, the Department of Agriculture's National Finance Center, and the Rural Telephone Bank.

In addition, our Administration plans to initiate privatization and commercialization efforts involving Federal prison industries, relying on a private space facility for micro-gravity research opportunities in the early 1990's, commercial cargo inspection, military commissaries, Coast Guard buoy maintenance, and the management of undeveloped Federal land. Moreover, my budget proposes that the work associated with certain Federal employment positions be reviewed for the feasibility of contracting their responsibilities out to the private sector as yet another way to increase productivity, reduce costs, and improve services.

One of the best ways to test the worth of a governmental program or a particular project is to shift some of the cost of that program or project to the direct beneficiaries. We have done that, for example, with water resources development projects. As a result, local sponsors and users choose to proceed only on the projects that are most important and most cost effective.

Management Improvements.—As we all know, the Federal Government has a major effect upon our daily lives through the direct delivery of services, the payment of financial assistance through various entitlement programs, the collection of taxes and fees, and the regulation of commercial enterprises. As the 21st century approaches, the Federal Government must adapt its role in our society to meet changing demands arising from changing needs and requirements. At the turn of the century, the U.S. population will exceed 268 million, with a greater proportion of elderly requiring more specialized services. The Nation will operate at a much faster pace as changes in technology and communication link the world's economies, trade, capital flows, and travel as never before.

I have asked the Office of Domestic Affairs and the Office of Management and Budget to work with the President's Council on Management Improvement to conduct an in-depth review and recommend to me by this August what further adjustments in the Federal role should be made to prepare for the challenge of government in the 21st century. This summer I will receive their report, "Government of the Future." I also intend to complete the "Reform '88" management improvement program I started 6 years ago to overhaul the administrative, financial, and credit systems in our Federal Government; to implement productivity and quality plans in each agency; and to examine the needs of the Federal work force of the future. I want to leave a legacy of good management of today's programs, with plans in place to handle tomorrow's challenges.

Efforts to improve the management of the Federal Government must be continued. We have all heard stories of the horrible waste that occurs in the Federal Government. Some of it is obvious—like the billions of dollars in unneeded projects that were included in the thousand-page 1988 spending bill that was dropped on my desk last December. Some are not obvious—like the billion dollars in unnecessary interest expense the government paid, year after year, because it lacked a cash management system, or the billions of dollars lost annually for lack of a credit management process to ensure collection of the trillion dollars in loans owed the Federal Government.

In July 1980, I promised the American people: "I will not accept the excuse that the Federal Government has grown . . . beyond the control of any President, Administration or Congress . . . we are going to put an end to the notion that the American taxpayer exists to fund the Federal Government. The Federal Government exists to serve the American people . . . I pledge my Administration will do that." I have delivered on that promise.

The first step was taken within months after my inauguration when I formed the President's Council on Integrity and Efficiency,

composed of the agency Inspectors General. By the time I leave office, they will have delivered savings of over \$110 billion in reduced waste, fraud, and abuse to the American people.

Then, in March 1982, I initiated the world's largest management improvement program with these words: "With Reform '88 we're going to streamline and reorganize the processes that control the money, information, personnel and property of the Federal bureaucracy." I told my Cabinet at that time that "we have six years to change what it took twenty or thirty to create—and we came to Washington to make changes!" I have followed up on that commitment. The President's Council on Management Improvement has overseen this effort, and is generating significant results.

These efforts are described in greater detail in my *Management Report*, which is being submitted concurrently. They can succeed only if all Federal managers and employees work together. Therefore, I propose in this budget a new approach to paying Federal employees who increase their productivity. I ask the Congress to modify the current system of virtually automatic "within-grade" pay increases for the roughly 40 percent of employees eligible each year to one that is based on employee performance. This will give Federal employees stronger incentives to improve service delivery and reduce costs to the taxpayer.

THE BUDGET PROCESS

As I have stressed on numerous occasions, the current budget process is clearly unworkable and desperately needs a drastic overhaul. Last year, as in the year before, the Congress did not complete action on a budget until well past the beginning of the fiscal year. The Congress missed every deadline it had set for itself just 9 months earlier. In the end, the Congress passed a year-long, 1,057-page omnibus \$605 billion appropriations bill with an accompanying conference report of 1,053 pages and a reconciliation bill 1,186 pages long. Members of Congress had only 3 hours to consider all three items. Congress should not pass another massive continuing resolution—and as I said in the State of the Union address, if they do I will not sign it.

I am asking for a constitutional amendment that mandates a balanced budget and forces the Federal Government to live within its means. A constitutional amendment to balance the Federal budget—and a provision requiring a super-majority vote in the Congress to increase taxes—would impose some much-needed discipline on the congressional budget process. Ninety-nine percent of Americans live in States that require a balanced State budget, and a total of 32 States already have passed resolutions calling for a convention for the purpose of proposing a balanced budget amendment to the U.S. Constitution.

Also, I am asking the Congress for a line-item veto, so that my successors could reach into massive appropriation bills such as the last one, cut out the waste, and enforce budget discipline. Forty-three State Governors have a line-item veto; the President should have this power as well. As Governor of the State of California (1967-1975), I used the line-item veto 943 times. The California State legislature upheld each of these vetoes, even though both Houses were controlled by the opposition party.

In addition, I propose the following further reforms to the budget process:

- (1) *Joint budget resolution.* The budget process has so degenerated in recent years that the presidential budget is routinely discarded and the congressional budget resolution is regularly disregarded. As a remedy, I propose that henceforth the Congress and the Executive collaborate on a joint resolution that sets out spending priorities within the receipts available. The requirement of a Presidential signature would force both branches of government to resolve policy differences before appropriations measures must be formulated. The budget process could be further improved by including in the budget law allocations by committee as well as by budget function.
- (2) *Individual transmittal of appropriation bills.* The current practice of transmitting full-year continuing resolutions skirts appropriations committee-subcommittee jurisdictions. More importantly, it does not permit the Legislative and Executive branches to exercise proper scrutiny of Federal spending. Therefore, I propose a requirement that appropriations bills be transmitted individually to the President.
- (3) *Strict observance of allocations.* During the 1980s, an unacceptable budget practice evolved within the Congress of disregarding congressionally approved function allocations. Funds regularly were shifted from defense or international affairs to domestic spending. I strongly urge that each fiscal year separate national security and domestic allocations be made and enforced through a point of order provision in the Budget Act.
- (4) *Enhanced rescission authority.* Under current law, the President may propose rescissions of budget authority, but both Houses of Congress must act "favorably" for the rescission to take effect. In 1987, not a single rescission was enacted, or even voted on, before expiration of the 45-day deadline. I propose a change of law that would require the Congress to vote "up or down" on any presidentially proposed rescission, thereby preventing the Congress from ducking the issue by simply ignoring the proposed rescission and avoiding a recorded vote.
- (5) *Biennial budgeting.* The current budget process consumes too much time and energy. A 2-year budget cycle offers several

advantages—among them, a reduction in repetitive annual budget tasks, more time for consideration of key spending decisions in reconciliation, and less scope for gimmicks such as shifting spending from one year to the next. I call on the Congress to adopt biennial budgeting.

- (6) *Truth in Federal spending.*—As part of my Economic Bill of Rights, I will shortly transmit legislation that will require any future legislation creating new Federal programs to be deficit-neutral. In addition to requiring the concurrent enactment of equal amounts of program reductions or revenue increases, my proposal would require that all future legislation and regulations be accompanied by financial impact statements, including the effect on State and local governments.

Adoption of these reforms should enable the Federal Government to make informed decisions in a deliberate fashion that fosters rational priorities. The American people deserve no less from their elected representatives.

CONCLUSION

Looking back over the past 7 years we can feel a sense of pride in our accomplishments. Important tasks remain, however. The large and stubbornly persistent budget deficit has been a major source of frustration. It threatens our prosperity and our hopes for lessening the burden on future generations.

Two years ago, the Legislative and Executive branches of government responded to this threat by enacting the G-R-H Act, which mandated gradual, orderly progress toward a balanced budget over the next several years. My budget achieves the 1989 target of the amended Act while preserving legitimate programs for the aged and needy, providing for adequate national security, devoting more resources to other high-priority activities, and doing so without raising taxes.

My budget also embodies the Bipartisan Budget Agreement reached last November. In presenting this budget, I am keeping my end of the bargain. I call upon the Congress to uphold its end—by ensuring that appropriations and other legislation are in full accord with the Agreement. By exercising this measure of restraint and self-discipline, we can secure great benefits for the Nation: a lower budget deficit, reduced demand on credit markets, more stable financial markets, a steadily declining trade deficit, and continued prosperity with non-inflationary growth. And, by reforming the budget process, the Congress can improve its decisionmaking and garner the thanks of a grateful public. Surely, these are small prices for what is at stake.

RONALD REAGAN

FEBRUARY 18, 1988

PART 2

**BUDGET TRENDS
AND PRIORITIES**

2-1

INTRODUCTION

This part of the budget has two sections. The first discusses trends in Federal spending since 1980. The second describes the priorities in the President's 1989 budget and how it implements the Bipartisan Budget Agreement that the President and the Congress adopted last November.

The Bipartisan Budget Agreement calls for 1989 discretionary budget authority and outlay ceilings for defense, international, and domestic programs, as shown in the table below. In the President's 1989 budget, funding for defense is constrained by both the budget authority and outlay caps, funding for international discretionary programs is constrained by the budget authority cap, and domestic discretionary spending is constrained by the outlay cap.

Discretionary Budget Targets

(in billions of dollars)

	Bipartisan Agreement		1989 Budget	
	Budget Authority	Outlays	Budget Authority	Outlays
Defense.....	299.5	294.0	299.5	294.0
International.....	18.1	16.1	18.1	15.6
Domestic.....	148.1	169.2	147.6	169.1

PART 2a

BUDGET POLICY AND TRENDS SINCE 1980

The 1980s have seen a dramatic change in the Federal budget and public policy. The growth rate of Federal spending has been cut sharply, and budget priorities have been reordered. Since 1980, real Federal spending has grown by 23 percent; it is projected to increase by 26 percent for the full decade.¹ This is a much smaller rate of growth than in previous postwar decades; real outlays rose by 37 percent in the 1970s, and by 50 percent or more in both the 1960s and 1950s.

Despite the slowdown in the rate of growth, Federal outlays accounted for a slightly larger share of GNP in 1987 than they did in 1980—22.8 percent vs. 22.1 percent. This share has been declining since 1983, however. The budget this year, in conformity with the Bipartisan Budget Agreement, proposes a further decline to 21.8 percent in 1989. If the President's budget is accepted, the 1980s will be the first decade since World War II in which Federal Government spending fell as a share of GNP.

REALLOCATING RESOURCES TO BASIC NATIONAL PRIORITIES

The slower overall growth of Government has been accompanied by a substantial restructuring of Federal outlays. The Government is now devoting more of its resources to basic national priorities that are inherently the responsibility of the Federal Government. At the same time, the Government is maintaining its commitment to help disadvantaged individuals whose problems are of special concern in our society, such as the poor and elderly.

- Defense capabilities have been substantially rebuilt to levels that enable the Nation to provide for its own defense and meet its international commitments.
- Programs for the poor have increased in real terms, albeit at a slower rate than in the 1970s, a period of especially high growth.
- Income security and health expenditures for the elderly and retirees have grown, continuing the national commitment to

¹ Throughout this section, unless otherwise indicated, all budget figures are expressed in constant (FY 1982) dollars, and refer to outlays rather than budget authority.

these groups; the economic status of the elderly has continued to improve.

- The core executive, legislative and judicial functions of the central Government, including enforcing the laws and conducting foreign policy, have been maintained and strengthened.
- Grants to State and local governments (excluding payments for individuals, which are mostly programs for the poor), which grew rapidly during the 1970s, have been cut substantially, but these governments, in general, have been able to adjust to the change without undue stress; in the aggregate, they have run surpluses over the period since the end of the recession.
- Lower priority domestic programs, which also grew rapidly during the 1970s, have been curtailed.

The reordering of budget priorities is reflected in the most broadly defined categories, as well as in specific functions and purposes. A standard classification is defense, payments for individuals (most of which are entitlements), other Federal programs (most of which are discretionary), and interest on the debt. Even in these terms, the changes during the 1980s are striking. Between 1980 and 1987, total real outlays increased by 23 percent. Defense and interest grew much more rapidly than average (52 and 90 percent, respectively); payments for individuals grew at about the average rate (22 percent), with social security (the largest domestic program) growing somewhat more rapidly than other payments in the aggregate; other nondefense spending fell (by 35 percent). Within the last category, however, there have been increases in outlays for the essential activities of the central Government, including the core legislative and executive functions, law enforcement, and the conduct of international affairs. The campaign against illegal drugs has been a very high priority; drug law enforcement and related activities have received exceptionally large funding increases. The administration has also identified other national priorities in space, basic science, AIDS research, and air traffic safety, for which it has sought and received significant funding increases. Real outlays for these necessary activities and administration priorities have increased by 10 percent. Spending on all other nondefense discretionary programs has been reduced by 48 percent.²

Other significant changes have also occurred within these broad spending categories. The remainder of this section describes the changes in more detail. (The categories do not necessarily correspond to budget functions and subfunctions and are not intended to

² The figures in the text include the budget function of undistributed offsetting receipts. When these receipts are excluded, other nondefense spending declined by 26 percent instead of 35 percent, and nonpriority programs by 34 percent instead of 48 percent.

be mutually exclusive or exhaustive; they are chosen to delineate important public purposes.)

COMPOSITION OF BUDGET OUTLAYS, 1970-1989

(as percentages of GNP)

	1970	1980	1987	1989
National Defense.....	8.3	5.0	6.4	5.9
Net Interest.....	1.5	2.0	3.1	3.0
Payments for Individuals.....	6.5	10.4	10.6	10.6
Low-Income Benefits.....	1.1	2.0	1.9	2.0
Elderly and Retirees.....	4.4	6.8	7.6	7.6
Other.....	1.1	1.6	1.1	1.1
Basic Government Functions.....	0.7	0.7	0.6	0.6
Other Administration Priorities.....	0.6	0.4	0.4	0.5
Grants to State and Local Governments ¹	1.6	2.2	1.2	1.1
Remaining Programs.....	0.7	1.5	0.4	0.2
Total Outlays.....	19.8	22.1	22.8	21.8
Addendum:				
Health Benefits.....	1.2	2.1	2.7	2.7
Economic Development and Subsidies.....	0.5	0.7	0.2	0.2

¹ Excludes grants for payments for individuals.

COMPOSITION OF BUDGET OUTLAYS, 1970-1989

(in billions of FY 1982 dollars)

	1970	1980	1987	1989
National Defense.....	225.6	164.0	249.7	241.6
Net Interest.....	34.7	62.0	117.5	119.5
Payments for Individuals.....	152.3	324.7	394.9	415.3
Low-Income Benefits.....	24.8	61.5	71.8	76.7
Elderly and Retirees.....	101.7	213.9	281.7	296.5
Other.....	25.8	49.3	41.4	42.1
Basic Government Functions.....	20.0	21.4	22.6	23.7
Other Administration Priorities.....	18.0	12.3	14.4	18.5
Grants to State and Local Government ¹	43.4	68.0	42.6	41.4
Remaining Programs.....	15.8	47.6	18.6	9.3
Total Outlays.....	509.3	699.1	859.3	868.3
Addendum:				
Health Benefits.....	28.0	65.8	100.0	107.5
Economic Development and Subsidies.....	13.6	22.7	7.4	7.8

¹ Excludes grants for payments for individuals.

NATIONAL DEFENSE

In the aftermath of Vietnam, defense expenditures dropped sharply until 1978. Real outlays were \$62 billion lower in 1980 than in 1970, a 27 percent decrease. Spending had fallen to levels well below those prevailing before the Vietnam war. Defense spending declined from 44 percent of all Federal expenditures to about 24 percent over the decade. Thus, when this administration took office, military capability had been allowed to deteriorate. U.S. strategic forces were in need of modernization, conventional equip-

ment was undermaintained, spare parts were often lacking, and the quality and turnover of military personnel was unacceptable.

A basic priority of the Reagan administration has been to rebuild our national defenses. Toward this end, an increase in real outlays of 52 percent, to \$250 billion, has been achieved from 1980 through 1987. As a share of GNP, defense outlays are now at 6.4 percent, compared to 5.0 percent in 1980. This level of defense expenditures is well within the capacity of the American economy to sustain. Indeed, during the prosperous peacetime decade of 1955-1964, the United States devoted a full 10 percent of GNP to national defense.

As a result of the increase in spending, there were improvements in all aspects of defense: strategic and conventional modernization; training, readiness, and the ability to engage in sustained combat; and the development of new systems. Naval and air forces were strengthened and expanded, and manpower levels were increased modestly.

Under the Bipartisan Budget Agreement, real outlays are projected to decline to \$244 billion in 1988 and in \$242 billion in 1989. Budget authority is also being reduced, in real terms. After 1989, outlays are projected to increase by about 1 percent annually through 1993. Although our national defense objectives remain unchanged, the rebuilding of national security capabilities will proceed at a slower pace. The defense program has been extensively revised to accommodate reduced budget levels. However, the budget proposals for 1989 and beyond present an essential program for maintaining our defensive strength that will enable us to negotiate fair agreements with our adversaries, in order to continue the successes of this decade.

LOW-INCOME BENEFIT PROGRAMS

Income support programs for the poor grew extraordinarily rapidly during the 1960s and 1970s.³ Real outlays increased by almost 150 percent, from \$24.8 to \$61.5 billion, between 1970 and 1980. New in-kind benefit programs were created for housing, food and nutrition, and participation rates rose rapidly for many programs.

In the 1980s, the explosive growth in low-income benefit programs has been brought under control, but the poor have not been abandoned. Low-income families have continued to benefit from the programs developed in earlier years. Contrary to much popular discussion, real outlays on economic protection for the poor have not fallen; indeed, they have continued to grow during most years of this administration, even as the economy has prospered. Real outlays in 1987 amounted to \$71.8 billion, 17 percent above the 1980 level. The share of GNP devoted to low-income benefit pro-

³ These programs are all payments for individuals; most are also entitlements. Housing assistance is the largest discretionary program; others are refugee assistance and low-income energy assistance.

grams has been stable, at about 2.0 percent. The growth rate of total real outlays has been reduced, as indeed it had to be, as a result of the major policy changes in most low-income benefit programs that were enacted between 1981 and 1983. Real outlays have nonetheless increased at an annual rate of 2.2 percent in the 1980s, compared to 9.5 percent in the 1970s.

Medicaid is the source of much of this growth, partly because medical costs have increased more rapidly than the cost of living in general, and partly also because of policy changes and benefit increases since 1984. Real medicaid outlays have increased by 41 percent, from \$15.5 billion to \$21.9 billion. Real outlays for other programs have increased as well, at a more moderate 8 percent, from \$46.0 billion to \$50.0 billion in the aggregate. There was, however, a small decline of 9 percent in real outlays for food stamps, from \$10.7 billion to \$9.7 billion, partly because of the improvement in the economy that reduced the number of people requiring help, and partly because of the changes enacted in 1981 to target assistance to those most in need.

There has been a reduction in budget authority for low-income benefit programs, in real terms, from \$95.6 billion to \$72.3 billion. The decrease is often cited as evidence that programs for the poor have been cut during this administration. This is not the case. All of the decline has come in housing programs, where budget authority is misleading as a measure of benefits. A two-thirds reduction in budget authority resulted solely from shifting to more efficient and socially beneficial forms of housing assistance that use the existing private housing stock instead of expensive new construction programs. Budget authority for new construction projects runs for 20 to 30 years, compared to only 5 to 15 years for existing housing vouchers and certificates. At the same time that budget authority was reduced, actual real outlays for HUD's subsidized programs increased by 68 percent from \$6.3 billion in 1980 to \$10.6 billion in 1987, as more people were aided. The number of assisted households (including those subsidized through Farmers Home Administration programs) has increased by over 1.5 million in the 1980s. Budget authority and outlays are essentially identical for all of the other programs, and budget authority for low-income benefit programs excluding housing assistance increased by 12 percent between 1980 and 1987.

Real benefits (both cash and in-kind) have increased relative to the number of poor people. Real benefits per person below the poverty line reached an all-time high of \$2,170 in 1986, 5.2 percent above the 1980 level of \$2,063. Real benefits per poor person are continuing to rise. Real benefits increased by \$1.2 billion in 1987, and while the number of people below the poverty line in 1987 will not be known until the summer of 1988, it almost certainly de-

clined. The unemployment rate fell by almost 1 full percentage point in the course of the year, dropping to the lowest level since 1979, and per capita real income continued to rise. The economy grew at 3.8 percent, a better performance than in either of the two previous years, during which the poverty population was reduced.

In fact, the change in benefits actually going to the poor is greater than is suggested by the data on outlays per person. Programs such as food stamps and housing subsidies have been targeted more narrowly toward those living below the poverty level. Some in-kind benefit programs have been reformed to eliminate duplication of benefits and reduce administrative costs. Changes in Aid to Families with Dependent Children (AFDC) were enacted in 1981 to help ensure that it is not used as a permanent wage supplement by individuals able to support their families, and that resources already available to those seeking assistance are more fully taken into account in determining both eligibility and benefits. At the same time, new programs have been created to meet newly perceived needs, such as homelessness.

The poverty rate has been coming down since 1983, although it remains unsatisfactorily high. Single-parent families are accounting for an increasing share of those below the poverty line. The administration's welfare reform proposal is designed to ameliorate this problem by offering incentives to those on welfare to acquire the skills they need to obtain productive employment in our expanding economy, and by strengthening the Federal-State child support enforcement program to ensure that absent parents take responsibility for their children.

BENEFITS FOR THE ELDERLY AND RETIREES

Income security and health programs for the elderly and for retirees have grown steadily during this administration. Real outlays have risen 32 percent from \$214 billion in 1980 to \$282 billion in 1987. As a share of GNP, spending has grown from 6.8 to 7.6 since 1980, with most of the growth accounted for by social security and medicare. Growth in this decade will be half as rapid as in the 1970s, when real outlays rose by 110 percent and the share of GNP rose from 4.4 to 6.8 percent. Federal policy in the 1980s has continued the commitment to provide adequate social insurance for the elderly, while at the same time seeking to bring the cost of the programs within sustainable limits.

Part of the growth in program expenditures is accounted for by the growing elderly population, a long-term demographic trend that is steadily being reinforced as life expectancy increases. Part of the growth also represents higher per capita expenditures. Average outlays have grown by 14 percent relative to the number of elderly persons since 1980.

Important structural changes have occurred in many of these programs during the 1980s. Reforms to preserve social security were enacted in 1983, as Congress and the administration acted upon the recommendations of the bipartisan National Commission on Social Security Reform. These recommendations called for both restrained outlays and increased receipts; carrying them out has put the social security program on a sounder actuarial basis. Over the course of the next several decades, the total taxes paid by (and on behalf of) workers while they are working should be brought into closer balance with the benefits they can expect to receive after retirement.

Reforms have also been enacted in the Federal civilian and military retirement systems which will save money in the very long run. The new Federal Employees Retirement System (FERS) integrates social security and Federal pensions for civilian workers hired in 1984 and later years. FERS is more consistent with private pension plans than its predecessor, the Civil Service Retirement System; cost-of-living adjustments and benefits for early retirement have been modestly reduced. Companion COLA and early retirement reforms for the military retirement system were enacted in 1986. These changes together will eventually reduce the cost of Federal civilian and military retirement programs, while maintaining income security for retired workers.

HEALTH

Outlays for health are an important component of both low-income benefit programs and income security for the elderly, and also of veterans benefits. They are worth separate discussion because they are a growing share of the Federal budget. Virtually all health programs have grown substantially during this decade. Between 1980 and 1987, real Federal outlays for health benefits rose from \$65.8 billion to \$100.0 billion, an increase of 52 percent. Even with this large increase, real health outlays grew more slowly in the 1980s compared to the 1970s, an annual average rate of 6 percent versus 9 percent. The annual growth rates for both medicare and medicaid have been several percentage points lower in this decade than during the 1970s. They have still been the most rapidly growing programs for the elderly and the poor.

Medicare has grown especially rapidly during the 1980s. Real outlays have increased from \$39.7 billion to \$67.2 billion between 1980 and 1987, an annual rate of 7.8 percent. As a share of GNP, the program has grown from 1.3 to 1.8 percent. The growth in outlays for medicare has been a serious fiscal problem throughout this decade. The administration has proposed and Congress has enacted reforms almost every year. The enacted reforms have dif-

ferred in a number of ways from the administration's proposals, but there has clearly been a consensus that costs need to be contained.

Other health benefits include hospital and medical care for veterans, where real outlays have risen by 15 percent between 1980 and 1987. All veterans who apply to the Veterans Administration for care, and who are found to need care, are being treated. Most veterans who use the system are either service-disabled or have a low income. Outpatient treatment has expanded by 20 percent between 1980 and 1987, while inpatient care has increased by 6 percent. In 1986, eligibility rules were modified to give priority to lower-income veterans with non-service disabilities, and to require higher income veterans to contribute toward the cost of their care.

The growth in Federal outlays for health parallels the growth in total spending on health in the United States. A steadily larger share of the total income of the United States has been devoted to health care throughout the postwar period.

The 1989 budget proposes reductions in medicare amounting to \$1.2 billion, largely through reducing indirect medical education adjustments for teaching hospitals to levels reflecting the added costs of providing education. These reductions are required in order to implement fully the Bipartisan Budget Agreement. Consistent with the agreement, the budget does not propose changes in medicaid. Costs are projected to increase further in both medicare and medicaid, however, and future action will be necessary to control program growth.

OTHER PAYMENTS FOR INDIVIDUALS

Low-income benefit programs and income security for the elderly comprise a substantial majority of payments for individuals. The largest of the other programs in these categories are unemployment compensation, veterans educational benefits, veterans service-connected compensation, and higher education loans and grants. Most of them are entitlements. Real outlays for these programs in the aggregate have decreased in the 1980s. The largest decline occurred in trade adjustment assistance (TAA) for displaced workers. TAA benefits peaked at \$1.6 billion in 1980; they were cut to less than \$100 million in 1982 and later years. Other outlays for unemployment compensation and outlays for veterans benefits have declined mainly because of changes in the number of individuals receiving benefits. Legislation in 1981 significantly modified the unemployment compensation program to target extended benefits more effectively to States with high unemployment, but the effect on outlays was minor. Similarly, the changes in higher education loans and grants, also designed to target assistance to those most needing it, have had a small effect on the budget.

Unemployment Compensation.—Unemployment compensation outlays vary inversely with the business cycle. Since the end of the recession, nominal outlays have fallen by over 40 percent, and real outlays by more than half, with most of the reductions coming during fiscal year 1984 as the economic recovery took hold. Real outlays in 1987 were one-third lower than the level at the beginning of the decade. As a share of GNP, unemployment compensation declined from 0.6 to 0.4 percent between 1980 and 1987.

The 1981 Omnibus Budget Reconciliation Act reformed the extended benefits component of unemployment compensation to concentrate benefits on workers in States experiencing high levels of unemployment and on those who had held jobs for 20 weeks or more during the preceding year. The savings from these reforms were modest—about \$100 million, less than 5 percent of total outlays in 1983, for example—but they were the largest program changes enacted in this decade, apart from the TAA reform.

TAA was changed in 1981 so that it could no longer be a supplement to unemployment benefits, but was only an extension of benefits for workers who had exhausted their weeks of unemployment compensation. The administration is now proposing to replace TAA with a new, more efficient and more expeditious Worker Readjustment Program.

Veterans Benefits.—Outlays for service-connected compensation and education benefits (the GI bill) have reflected changes in the eligible population, rather than changes in policy.

Real outlays for veterans compensation have grown by 2 percent, from \$8.7 billion in 1980 to \$8.8 billion in 1987. At the same time, the number of veterans and survivors on the rolls has declined by 3 percent, reflecting the continued decline in the veteran population. The administration has not proposed any major reforms for this program. In both the 1988 and 1989 budgets, the President has proposed to index benefits to the Consumer Price Index automatically, rather than await annual Congressional action, in order to ensure a full, timely cost of living adjustment to veterans and their survivors.

Real outlays for veterans education benefits have decreased rapidly during the 1980s, from \$2.9 billion in 1980 to \$0.9 billion in 1987, as the number of Vietnam-era veterans receiving education and training has fallen by 80 percent. This trend should continue as Vietnam-era veterans exhaust their entitlement. The decline in outlays will be offset, however, by increases in the newest veterans' education program, the Montgomery GI bill. This provides for more generous benefits than the previous peacetime veterans education program, as a recruitment incentive for the all-volunteer armed forces. The first trainees are expected to begin using their benefits

in 1988, and outlays for the program are expected to grow rapidly through 1992, when they should level off.

Higher Education.—Federal outlays for student aid increased during the 1980s. Real outlays have risen from \$6.0 billion in 1980 to \$6.2 billion in 1987. Program reforms were initiated to reduce subsidies to students from middle- and upper-income families, while funds for poor students were increased. In 1982, Congress required students from middle-income families to meet a needs test before receiving a regular guaranteed student loan; in 1986, the needs test was extended to all families.

The total amount of aid generated by Federal efforts to support financially disadvantaged students exceeds the direct outlays. It includes private capital used in making student loans guaranteed by the Federal Government and matching funds provided by States and educational institutions. When the total value of these resources is included, aid generated by Federal loans or guarantees has increased by 12 percent in real dollars during the 1980s.

BASIC GOVERNMENT ACTIVITIES

The administration has maintained or increased outlays on the core functions of Government: the conduct of international affairs, the administration of justice, the legislative and central executive functions, and fiscal operations such as tax collection. These activities, jointly with national defense, can be regarded as the most basic purposes of any national government. The administration has identified and given priority to other important purposes, such as science and basic research, space research and technology, and the campaign against drug abuse. Other nondefense discretionary purposes, with lower priority, have been substantially reduced.

International Affairs.—The administration has placed a high priority on increased spending for international affairs programs. In 1980, the United States was in retreat in many parts of the world as Soviet power expanded, either directly as in Afghanistan or through surrogates as in Nicaragua. The administration set out to reverse this trend by supporting democratic governments and movements throughout the world. Budgetary resources were devoted to international security assistance, to strengthening U.S. capacity to conduct diplomacy, and to international information programs, particularly broadcasting activities.

The results of this foreign policy effort have been dramatic. Democratic governments have been established in countries where there seemed little prospect for replacing entrenched totalitarian or authoritarian regimes. The Soviet Union has met with strong resistance from U.S. supported freedom fighters in Afghanistan and Nicaragua. International broadcasting facilities, many of

which were decades out of date, have been completely modernized and expanded.

International affairs spending grew by 32 percent, from \$12.3 to \$16.2 billion in real terms, between 1980 and 1986. Since 1986, Congress has been less willing to support the administration's efforts. Congressional cuts caused real outlays to drop by \$3.9 billion in 1987, back to a level of \$12.3 billion; a further decline to \$11.1 billion will occur by 1989, under the Bipartisan Budget Agreement. The administration believes that this recent trend must be reversed in the 1990s. Within the limits imposed by these constrained resources, the administration will continue to place the highest priority on programs that will sustain the spread of democracy throughout the world.

General Government.—The legislative and central executive functions are fundamental to the conduct of Government. Real outlays for these activities have decreased by 4 percent, from \$5.0 billion in 1980 to \$4.8 billion in 1987; outlays will rise to \$5.8 billion in 1989. The cost of tax collections accounts for more than half of this amount, and tax collection outlays have increased from \$2.8 billion to \$3.6 billion, or 28 percent. Total IRS operating outlays will increase further in 1989, to \$4.3 billion. Over 80 percent of the total increase has been for improved tax law enforcement. IRS enforcement staffing has increased by 50 percent since 1981. This growth is mainly intended to make up for the virtual stagnation in enforcement efforts during the previous decade, which occurred despite rapid growth in the tax base and increased complexity of the tax laws. The administration has made significant investments in programs to improve compliance with the tax laws and collect additional revenue.

Law Enforcement.—The other central domestic responsibility of the Federal Government is to enforce the laws and provide for the safety of the people of the United States. The Federal Government has direct responsibility for protecting the Nation against organized crime, white-collar crime, drug violations, and hostile intelligence activities by foreign nations. The budgets and personnel of the FBI, the Drug Enforcement Administration, the Customs Service, the Immigration and Naturalization Service and other Federal law enforcement agencies have all increased significantly, enabling these agencies to better enforce Federal statutes that cover a wide variety of illegal activity. Resources for the U.S. Attorneys have increased steadily, so that once violators are arrested they can be vigorously prosecuted. This budget includes funds to increase the capacity of Federal prisons, including innovative involvement of the private sector to provide new facilities.

In our Federal system, State and local governments play an important role in maintaining public safety. Some Federal law enforcement endeavors, such as the juvenile justice and delinquency prevention programs and the efforts of the Legal Services Corporation to provide counsel for the poor, are more properly provided at the State and local level. The administration has sought to reduce Federal funding for these activities, and to increase support for activities that are appropriately provided at the Federal level. For the latter, real outlays have increased from \$4.1 billion to \$5.5 billion, by 36 percent, during the 1980s, and this budget proposes a further increase to \$6.8 billion.

Drug Enforcement and Prevention Programs.—A significant share of the increase in law enforcement outlays has come in the area of drug enforcement, and the campaign against drugs has been one of the administration's top domestic priorities. Since 1980, the Federal budget for anti-drug programs has grown from just under \$1 billion to a proposed level of nearly \$3.7 billion in 1989, a 300 percent increase. In real terms, outlays have grown from about \$1.2 billion to \$2.9 billion. Precisely comparable numbers are not available before 1980, because anti-drug activities are carried out by several agencies, and previous administrations did not attempt to identify their cost as specifically as this administration, but it is clear that outlays have grown much more in the 1980s than in any previous period.

The Drug Enforcement Administration (DEA) illustrates the increasing commitment. Real outlays have grown twice as fast in this administration as they did previously. Outlays have grown from \$243 million in 1980 to \$345 million in 1987, and this budget proposes a further increase to \$391 million in 1989. DEA was created in 1974 and spent \$192 million (in 1982 dollars) in that year. Similarly, real outlays for the Coast Guard increased by 10 percent from \$1.3 billion in 1980 to \$1.4 billion in 1987. Almost all of this increase was for operating expenses. The Coast Guard's drug interdiction activities are an important component of the administration's war on drugs.

In addition to increasing the budget for drug enforcement, the administration has also increased the number of agencies involved in the war against drugs, and the degree of cooperation among the agencies. More than 20 Federal agencies are now actively involved in the struggle to drive illegal narcotics out of this country. The Departments of Health and Human Services (HHS) and Education lead the Federal effort to reduce the demand for drugs, by convincing young people that they should never begin to use drugs. HHS also provides leadership and considerable funding for treatment activities aimed at those who have made the mistake of taking drugs.

OTHER PRIORITIES

AIDS.—Acquired Immune Deficiency Syndrome (AIDS) is the highest public health concern of the administration. Real outlays have risen from \$30 million in 1982 to \$700 million in 1987; the administration is proposing a further increase to \$1.7 billion for 1989. Federal funds are spent both for research on the causes of AIDS and potential treatments, and also for health education and risk prevention. Research represents slightly less than half of outlays.

Science.—Basic research generates new knowledge which helps ensure continued technological innovation. It represents an essential investment in the Nation's future. Real outlays for science have risen from \$1.7 billion in 1980 to \$1.9 billion in 1987. This budget proposes a further increase to \$2.3 billion in 1989.

Real outlays for nondefense basic research by all Federal agencies have risen from \$4.6 billion in 1980 to \$6.5 billion in 1987, an increase of 39 percent. In contrast, real outlays for nondefense applied research and development have declined from \$15.3 billion to \$10.0 billion over the same period, a reduction of 35 percent. Much of this decrease is due to cuts in funding for new and exotic non-nuclear energy technologies. Such R&D comprised a large share of Federal research spending during the 1970s as a reaction to the energy crises in 1973 and 1979. In the 1980s, oil prices have fallen sharply, and there is little need for continued Federal support. The energy sector of U.S. industry has also scaled back its own expenditures on R&D since 1984.

Federal policy has placed a special emphasis on basic research that has the potential to contribute significantly to America's long-term economic competitiveness, such as research in the physical sciences, mathematics and engineering. About one-half of the Federal funds for basic research go to the Nation's universities and colleges. These funds support not only fundamental research but also the training of future generations of scientists and engineers.

Space.—Support for space activities meets both the direct needs of the Federal Government and broader national needs. After the Apollo project to put a man on the moon was completed in the early 1970s, expenditures for space activities steadily declined. This administration has recognized the economic and scientific value of space research, as well as its importance for national security. Real Federal outlays for non-defense space activities have risen from \$5.4 billion in 1980 to \$5.9 billion in 1987, an increase of 10 percent.

The space shuttle and manned space station are necessary first steps for major new environmental initiatives, such as the ocean topography experiment to learn more about the effect of ocean

circulation on the climate of the Earth. They also will support possible future missions beyond Earth's orbit, into the solar system.

Air Traffic Control.—The successful deregulation of the Nation's airlines has dramatically increased air travel. This in turn has necessitated improvements in the air transportation system. Real outlays for airports and airways have increased from \$3.7 billion to \$4.1 billion between 1980 and 1987. A further increase to \$4.5 billion is proposed for 1989. The bulk of the 1989 increase is intended to improve the reliability, capacity, and safety of the air traffic control system, including increases in the number of controllers and safety inspectors, and equipment improvements.

GRANTS TO STATE AND LOCAL GOVERNMENTS

Federal grants to State and local governments (excluding payments for individuals, which are mainly programs for the poor) have been cut back sharply in real terms and as a share of GNP. Real grants have fallen from \$68.0 billion in 1980 to \$42.6 billion in 1987, a reduction of 37 percent. As a share of GNP, grants have been cut from 2.2 to 1.2 percent.

Many of these grants are for programs where the benefits are primarily local rather than national, such as local economic development and the construction and operation of local transportation systems. Federal funding for these purposes has been substantially reduced.

The administration and Congress have eliminated some grant programs. One was general revenue sharing. When enacted in 1972, it was partly justified on the basis that the Federal Government would run a surplus when the Vietnam War ended, while the State and local government sector, as a whole, would continue to run a deficit. This has not happened. Public service employment was terminated as part of the reform of Federal job training programs in 1981-1982. It was supposed to provide temporary jobs and training for the disadvantaged; instead, it was widely criticized because a number of cities used it as a substitute for local resources to hire municipal workers who could scarcely qualify as being disadvantaged.

Other savings have also occurred as a result of this reform. The Comprehensive Employment and Training Act (CETA) was repealed in 1982, and replaced by the Job Training and Partnership Act (JTPA). The JTPA emphasizes training to enhance permanent employability. This contrasts to the main focus of CETA, which paid program participants merely for showing up for classes, and provided subsidized employment which had little, if any, effect on long-term employability.

Savings have also been generated by the consolidation of categorical programs into block grants, simplifying State and local program administration. The JTPA consolidated several CETA programs into a single block grant to States for training economically disadvantaged individuals. Numerous social services programs were combined into a single block grant and funding was reduced in 1982. Since then, real social services outlays have increased modestly in most years, and in 1987 were about \$300 million, or 5 percent, higher than in 1982. State and local governments have the authority to shift funds among the new block grants that have replaced categorical programs, and there is some evidence from Government studies that they have used this authority to increase funding for social services.

Similarly, 29 categorical programs for elementary and secondary education were consolidated into a single block grant. These programs were typically small and there was no systematic relationship between funding and need. The block grant reduced the cost of compliance for State and local education agencies and provided program flexibility.

Elementary and secondary education has traditionally been the responsibility of State and local governments; the Federal share of financing has been small (under 10 percent of total spending). In the 1980s, real expenditures for public education, by all levels of government combined, have risen to record amounts, from \$133 billion to \$145 billion between 1980 and 1987. Real outlays per student have risen also, from \$2,945 to \$3,276. State and local governments have provided the increase from their own fiscal resources, without requiring additional Federal Government support.

The increase in spending alone is not a guarantee of better education. There is no direct connection between greater expenditures (or greater Federal expenditures) and higher quality. There has been a renewed national concern with educational quality, a concern that was given impetus and focus by the 1983 report of the National Commission on Excellence in Education, *A Nation at Risk*. The efforts of governments and private citizens are beginning to show results. Many measures of educational attainment that were previously declining, notably standardized test scores, have recently begun to stabilize or rise. This has been accomplished by State, local and family initiatives, not with spending alone.

Overall, State and local governments have absorbed the decline in Federal grants without straining their fiscal resources. The reduction amounts to about 5 percent of their budgets (if real outlays had been maintained at their 1980 levels until 1987). They ran surpluses from the end of the recession through 1986, excluding their pension fund receipts. In 1987, the sector ran a modest deficit of \$6 billion, about one percent of total outlays, but this occurred

because their construction spending has been growing rapidly in recent years. Construction is largely financed through debt issue as a matter of deliberate policy. The cost of construction is counted in outlays, but the bond proceeds are not counted as revenues. The States have been and remain in a position to assume more responsibility in many of the areas where the Federal Government has cut back its support.

The fiscal rearrangements reflected in the 1989 budget demonstrate the administration's renewed emphasis on the importance of federalism. Rather than seeking to control State and local decisions through the grant process, the Federal Government has moved to restore decision-making authority to States and localities, which better understand the priorities of their citizens. Similarly, the administration has sought to reduce unnecessary administrative restrictions on State and local recipients of Federal funds, recognizing that States also have incentives to control expenditures.

ECONOMIC DEVELOPMENT AND BUSINESS SUBSIDIES

Federal outlays for economic development and subsidies to private business have been cut back sharply in the 1980s.⁴ Real outlays have fallen by two-thirds, from \$22.7 billion in 1980 to \$7.4 billion in 1987; they are lower than at any time since 1970. Programs in this category can be divided generally into urban development, rural development, and business subsidies. Most programs in the first two categories take the form of grants to State and local governments; most business subsidies are paid directly by the Federal Government. Reductions have been substantial for each category during the 1980s: from \$5.7 to \$3.1 billion in real outlays for urban development (mainly community development block grants and urban development action grants), from \$5.1 to \$1.3 billion for rural development (now, mainly Farmers Home Administration programs for wastewater treatment plants and community facilities, and assistance to Indian reservations), and from \$12.0 to \$3.1 billion for private business. These programs grew rapidly during the 1970s and have been cut back below their 1970 level in real terms; subsidies to business have been cut to less than half the 1970 level. Economic development assistance and support for regional commissions have been cut back sharply.

Reducing and eliminating local development assistance and business subsidies has been a continuing goal of the administration. Support for a number of regional commissions has ended; this year, the administration is again proposing to terminate the Appalachian Regional Commission, the Economic Development Administration and Urban Development Action Grants. Often these programs

⁴ This comparison includes grants to State and local governments as well as other subsidies. Outlays for the grants are also included in the previous subsection.

benefit one business or locality at the expense of others; some localities have received UDAG funds, for example, to subsidize businesses to move away from other localities. It is inappropriate for the Federal Government to favor one region at the expense of another, or one business enterprise over its competitors, and it is futile to try to favor all regions or all businesses. There is particularly little justification for these subsidies when the economy as a whole is continuing to grow strongly.

REMAINING DOMESTIC PROGRAMS

The other activities of the Federal Government account for a small and declining share of the budget. Agricultural price supports are a substantial fraction; outlays have risen during most of the decade, but came down in 1987 and are expected to continue falling. The other programs in the aggregate have been declining substantially.

Agriculture.—Farm price supports have grown even while the overall economy has improved. Real outlays in 1986, at \$24.6 billion, were almost three times the 1980 level (\$8.9 billion). During the 3 years 1974 to 1976, an exceptionally prosperous period for American agriculture, farm price supports had fallen to their lowest level since the Korean war. Since then, they have increased steadily both in real terms and as a share of GNP. The experience in 1987, however, indicates that this decade-long trend is finally being brought under control. The Food Security Act of 1985 has successfully shifted the focus of U.S. agriculture policy to recapturing lost markets and shifted farm lending programs from direct Federal lending to loan guarantees. Exports and domestic consumption of the major agricultural commodities increased significantly in 1987, farm land values have begun to rise, and default rates on farmer and rural loans are dropping. Reflecting these conditions, outlays for agricultural price supports declined by \$3.3 billion (in real dollars). The budget projects further reductions in 1988 and 1989, to \$15.2 billion (in 1982 dollars) by 1989.

Other Discretionary Programs.—Outlays for other Federal Government activities are relatively small in the aggregate. During the 1980s, they have been sharply reduced both in real terms and as a share of GNP. Real outlays were \$46.8 billion in 1980 (1.5 percent of GNP), compared to \$25.3 billion (0.6 percent of GNP) in 1987. They are projected to be \$22.4 billion in 1989.

This residual category comprises a diverse set of programs from many budget functions. In several functions only a small part of the outlays are included here. Most of the programs are relatively low priority activities from the standpoint of the Federal Government, and the administration has sought and achieved outlay re-

ductions, program terminations, and reforms. The Water Resources Development Act of 1986, as an example, authorizes fees for use of commercial harbors, and will bring in more than \$200 million in 1989 to pay for operation and maintenance expenditures previously financed by general tax revenues. One of the best ways to test the worth of a governmental program or a particular project is to shift some of its costs to the direct beneficiaries. The administration has established this test with water resources development projects. As a result, local sponsors and users choose to proceed only on the projects which are most important and most cost-effective.

The FHA mortgage insurance premium has been converted from a monthly charge to a single payment of the full amount when the loan is closed. The administration has terminated the Synfuels Corporation, saving \$200 million per year, and sold Conrail, the Government-owned freight railroad serving the Northeast and Midwest. Some further reductions are being proposed in order to meet the outlay ceilings stated in the Bipartisan Budget Agreement. Additional land acquisitions for parks and refuges, and construction activities, would be postponed through 1993, for instance.

Undistributed Offsetting Receipts.—Federal Government receipts from several sources are included in the budget as distributed offsetting receipts, a separate budget function. These receipts have increased from \$23.5 billion in 1980 to \$30.9 billion in 1987, in real terms. The largest component is the employer share of Federal employee retirement funds, which has been growing during the 1980s. Rent and royalties from oil leases on the Outer Continental Shelf are also reported as undistributed receipts. Part of the increase reflects significant policy changes, such as the sales of Government-owned loans and other assets. The 1987 sale of Conrail for \$1.9 billion is counted in this function. The administration is proposing to sell Amtrak, the Naval Petroleum Reserve, and other assets that more appropriately should be owned and managed within the private sector.

CONCLUSION

The restructuring of the budget that has occurred during the 1980s was necessary and unavoidable. Outlays for domestic programs could not have continued to grow at the rapid rates of the preceding three decades without serious harm to the economy. Nor could the Nation have continued to allow its defense capability to decline as it did after the Vietnam war.

These changes have been accomplished without neglecting the basic domestic responsibilities of the Federal Government, and without creating hardships for the poor, the elderly, or others who deserve special consideration as a matter of public policy. Impor-

tant public purposes, such as maintaining and improving the health of our citizens, have received increased funding, but at the same time the Federal Government has succeeded in better controlling the costs of health programs. New priorities, such as research on the Strategic Defense Initiative and AIDS, have been recognized and supported. Programs have been restructured to promote administrative efficiency, as for example the block grants in education and social services. Ineffective programs, such as CETA, have been replaced by more carefully designed and targeted programs. Funding for low-priority programs has been sharply cut back and some programs have been terminated, among them subsidized public service employment, general revenue sharing, and regional economic development commissions.

The 1980s have been a decade of restrained growth in the Federal budget. In 1987, nominal expenditures grew at their lowest rate since 1965, only 1.2 percent; real outlays actually declined for the first time since 1973. The result was a reduction of \$71 billion, nearly one-third, in the budget deficit. Continued restraint is essential if further progress is to be made in reducing the deficit, meeting the Gramm-Rudman-Hollings deficit targets for 1989, and achieving a balanced budget by 1994.

PART 2b

PRIORITIES IN THE 1989 BUDGET

In fiscal 1987, there was an historic drop in the Federal deficit, which declined from \$221.2 billion in 1986 to \$150.4 billion in 1987. As a percent of GNP, the deficit declined from 5.3 percent to 3.4 percent. For the first time in nearly two decades, outlays did not increase in real terms.

Last November, the President and Congress reached an historic agreement to ensure continued progress in reducing the deficit. Under this budget, which implements that agreement, the deficit would decline to \$129.5 billion in 1989 and \$104.2 billion in 1990. As a percent of GNP, it would be 2.6 percent and 1.9 percent. As the table shows, the 1986 to 1990 reduction would be achieved primarily through limiting the growth in outlays to below the growth in receipts—a circumstance that should occur naturally as the economy grows. Indeed, receipts will have grown by 36 percent and outlays by only 16 percent, producing a deficit reduction of \$117.0 billion.

PRESIDENT'S 1989 BUDGET

(in billions of dollars)

	1986	1987	1988	1989	1990	Change 1986-90	Percent change 1986-90
Receipts	769.1	854.1	909.2	964.7	1,044.1	275.0	35.8
Outlays.....	990.3	1,004.6	1,055.9	1,094.2	1,148.3	158.0	16.0
Deficit	-221.2	-150.4	-146.7	-129.5	-104.2	117.0	-52.9

The Bipartisan Budget Agreement divided spending into several categories, including national defense, international discretionary, domestic discretionary, and entitlements and other mandatory programs. Spending for entitlements and other mandatory programs is determined largely by the number of individuals and businesses that meet eligibility criteria established by law. Discretionary programs are funded at levels set by annual appropriations.

The Bipartisan Budget Agreement set levels for the three discretionary categories, leaving it to the administration to propose its own priorities within those categories. Rather than simply treating all programs alike in some false sense of equity, the administration

has proposed substantially higher funding for priority programs, to be accommodated by lower funding and termination of programs that have outlived their purpose, have no Federal purpose, or are wasteful or inefficient.

The Bipartisan Budget Agreement set no caps or levels for entitlements and other mandatory programs but, rather, included specific savings to be achieved. This budget only proposes major changes in these programs where Congressional action on the 1988 budget did not achieve the 1989 savings called for in the Agreement.

The next section analyzes the budget proposals for each of the four main categories. The remaining sections discuss receipt initiatives, proposed asset sales, and privatization and other management initiatives included in the President's budget.

NATIONAL DEFENSE

The President's budget proposes \$299.5 billion in budget authority for the national defense function, the level specified in the Bipartisan Budget Agreement. This level, which is \$33 billion below last year's biennial request for 1989, is about the same as the 1988 level in real terms. The estimated outlays for the defense function also fall within the Bipartisan Budget Agreement limits.

Meeting the new budget level for 1989 has required an extensive revision of the budget submitted last year. The revisions include some force reductions, slowdowns and deferrals in the development and procurement of weapon systems, as well as cancellation of some acquisition programs.

The President's strategic modernization program remains a high priority. The budget proposes \$4.6 billion for the strategic defense initiative—a \$1 billion increase over the level provided by the Congress for 1988, but less than the \$6.3 billion originally planned for the 1989 budget. Although substantial modernization would continue, some programs have been reduced relative to last year's plans. In particular, the small ICBM has been substantially reduced because of budget constraints.

Conventional force capability improvements would continue, but at a slower pace than planned. Combat readiness would be protected, but with some delay in equipment maintenance. Major adjustments to the program planned one year ago include the termination or delay of some aircraft acquisition programs, such as the Navy A-6 attack aircraft and the restructuring of the Army helicopter program. There would also be accelerated retirement of some older Navy ships. There are substantial reductions in military end strength levels for both the Air Force and Army.

The budget requests a 4.3 percent military pay raise in January of 1989. This would roughly match increases in private sector pay,

and would safeguard the achievements made by the administration in restoring a dedicated, high quality military force.

As budget pressures increase, continued emphasis on the defense management improvement program, implemented seven years ago, becomes more important. Significant progress has been made in reducing costs through the use of multiyear contracts, increased competition, and improved management of spare parts. Further emphasis on improved defense program management would continue under the 1989 budget. Specific efforts include the contracting out of some commercially available activities, strengthening the financial management system, and expanding the Department's plan to improve productivity.

NATIONAL DEFENSE

(in billions of dollars)

	1987	1988	1989	Change 1988-89	Percent Change 1988-89
Department of Defense—Military:					
Budget Authority.....	279.5	283.2	290.8	7.6	2.7
Outlays.....	274.0	277.3	285.5	8.2	3.0
Atomic energy defense:					
Budget Authority.....	7.5	7.7	8.1	0.4	4.5
Outlays.....	7.5	7.6	7.9	0.3	4.1
Other:					
Budget Authority.....	0.5	0.5	0.6	0.1	27.0
Outlays.....	0.6	0.5	0.6	0.1	11.2
Total, national defense:					
Budget Authority.....	287.4	291.4	299.5	8.1	2.8
Outlays.....	282.0	285.4	294.0	8.6	3.0
MEMORANDUM					
Bipartisan Budget Agreement:					
Budget Authority.....		292.0	299.5	7.5	2.6
Outlays.....		285.4	294.0	8.6	3.0

INTERNATIONAL DISCRETIONARY PROGRAMS

The President's budget proposes \$18.1 billion in budget authority and \$15.6 billion in outlays for discretionary programs in the international affairs function. This represents a two percent increase in budget authority over the 1988 level, as agreed to by the bipartisan budget negotiators. Unlike domestic discretionary programs where the outlay target from the Bipartisan Budget Agreement becomes binding before the budget authority target, the budget authority target is the primary constraint for international affairs discretionary programs. Outlays are estimated to be \$0.5 billion below the Bipartisan Budget Agreement ceiling. This occurs because the highest priority discretionary programs in the international affairs

function are those that require relatively fewer outlays during the first year of funding.

The Bipartisan Budget Agreement entails severe stringencies in every category of international affairs activity. The budget would, however, permit growth greater than two percent in a few key discretionary areas. A limited (three percent) increase is requested for security assistance programs. These programs provide military goods and services and help strengthen the economies of allied and friendly countries where the U.S. has special security concerns. They also help ensure U.S. access to military bases and facilities overseas. Full funding is also requested for 1989 commitments of the U.S. to the various multilateral development banks. Arrears on past commitments to these institutions cannot be restored in 1989 and thus will be deferred until 1990. Finally, new funding for international radio broadcasting transmitter sites is requested, to permit further work on sites in Israel, Morocco, and Thailand.

To achieve the discretionary increases, a number of other international programs would be held to less than two percent growth. For example, funding for foreign food aid, under Public Law 480, would not increase, although the capacity would remain to handle disaster needs due to crop failure. Elsewhere, the U.S. would be unable to meet its obligations to a number of international organizations and multilateral agreements. Over time, steps must be taken to redress this situation.

INTERNATIONAL DISCRETIONARY PROGRAMS

(in billions of dollars)

	1987	1988	1989	Change 1988-89	Percent Change 1988-89
Foreign aid:					
Budget Authority	14.0	13.4	13.6	0.3	2.0
Outlays	12.4	12.9	12.8	-0.1	-0.9
Other international:					
Budget Authority	5.6	4.5	4.5	*	0.3
Outlays	0.3	2.8	2.8	-*	-1.2
Total, international:					
Budget Authority	19.6	17.9	18.1	0.3	1.6
Outlays	12.8	15.8	15.6	-0.2	-1.0
MEMORANDUM					
Bipartisan Budget Agreement:					
Budget Authority		17.8	18.1	0.3	1.7
Outlays		16.5	16.1	-0.4	-2.4

*\$50 million or less.

DOMESTIC DISCRETIONARY PROGRAMS

Domestic discretionary programs are those that are annually funded in appropriations acts. The category includes a wide diversi-

ty of Federal programs, from enforcement of the laws to providing grants for local economic development. The budget requests for discretionary programs are within the limits set by the Bipartisan Budget Agreement. The budget does not uniformly increase all domestic discretionary accounts above the 1988 levels in order to reach the ceiling, but seeks to allocate spending to higher priority programs while reducing funding for ineffective, duplicative, or low priority programs. For example, the budget proposes to shift Federal funding from costly local economic subsidies that do not increase net investment to high priority research such as the space station, the super collider, and automated manufacturing technology. This section outlines proposals for discretionary programs which reflect this shift to more productive, efficient, and effective programs.

DOMESTIC DISCRETIONARY PROGRAMS

(in billions of dollars)

	1987	1988	1989	Change 1988-89	Percent Change 1988-89
Space and science:					
Budget Authority.....	12.5	10.7	13.9	3.1	29.3
Outlays.....	9.2	10.9	13.1	2.2	20.2
Transportation and public works:					
Budget Authority.....	12.3	12.6	11.0	-1.6	-12.7
Outlays.....	26.7	28.4	28.3	—*	—*
Economic subsidies and development:					
Budget Authority.....	39.4	44.6	43.1	-1.5	-3.3
Outlays.....	38.6	41.4	43.1	1.7	4.2
Education and social services:					
Budget Authority.....	29.6	30.2	31.3	1.1	3.7
Outlays.....	27.9	30.0	31.1	1.1	3.6
Health research and services:					
Budget Authority.....	22.7	23.9	24.7	0.8	3.5
Outlays.....	20.9	22.8	24.2	1.4	6.2
Law enforcement and other core functions of government:					
Budget Authority.....	20.5	21.2	23.6	2.4	11.3
Outlays.....	24.7	27.2	29.3	2.0	7.5
Total, domestic discretionary:					
Budget Authority.....	136.9	143.2	147.6	4.4	3.1
Outlays.....	148.1	160.6	169.1	8.5	5.3
MEMORANDUM					
Bipartisan Budget Agreement:					
Budget Authority.....		145.1	148.1	3.0	2.1
Outlays.....		160.3	169.2	8.9	5.6

*\$50 million or less.

Space and Science.—The programs in this category include the National Science Foundation (NSF), space programs in the National Aeronautics and Space Administration (NASA) and the general science programs of the Department of Energy. These programs help to ensure U.S. strength and leadership in science and space

technology. The President's budget requests \$13.9 billion in budget authority for these programs, a 29 percent increase over the 1988 enacted level.

The President's budget proposes to increase funding for the *National Science Foundation (NSF)* to \$2.1 billion in budget authority for 1989, an increase of 19 percent from the 1988 enacted level. NSF would emphasize the support for basic research, and for science and engineering education. Continued U.S. leadership in science and technology depends on the future availability of high-quality scientists and engineers. NSF would also fully fund 10 to 15 interdisciplinary Science and Technology Centers for five years, encouraging substantial participation by industry and the States to speed the transfer of knowledge from the laboratory to the marketplace. Support for basic research is a key element in helping to ensure, over the long-term, the ability of the U.S. to compete in increasingly competitive global markets. University-based research not only generates the "intellectual capital" of new knowledge, but also, through the training of future scientists and engineers, the essential "human capital" necessary for continued economic growth.

The budget also requests an increase of 49 percent for the *general science programs within the Department of Energy*, to reach a budget authority level of \$1.2 billion for 1989. This includes funding for the initial construction of the Superconducting Super Collider (SSC), the world's most powerful atom smasher. The SSC is a critical part of the administration's initiative to maintain and strengthen the Nation's scientific and technological leadership. The 1989 level for the SSC represents the first year of an eight-year \$5.3 billion construction project. The budget estimates assume substantial cost sharing by the host State and foreign countries, beginning in 1991.

Budget authority of \$10.6 billion is proposed for the *space-related activities of NASA*, a \$2.4 billion increase from the 1988 level. This increase would allow NASA to continue the buildup of safe flight of the space shuttle, while initiating development of a new advanced solid rocket motor to improve the shuttle's performance, reliability and safety. NASA would also significantly expand development activities for the manned space station, leading to operating capabilities in the mid-1990's, and initiate a major new space science project, the Advanced X-ray Astrophysics Facility. For the space station, the President's budget proposes providing funding for 1989 through 1991 this year and, later this year, legislation to establish a ceiling on total program costs. These measures would provide program stability as well as necessary discipline in controlling costs. A continued national commitment to a permanently-manned space station is essential if the nation is to maintain its

leadership in space. The space station is planned for development in cooperation with our friends and allies. This multi-purpose facility will advance not only our capability in space research and technology, but will also serve to foster commercial and entrepreneurial space activities. NASA will strongly encourage private sector investment in the space station, including relying on the private sector to the greatest extent feasible for future enhancements to the space station.

Transportation and Public Works.—This category includes air, water, and ground transportation programs as well as Federal water resource projects. In total, budget authority for this category would be reduced under the President's request, from \$12.6 billion in 1988 to \$11.0 billion in 1989. Increases for high-priority programs such as the Federal Aviation Administration (FAA), and for new construction starts for the Army Corps of Engineers, would be offset by reductions in low-priority programs such as mass transit. The budget also proposes to terminate unnecessary subsidy programs, such as payments to air carriers for providing service to certain communities, and grants to Amtrak. The Interstate Commerce Commission is proposed for termination, contingent on enactment of legislation to deregulate the motor carrier industry.

The administration requests a 44 percent increase in funding for the modernization of *air traffic control facilities and equipment*. For example, the proposed funding increase for 1989 would permit procurement of specialized radar systems designed to detect highly dangerous wind shears. It would also allow for continued development of the advanced automation system, which is an automated air traffic control system designed to expand capacity, improve efficiency, and maintain the high level of safety of the airways as aviation activity increases. The administration also requests a 9.4 percent increase for FAA operations in order to increase the air traffic controller, aviation safety, and inspector workforces, commensurate with projected increases in aviation activity.

The budget also includes the administration's proposal to reform *maritime operating subsidies* by expanding carriers' operating flexibility, reducing the cost of subsidy per ship, and allowing additional carriers to participate in the program. In addition, the proposal contains several reforms that would reduce the cost of administering the cargo preference program.

The administration's request for \$4.3 billion in budget authority for the *Federal water resources agencies*—the Army Corps of Engineers, Interior's Bureau of Reclamation, and Agriculture's Soil Conservation Service (SCS)—is approximately the same as that enacted in 1988. Increases due primarily to the construction of new Federal water resource projects initiated since 1985 would be offset by a decrease for lower-priority SCS projects and already author-

ized commercial navigation fees and non-Federal project financing. Most proposed funding is for ongoing construction of projects started in previous years, and the operation and maintenance of completed projects. In addition, the administration is proposing six new construction starts for the Army Corps of Engineers, including the Santa Ana flood control project in California.

Total obligations for the *Federal-aid highway program* would be targeted at \$12.3 billion, down 5.7 percent from 1988 estimates. This would ensure that spending from the highway account of the highway trust fund does not exceed annual user fee receipts. Eligible highway projects should be funded through these grants, which give States discretion to spend on their high-priority programs, and not with separate earmarking, which the Congress has used in the past for some specific projects.

The budget also calls for a decrease of 54 percent in *mass transit* funding. The proposed savings would come primarily from terminating discretionary grant funding used to build or expand transit systems which have often been unnecessary, too costly, and underutilized. For example, in 1973, Detroit estimated that its automated people mover would cost \$30 million to build; it actually cost \$200 million and attracts no more than 10,000 daily riders, far less than the 71,000 originally projected. In Miami, a \$1 billion transit investment carries only one-sixth the ridership originally estimated to justify the project. The bus riders of Miami have endured higher fares and reduced service because current transit funds have been diverted to the rail system. The budget also proposes eliminating operating subsidies to large and medium-sized cities. These subsidies were originally provided in response to the energy crisis to increase ridership and decrease fuel consumption, but most have come to finance increased wages and declining labor productivity in the mass transit industry. Absenteeism in the transit industry is estimated at three times the national average, yet transit operators and mechanics in large publicly operated systems earn 31 to 95 percent more than their counterparts in the private sector.

Economic Subsidies and Development.—This category includes programs for energy, natural resources and the environment, farm programs, commerce and housing credit, community and regional development, and housing assistance. Funding increases are proposed for a few selected programs in this category, including full funding for the Federal share of the innovative clean coal technology demonstration program, which addresses the problem of acid rain. However, many programs would be reduced because they no longer warrant Federal support. Many reward inefficient private activities and support State and local development more appropriately financed by State and local governments or the private sector. Surely this is an area that we can afford to reduce in order

to fund higher priority programs such as health research, education programs, and education and enforcement efforts concerning drug abuse. On net, the administration proposes to reduce budget authority for this category from \$44.6 billion in 1988 to \$43.1 billion in 1989.

The administration is requesting \$0.5 billion of budget authority in 1989 to continue developing and filling the *strategic petroleum reserve (SPR)* at a minimum average rate of 50,000 barrels per day, the fill rate approved by Congress in 1988. The SPR is a Government stockpile of crude oil to supplement the market in the event of a severe disruption in world oil supplies. If the administration's proposal to sell the naval petroleum reserve (discussed below under Revenues) is approved, the administration will propose additional funding of \$0.7 billion to increase the SPR fill rate to 100,000 barrels per day and to create an additional 10 million barrel inventory in 1989. This would add to the country's ability to deal with energy supply disruptions.

The President proposes budget authority of \$1.6 billion for 1989 for the *Hazardous Substance Superfund*. This represents an increase of \$0.5 billion over 1988 funding levels, and would continue the full-scale buildup of this hazardous waste cleanup program. The increase would prevent any delay in starting work on projects ready for cleanup, and would also enable the Superfund program to maintain the momentum gained since reauthorization.

The budget also requests full funding for the Government's share of a five-year, \$2.5 billion *innovative clean coal technology demonstration program*. Congress has already provided \$0.7 billion for the program for 1988 and 1989. The 1989 budget seeks \$1.8 billion additional advance appropriations. This program supports commercial-scale, innovative control technology demonstration projects consistent with the recommendations of the U.S. and Canadian Special Envoys on Acid Rain. These projects, whose costs will be shared at least 50 percent with industry, are intended to address the environmental effects of acid rain by stimulating the development and deployment of new means to reduce air pollution emissions. The budget also provides strong support for continuation of the 10-year research activities of the national acid precipitation assessment program (NAPAP), whose final assessment will be published in 1990.

The administration proposes an increase of more than 70 percent in budget authority for the *federal conservation reserve program*. Under this program, the Federal Government contracts with owners of highly eroded cropland acres to remove them from active crop production. In exchange for placing their acres of cropland in a reserve status, landowners receive assistance in establishing appropriate conservation cover on the land, as well as rental pay-

ments on each acre. The proposed increase is necessary in order to increase the number of acres enrolled in the program, as mandated by the 1985 farm bill, and to provide increased technical assistance in determining eligibility of landowners.

The administration proposes to expand its use of *vouchers to meet rural and non-rural housing needs*. In 1989, 135,500 additional low income households would receive housing subsidies (primarily vouchers), an 8 percent increase from 1988. Vouchers can be used in most privately-owned units meeting housing quality standards, and are less costly than other housing subsidies for low-income households. For example, a new public housing unit costs \$700 per month for each family served, while a voucher can provide the same assistance for only \$250 each month. Vouchers increase household choices regarding where to live, and permit more efficient use of private sector housing. Lending and selected grant programs which have not been cost-effective would be terminated.

In particular, the administration would discontinue the housing development action grant (HoDAG) program created by the Housing Urban-Rural Recovery Act of 1983. Although the HoDAG program was intended to subsidize the construction or rehabilitation of rental housing in low- and moderate-income neighborhoods experiencing a severe shortage of rental housing, it has proven to be an inefficient subsidy for costly new construction activity. The administration prefers relying upon housing vouchers for use with existing rental housing units. Congress not only provided no new 1988 appropriations for HoDAG, it also proposed termination at the end of 1989 in the Housing and Community Development Act of 1987.

The administration is requesting budget authority of \$1.5 billion for the *sewage treatment construction grant program*, a decrease of 35 percent from the 1988 funding level. This program provides financial assistance to State and local governments for the construction of publicly owned treatment facilities. Since 1972, \$50 billion in Federal funds has been spent on this grant program benefitting localities. Presidential policy calls for a \$12 billion phaseout of the program by 1993. This level of funding is sufficient to fund the Federal share for all projects needed to meet the 1988 municipal requirements and complete all treatment plants started with Federal funds.

Budget authority for *Federal land acquisition* is also proposed to decrease from \$0.3 billion in 1988 to \$0.2 billion in 1989. There are already over 700 million acres of acquired land and no additions are needed at this time. Additional discretionary acquisitions for park and refuge purposes would be postponed through 1993. The proposed budget would fully utilize entrance fees and service charges associated with national parks, forests, and other Federal recreation facilities.

The budget calls for a 41 percent decrease in budget authority for *non-nuclear energy research and development*. This represents a decrease from the 1988 level of \$0.6 billion to \$0.4 billion in 1989. These research and development programs include fossil, solar, and renewable energy, and the reduction reflects the administration's belief that the proper Federal role is to support longer term, high-risk, or generic technologies.

In 1989, the administration proposes to continue its effort to concentrate Federal resources on national priorities and provide maximum opportunity for State and local governments to meet their own *local community and economic development* needs. To achieve this, the administration proposes to eliminate a number of Federal categorical programs currently providing support for specific local community and economic projects, including urban development action grants (UDAG), Economic Development Administration, and Appalachian Regional Commission programs. In St. Petersburg, Florida, for example, a \$3.4 million UDAG grant helped the Harbor View Hotel Corporation renovate a 337 room Hilton hotel that will have a swimming pool and tennis courts. This project is one of many representative of unnecessary Federal spending through this type of grant program. There is no evidence that such programs have resulted in net job creation nationwide. Under the administration's proposal, the comprehensive and more flexible community development block grant (CDBG) program would continue to be the principal vehicle for Federal support.

As part of its *Rural Development Initiative*, the administration proposes to target existing rural development program resources to the most needy rural communities and residents. It is proposed that financing for rural water and waste disposal systems and community facilities gradually shift from grants and direct loans to loan guarantees, which provide rural communities with access to private financing sources.

Consistent with past congressional action, the administration proposes to continue phasing down funding of *low income home energy assistance*, which provides States with block grants to help pay fuel bills of low-income families. States have hundreds of millions of dollars of oil overcharge settlements available for this purpose.

The budget proposes to substitute partial *Rural Electrification Administration (REA)* guarantees of private sector loans for REA borrowers for the high cost deeply subsidized direct REA loans. This reform is appropriate since REA goals of providing electric and telephone service to rural areas are largely accomplished, and nearly all REA borrowers are financially sound and able to secure private lending with the partial REA guarantees.

The budget seeks elimination of all *SBA direct business loan programs*, relying completely on loan guarantees for its business loan activity. The administration also proposes to increase the amount of private co-insurance on SBA guaranteed loans to secure even greater private capital market involvement in meeting small business financing needs. This would benefit small business borrowers by allowing them to develop credit records with private lenders instead of with the SBA, thereby fostering the long-term growth potential of such firms.

As suggested by a recent Postal Rate Commission study, the administration proposes to eliminate nearly all *Postal Service subsidies* that allow certain preferred mailers to receive reduced postal rates. The American taxpayer should not be burdened with these inefficient subsidies, which are often misused. Subsidies would be eliminated for materials with high commercial advertising content, political advocacy mail, and "educational" mail from organizations that do not maintain teacher/student relationships. The administration would continue lower rates for most religious and charitable mailings, but shift the residual cost of these lower subsidies from taxpayers to commercial mailers. This would reduce outlays by \$0.5 billion.

Education and Social Services.—Funding for elementary, secondary, and higher education, as well as job training and a variety of social services is included in this category. The Federal Government's major role in this category is to provide support primarily for meeting the educational, training, and social services needs of the disadvantaged, preferably through programs that allow States and localities to tailor solutions to their particular problems. The administration believes that States and localities must continue to bear the major financial responsibility for these programs. The request for budget authority is \$31.3 billion, \$1.1 billion above the 1988 enacted level.

As one part of the welfare reform proposal, discussed under "Entitlements and Other Mandatory Programs" below, \$0.5 billion in budget authority is requested for a *new employment and training program* for recipients of aid to families with dependent children. The ineffective work incentive program, intended to serve this population, would not be funded.

The President's budget requests \$4.6 billion in budget authority for *compensatory education programs*, an increase of \$0.2 billion over the 1988 funding level. Federal support for compensatory education is provided through grants to States and local school districts which provide partial financing of remedial education to educationally disadvantaged elementary and secondary school children. These programs are the Federal Government's major contribution to State and local efforts to improve the quality of education

for the children most in need. This increase in the 1989 budget would allow States and localities to serve more children, provide more intensive services, or create new projects.

The administration is proposing a nine percent increase in *school improvement programs*. Increases of 13 percent for the education block grant, and nine percent for the drug-free schools program are requested. The budget also requests a 60 percent funding increase for magnet schools in desegregating and certain other school districts.

Funding for *discretionary student aid* would increase \$0.6 billion under the administration's proposal. The major increase in this area would be for Pell grants, which would increase by \$0.8 billion or 18 percent over the 1988 level of \$4.3 billion. The proposed increase would finance program eligibility expansions and increase the Pell maximum award to \$2,300. It would also provide funding for proposals to reduce temporarily the expected family contribution to educational costs based on the value of non-liquid assets, and to limit eligibility to students with a high school diploma or the equivalent, in order to prevent widespread error and abuse.

The administration proposes budget authority of \$980 million in 1989 to serve dislocated workers, almost triple the 1988 level. The proposal would replace the trade adjustment assistance (TAA) program and the readjustment programs authorized by the Job Training Partnership Act with a *worker readjustment program (WRAP)*, a new program expected to provide readjustment services faster than has been possible under current training and employment programs. The TAA program of cash assistance has proven to be the least efficient way in which the Government can help workers adjust to economic change. The payment of additional weeks of cash benefits has often acted to delay workers' efforts to change jobs or gain new skills, because they can wait longer in the hope that their jobs will come back. In addition, a program directed at workers dislocated for a specific reason, such as increased imports, is inequitable because workers unemployed for other reasons over which they have no control would not receive the same benefits or services. WRAP would be available to all dislocated workers and would include services such as counselling, job search assistance, basic education, and job skill training. Services leading to quick adjustment would be provided first, with a second "tier" of longer term, more extensive services also being available.

The administration proposes \$0.4 billion in funding for Federal programs or activities specifically targeted to *homeless individuals*. This funding level is four percent above the 1988 level of funding for the homeless provided by Congress, although the mix of programs differs somewhat, reflecting a desire to eliminate redundancy and to fund those programs where there is most need. The

administration's budget request for the homeless covers a variety of programs providing food, emergency, transitional, and permanent housing, as well as various health services. While some of these programs offer services to all homeless individuals, others are targeted to special groups, especially the homeless mentally ill, veterans, runaway youth, and homeless families. The administration also proposes to fund the Interagency Council on the Homeless, an independent executive entity that will coordinate and review all Federal programs for the homeless.

The administration is requesting \$0.3 billion in 1989 budget authority for the *community services block grant (CSBG)*. This is \$0.1 billion less than the 1988 level, and reflects the administration's proposal to phase out Federal support for CSBG. The phaseout, rather than instant termination, is proposed to provide community action agencies time to solicit funding from other sources to replace the less than 13 percent of their funding which currently comes from this block grant.

The administration also proposes to reduce budget authority for *criminal justice assistance* from \$0.3 billion in 1988 to \$0.2 billion in 1989. Funding for Legal Services Corporation would be reduced modestly, because State and local bar associations have developed programs to provide free assistance to indigent clients and these non-Federal efforts are expected to grow. Funding for juvenile justice and delinquency prevention programs would be ended because their primary objective, the separation of juvenile from adult offenders, has been accomplished. State and local law enforcement assistance would also be ended because States and localities can afford to pay for these programs from which they benefit directly.

Health Research and Services.—This category includes research at the National Institutes of Health, block grants to States for health, and hospital and medical care for veterans. The President's budget recognizes the importance of many programs in this area. In total, the budget authority request for health research and services is \$0.8 billion above the 1988 enacted level of \$23.9 billion. Proposed increases for high-priority AIDS research would be offset by reductions in some programs of lesser priority such as subsidies for clinical health professions training, which are no longer essential.

Combatting Acquired Immune Deficiency Syndrome (AIDS) is the highest public health priority of the administration. Supplementing State and local programs, the Federal effort encompasses health education and risk prevention as well as research on the causes of and potential treatment for and vaccination against AIDS. Budget authority of \$1.3 billion is requested for AIDS research and education in 1989, an increase of 40 percent above the 1988 enacted level.

The President's budget requests \$0.6 billion for *drug abuse treatment, research, and prevention programs* in the Public Health Service, an 18 percent increase above 1988. These funds would support the President's initiative to combat drug abuse. The budget also requests an increase in budget authority over the 1988 enacted level for veterans medical care to \$10.4 billion for 1989. This increase would allow ample resources to meet the objective of sustaining quality medical care for America's veterans who use Veterans Administration medical services—primarily disabled and needy veterans. It would also allow funding for tuition support payments that would aid in recruitment and retention of nursing and other medical staff in shortage areas and for increases in community nursing home workload.

Elimination of direct Federal subsidies for most *clinical health professions training subsidies* is proposed. Between 1965, when Federal subsidies began, and 1986 the supply of physicians per capita grew by 54 percent. Surpluses for most health care disciplines are projected through the 1990's. Remaining Federal programs emphasize training in family medicine and geriatric care through consolidated grants to States and other entities.

Law Enforcement and Other Core Functions of Government.—Programs in this category include the Federal Bureau of Investigation (FBI), Drug Enforcement Administration (DEA), and other agencies involved in law enforcement, as well as the Internal Revenue Service and administrative expenses for the major entitlement programs. The administration places a high priority on law enforcement activities of the Federal Government. In total, budget authority for these programs would increase by \$2.4 billion from \$21.2 billion in 1988 to \$23.6 billion in 1989.

Budget authority requested for criminal investigations of the *FBI and DEA* for 1989 is \$2.0 billion, an increase of eight percent over the 1988 level. The FBI and DEA frequently work together with other Federal agencies in 13 regional task forces on organized crime drug enforcement, and have concurrent jurisdiction to combat drug trafficking. The increased funding would provide more than 170 new domestic and foreign positions for DEA and allow for improvements in intelligence and technical capabilities. It would also allow the FBI to intensify investigative efforts against organized criminal organizations, white-collar crime, terrorist activity, foreign counterintelligence, and public corruption. The administration is also proposing a 17.4 percent increase over 1988 in budget authority for the *Coast Guard*. Drug law enforcement would continue to receive a major emphasis within Coast Guard operations, with 23 percent of the budget supporting interdiction of drug smuggling.

The budget also requests increased funding for *Federal prisons*, from \$0.9 billion in 1988 to \$1.4 billion in 1989. In response to the continuing growth of the Federal prison population, the administration is proposing to acquire 10 new facilities. This expansion would meet the demands of tougher law enforcement and longer sentencing created by a number of recent initiatives.

Budget authority for the *Internal Revenue Service* is requested to grow from the 1988 level of \$5.1 billion to \$5.3 billion in 1989. This increased funding would allow better enforcement of the tax code as well as provide quality service to and for the public, especially during the first years of tax reform.

ENTITLEMENTS AND OTHER MANDATORY PROGRAMS

Spending for entitlements and other mandatory programs is determined by eligibility criteria and benefit formulas set in substantive law. Annual action on the part of the Congress or the Executive is generally not required. Spending for 1988 and 1989 is estimated at \$491.6 billion and \$511.5 billion, respectively.

The Bipartisan Budget Agreement called for a few specified changes in these programs. Most of these changes were enacted as part of the Omnibus Budget Reconciliation Act of 1987. The budget proposes further programmatic reductions where the full savings envisioned by the Bipartisan Budget Agreement were not achieved. The administration also continues to seek approval of its catastrophic health insurance and welfare reform proposals. This section briefly describes the budget proposals for these programs.

ENTITLEMENTS AND OTHER MANDATORY PROGRAMS

(in billions of dollars)

	1987	1988	1989	Change 1988-89	Percent Change 1988-89
Retirement and unemployment	284.4	297.1	315.9	18.8	6.3
Medical care	102.8	109.6	116.6	7.0	6.4
Low income programs	39.7	44.6	45.5	0.9	2.0
Agriculture	25.2	20.5	19.8	-0.7	-3.6
Other mandatory programs	7.5	19.8	13.7	-6.1	-30.7
Total, entitlements and other mandatory programs	459.6	491.6	511.5	19.9	4.0

Retirement and Unemployment Programs.—This category includes social security, Federal employee retirement programs, veterans compensation and pensions, and unemployment compensation. Other than the replacement of trade agreement assistance by a new worker readjustment program discussed in the domestic discretionary category, above, no significant changes are proposed for these programs. Spending for these programs will increase by

\$18.8 billion from \$297.1 billion in 1988 to \$315.9 billion in 1989, largely as a result of cost-of-living adjustments, increases in the number of eligible recipients, and increases in the wage base used to calculate some of the retirement benefit payments. Social security accounts for 74 percent, or \$14.0 billion of the increase.

Medical Care.—Medicare, medicaid, and Federal employee health benefits are the major medical care programs. Spending on these programs has expanded rapidly during the last decade. Under the President's proposal, spending would increase further, from \$109.6 billion in 1988 to \$116.6 billion in 1989. This increase is largely due to increased prices for medical services and increased utilization of the programs. Seventy percent of the increase is in the medicare program.

The budget proposes further reductions in the *medicare program* to achieve the savings agreed to by the budget negotiators but not enacted fully last year. The administration proposes to reduce the add-on payment for teaching hospitals under the prospective payment system (PPS) for indirect medical education from 7.7 percent to 4.05 percent, the best estimate of the added costs incurred historically by teaching hospitals. The administration proposes to limit medicare overhead payments for graduate medical education and make consistent varying secondary payor enforcement mechanisms. To reduce escalating Part B costs and help slow future increases in beneficiary Part B premiums, the administration proposes to limit payments for physician services such as radiology, anesthesiology, and certain overpriced procedures, limit payments for durable medical equipment and supplies, and eliminate a loophole in the payment process for kidney dialysis. In total, these reforms would reduce spending for medicare by \$1.2 billion from the level that would occur if current law were continued. Spending for the medicare program would still increase by six percent from 1988 to 1989.

The administration remains committed to the enactment of legislation providing affordable, acute care *catastrophic illness protection* and outpatient prescription drug coverage for our nation's elderly and disabled. Such legislation must be deficit neutral, with benefits paid from newly created, self-financed trust funds. The Senate-passed version of H.R. 2470, the Medicare Catastrophic Protection Act, is consistent with the administration's principles for an acceptable catastrophic health insurance bill. The administration's continued support for the Senate-passed bill assumes modifications in effective dates, necessary because of the delay in conference action.

Low Income.—The low income category includes food and nutrition assistance, supplemental security income, family support pay-

ments, and other forms of income security. Most of these programs are needs tested, with eligibility determined by income standards. Spending for programs in this category would be \$45.5 billion in 1989, an increase of \$0.9 billion from the 1988 level. Again, the increase is largely a result of inflation and changes in the beneficiary populations.

The budget proposes only one change from current law in this area—passage of *welfare reform legislation* (AFDC Employment and Training Reorganization Act of 1987—HR.3200 and S.1655). This legislation would reform the aid to families with dependent children (AFDC) program by requiring States to involve meaningful numbers of recipients in work or preparation for work and, through a new discretionary grant program, almost triple the resources available for them to do so. It would also strengthen the Federal-State child support enforcement program, and provide broad flexibility to States to carefully test innovative alternatives to current programs which support low-income families and individuals. These reforms, by reducing welfare dependency, would decrease mandatory outlays by \$0.1 billion in 1989 from the current law levels. Discretionary outlays would increase, as discussed under discretionary programs, to fund the proposed employment and training program.

Agriculture.—Farm price support payments make up the largest portion of this category. Reforms in this program were enacted last year in accordance with the Bipartisan Budget Agreement. In particular, the Bipartisan Budget Agreement included reforms originally proposed in the President's 1988 budget. This package of reforms:

- Provided for a 1½ percent reduction in target prices. Artificially high target prices have led to overproduction, leading to increased budget costs.
- Tightened up on the "definition of person" for corporate payment purposes, resulting in a lower level of multiple payments.
- Provided for a program that decouples production from income decisions by paying the farmer 92 percent of deficiency payments that would have been received had he planted crops on his land.
- Reduced price support for non-target price commodities (tobacco, peanuts, sugar, honey, wool and dairy products).

The President's budget proposes only two further changes in these programs. Legislation will be prepared to modify the current domestic sugar program to ensure fair treatment for taxpayers, consumers, and farmers. The proposal would reduce Government interference in trade. Domestic sugar policy currently runs counter to a free trade policy, and results in a loss of foreign exchange from

countries that are economically weak but vital to U.S. interests. In addition, the administration is proposing to reduce the appropriated limit of the export guarantee loan program by \$2 billion. This reduction would bring the program level in line with the actual demand that exists in the marketplace.

Other Mandatory Programs.—This category includes the remaining mandatory programs which, in total, represent \$19.8 billion for 1988 and \$13.7 billion for 1989. Major changes proposed for programs in this area are for the Postal Service, where legislation is needed to fully achieve the reductions agreed to by the bipartisan budget negotiators, and for the D.C. government. Under the proposal, the Postal Service and the D.C. government would be required to contribute amounts to the civil service retirement fund to cover the full cost of providing cost-of-living adjustments (COLAs) to Postal and D.C. government retirees and their survivors. These payments would increase receipts from the D.C. government by \$4 million in 1989. While the Postal Service would be liable for its annuitant COLA costs in 1989, its initial payment would be deferred until 1990, when it would make a payment for 1989 and 1990.

REVENUES

In addition to the programmatic changes discussed above, the President's budget includes several proposals to change revenues. It also proposes sales of loans and real assets.

User Fees.—The administration is proposing to fund 55 percent of the expenses of the Nuclear Regulatory Commission (NRC) and the Federal Emergency Management Agency (FEMA) in regulating nuclear power plants through user fees. Currently NRC recovers 45 percent of these costs through user fees, while none of FEMA's costs are recovered. The administration believes that direct beneficiaries should pay for services rather than all taxpayers.

The administration is also proposing reforms in the existing fees charged by the Customs Service. The Congress recently enacted legislation imposing Customs user fees to finance the cost of conducting customs inspections. However, the fee as enacted is inconsistent with provisions of the General Agreement on Tariffs and Trade (GATT). Among other concerns, GATT recently ruled that the ad valorem structure of the merchandise processing fee was not indicative of the cost of processing individual entries. The administration's proposed reforms would enable Customs to collect user fees that conform to GATT requirements.

RECEIPTS

(in billions of dollars)

	1989
User fees:	
Nuclear Regulatory Commission	*
Federal Emergency Management Administration.....	*
Customs service ¹	-0.1
Subtotal, user fees.....	-0.1
Other revenue initiatives:	
Revised allocation of R&E expenditures.....	-0.6
Permanent R&E tax credit	-0.4
Extend HI coverage to all State and local employees.....	1.6
Exempt mutual fund shareholder expenses from 2% floor.....	-0.4
Other.....	-0.1
Subtotal, other revenue initiatives.....	0.1

*\$50 million or less.

¹ The budget proposes to change the classification of the customs fee from an offsetting collection to a governmental receipt, as well as make changes in the fee. This shows the net effect of the proposal.

Other Revenue Initiatives.—Other receipts changes proposed by the administration include the following:

Extension of medicare hospital insurance (HI) coverage to all State and local government employees.—Because of eligibility through their spouse or short periods of work in covered employment, as many as three out of four State and local employees who contribute nothing to the program are entitled to the full range of medicare benefits. Coverage of these employees, who are the only major group of employees not assured medicare coverage, would eliminate this drain on the medicare trust fund.

Revision in research and experimentation (R&E) allocation rules.—The administration proposes to allow companies to allocate at least 67 percent of total R&E expenditures to domestic source income. Under current law companies with foreign operations are allowed to allocate at least 30 percent of total research and experimentation expenditures to their domestic operations.

Initiation of a permanent research and experimentation (R&E) tax credit.—To reduce taxpayers' uncertainty about the availability of incentives for research and experimentation, the administration proposes to establish a permanent R&E tax credit. The current law credit is scheduled to expire on December 31, 1988.

Exemption of mutual fund shareholder expenses from the two percent floor for miscellaneous deductions.—Effective January 1, 1988 the expenses of publicly offered mutual funds are subject to the two percent floor for miscellaneous deductions. Mutual fund shareholders therefore are required to include in taxable income amounts in excess of actual payments from mutual funds. The administration proposes to permanently exempt these expenses from the two percent floor.

Asset Sales.—The Federal Government will continue its successful pilot program of selling existing loan assets without recourse. These sales are designed to reduce the Government's cost of administering credit, provide an incentive for agencies to improve loan origination and documentation, and assist in determining the Federal subsidies involved in Federal credit programs. The sales program includes loans with a face value of \$12.0 billion in 1989, which are estimated to produce receipts of \$8.6 billion.

ASSET SALES ¹

(in billions of dollars)

	1989
Loan asset sales and prepayments:	
Proposed prepayments:	
Rural Electrification Administration	1.0
HHS Health Maintenance Organizations	*
Proposed sales:	
Rural housing insurance fund.....	0.9
Rural Electrification Administration	0.9
College housing and higher education facilities	0.2
HHS medical facilities	0.1
Federal Housing Administration	0.1
Small Business Administration	0.7
Subtotal, loan asset sales and prepayments.....	4.0
Real asset sales:	
Naval Petroleum Reserve	3.2
Alaska Power Administration.....	0.1
GSA real property.....	0.1
Helium sales	*
Subtotal, real asset sales.....	3.5
Total, proposed asset sales	7.5
MEMORANDUM:	
Enacted prepayments:	
Foreign military sales credit.....	2.3
Rural Electrification Administration	0.2
Total, enacted prepayments	2.5

* \$50 million or less.

¹ These sales cannot be counted toward the Gramm-Rudman-Hollings (G-R-H) target. The G-R-H baseline does include \$2.1 billion in loan asset sales and prepayments that will occur in 1989.

In addition, the administration is encouraging privatization by allowing borrowers with Rural Electrification Administration (REA) guaranteed loans that were made by the Federal Financing Bank to prepay them utilizing an 80 percent REA guarantee and without paying the required prepayment premium. Further, borrowers of REA revolving fund direct loans would be allowed to prepay them at a discount if they agree not to seek REA assistance in the future.

The administration is also continuing to promote the sale of real assets. The administration proposes as it did last year that the

Federal Government sell the two oil fields it operates—Elk Hills, California, and Teapot Dome, Wyoming. Running an oil field is a business, not a Government activity. Proceeds from the sale of these oil fields would be used to accelerate filling the strategic petroleum reserve, discussed earlier, and to create an additional 10 million barrel inventory, thereby enhancing national energy security. The budget assumes that the oil fields can be sold for \$3.5 billion, of which \$3.2 billion would be received in 1989.

The administration is also proposing to sell the Alaska Power Administration (APA), which supplies electricity in the Anchorage and Juneau areas, by the end of 1989. State and local groups in Alaska have proposed buying APA's two hydropower projects. The administration believes that divestiture of the APA would lead to creation of new enterprises more responsive to local and customer needs, without significant increases in power rates. In addition, the administration has proposed legislation to authorize a study of divestiture of the Southeastern Power Administration. The budget assumes a sale in 1990.

The administration is proposing two additional real asset sales in 1989, an administration initiative to increase planned disposal of surplus Government properties by the General Services Administration and the sale of helium operations by the Bureau of Mines.

CREDIT REFORM INITIATIVE

The administration proposes to change the way Federal credit programs are treated in the budget. The proposal would charge the true economic cost of credit—the present value of the subsidy—to any agency making or guaranteeing loans. Adopting this proposal would be a significant improvement over current practice. It would:

- put the cost of credit programs on an expenditure basis equivalent to other Federal spending;
- improve the allocation of resources among credit programs and between credit and other spending;
- measure accurately and equitably the benefits of Federal credit programs; and
- encourage delivery of benefits in the form most appropriate to the needs of beneficiaries.

The administration's proposed legislation makes a sharp change in accounting for direct and guaranteed loans. For direct loans, agency accounts after implementation would reflect only the subsidy provided by the loans, while the balance of the loan would be reflected in the central direct loan fund; before implementation, net flows from direct loans (disbursements minus repayments) were shown in the agency accounts. For guaranteed loans, agency accounts after implementation would reflect the subsidy provided by

the loans; before implementation, only defaults associated with guarantees were reflected in agency accounts.

The credit reform proposal does not have an impact on the deficit. However, it does require an additional \$3.4 billion in budget authority over what would be required under the current accounting treatment. Because credit reform is a deficit-neutral accounting change, this additional budget authority is separate from the budget authority levels agreed to as part of the Bipartisan Budget Agreement. The proposal is discussed in Part 6b of this volume.

PRIVATIZATION INITIATIVES

Privatization is a strategy to shift the production of goods and services from the Government to the private sector in order to reduce Government expenditures and to take advantage of the efficiencies that normally result when services are provided through the competitive marketplace. The administration has developed a privatization plan with three different implementation strategies: comprehensive studies, pilot projects, and full privatization.

Comprehensive Studies.—During the next two years, the administration will conduct a series of comprehensive studies on functions for which privatization offers the potential of improving quality of the activity or reducing costs. These functions include the Postal Service and the in-house research laboratories of the National Institutes of Health. In each case, a leading independent research organization will be requested to analyze the current status of the function and estimate the benefits of improvements that result from public/private sector partnerships. The study will provide a solid, definitive base on which to judge whether privatization should proceed.

Pilot Projects.—Pilot projects will be conducted for a number of functions where a body of previous privatization experience exists at either the State or local government level or for similar functions at the Federal level. Pilot projects will be conducted on Federal prisons, Customs commercial cargo inspection and regulatory audits, military commissaries, Coast Guard buoy maintenance, and undeveloped lands. The projects will provide the opportunity to test several different techniques before making major programmatic changes.

Full Privatization.—For many functions, ample data and experience are available to start privatization efforts immediately. Included in this area are the real asset sales discussed above as well as the administration's on-going efforts to increase contracting out of services.

OTHER MANAGEMENT INITIATIVES

In 1981, the administration found an overly large and unmanageable government with hundreds of systems that did not help us to manage effectively. The administration's program, "Reform 88", set several strategies for achieving better government: control growth of government programs, reduce fraud and waste, improve individual agency operations, build governmentwide management systems and improve the quality of services and goods being delivered to the American people. Much progress has been made in improving these areas of Government management.

We are managing a \$2 trillion annual cash flow more effectively by using more business-like practices and capitalizing on modern technology. These advances are generating a \$1 billion annual savings in interest payments. A comprehensive debt collection and credit management program has been put into place to manage the more than \$700 billion in direct and guaranteed loans that are the responsibility of the Federal Government. Loan extension, servicing, and collection are being conducted in accordance with private sector standards and practices.

Financial management has also undergone dramatic improvements. A Chief Financial Officer for the Federal Government has been designated as have chief financial officers in each major agency. Modern, integrated financial systems are well on the way to being installed in all of the agencies. These systems are compatible with one another, including standard accounts, and emphasize strong internal controls. Financial operations are also stressing prompt pay practices, as well as more effective cash management. The Inspectors General have successfully helped to curtail fraud, waste, and abuse in the conduct of operations and the use of financial resources.

A productivity improvement program, designed to promote the timely delivery of high-quality, error-free, and cost effective products and services to the taxpayer, is in full operation, and will include nearly 700 program functions and the work of two million Federal employees over the period 1987 to 1992. Information technology management, which comprises more than \$17 billion of the Federal budget, also has been vastly improved in recognition of the important role that modern technology will play in future government operations. Finally, procurement management has been a key theme of the administration. The Federal acquisition process, accounting for more than 21 million contract actions worth over \$200 billion a year, has been simplified, accelerated, and made more understandable. Efforts in all these directions will continue through 1989, and will serve as a solid foundation for continued emphasis on a well-managed Federal system by future administrations.

CONCLUSION

In summary, the President's budget as described above provides a comprehensive program to fully implement the Bipartisan Budget Agreement. It meets the ceilings set for the national defense function, and for international and domestic discretionary programs. It proposes legislation to reduce mandatory programs where the Bipartisan Budget Agreement savings have not yet been enacted. It also continues the administration's efforts toward privatizing appropriate Federal activities and improving the management of existing activities. The result of this program will be a continued decline in the deficit, to the benefit of the American people.

PART 3

**THE ECONOMY
AND THE BUDGET**

3-1

THE ECONOMY AND THE BUDGET

This part of the budget covers two areas. The first relates to the increases in the budget deficit that have taken place since the early 1980s and the roles played by the 1981-82 recession and other economic and policy variables in bringing it about. The second discusses the near- and long-term economic projections and their implications for future deficit changes.

The economy and the budget are interrelated. Budget receipts and outlays depend directly on the level of economic activity, inflation, interest rates, unemployment, and other economic factors. Likewise, budget outlays and the tax structure have substantial effects on the state of the economy.

PART 3a

ECONOMIC PERFORMANCE, BUDGET POLICY, AND THE DEFICIT: 1981-1989

In 1981, President Reagan changed the fiscal policy objectives of the Federal Government, reducing the growth of overall Federal spending, rearranging expenditure priorities, and limiting tax burdens to the levels necessary to finance essential Government services. The purpose of this policy has been to improve the performance of the U.S. economy, increase the income of American families, and raise the productivity of American workers by strengthening the incentives to work, save, and invest. The program was expected to achieve a balanced budget by 1985. Instead, the budget has been in deficit. Reducing the deficit is one of the Nation's central economic policy concerns.

Several factors have contributed to the difference between the original deficit projection and the current situation. The administration's first economic forecast did not anticipate the 1981-1982 economic downturn and the concomitant decline in the inflation rate, as a result of which tax receipts were much lower than expected. Since the end of the recession, however, the deficit has remained high, despite sustained economic growth and a stable, lower inflation rate. The reason is that Federal domestic spending, measured as a share of GNP or on any other reasonable basis, has been at historically high levels. The administration has regularly proposed significant reductions in domestic spending—reductions that would have brought the deficit down substantially, without affecting social security or most programs for the poor—but Congress has been unwilling to approve the reductions.

The Downturn and the Deficit.—In March 1981, the administration projected that receipts would increase from \$603 billion in the current year to \$713 billion in 1983. Instead, receipts were essentially unchanged over the period. Actual receipts in 1981 were \$599 billion; they rose slightly to \$618 billion in 1982, and fell back to \$601 billion in 1983. The difference was entirely due to the economic downturn that began in mid-1981.

The downturn surprised most forecasters, Government and private alike. At the beginning of 1981, this administration, its predecessor, the Congressional Budget Office (CBO), and the Blue Chip

survey of private forecasters all predicted continuing recovery from the 1980 recession, which had ended in the third quarter of the year. All expected real growth of about 1 percentage point during 1981, followed by much stronger growth during the next 3 years. They differed in their long-term outlook; the administration's forecast of annual real growth was significantly above most of the others.

The administration was criticized for its over-optimistic economic projection—its “rosy scenario”—at the beginning of 1981. But while the real growth projections were different, the nominal growth projections were very similar. The reason is that the administration projected lower inflation than most other forecasters. The average annual nominal GNP growth rate projections were 11.7 percent for CBO, 11.8 percent for the administration, and 11.9 percent for the Blue Chip consensus. The corresponding real GNP growth rate projections were 2.6 percent for CBO, 2.9 percent for the Blue Chip consensus, and 3.7 percent for the administration.

The differences in the forecasts meant that CBO and the administration were in close agreement on their receipts projections, and expected significant but not extremely large differences in outlays. (The Blue Chip forecasters do not try to project Federal Government receipts or outlays.)

Nominal GNP is more important than real GNP for projecting tax receipts. The administration's estimates of tax receipts, therefore, were quite similar to those of the Congressional Budget Office. For 1983, for example, the CBO receipts estimate was only \$2 billion below the administration's figure. It is worth stressing that these receipts projections incorporated the administration's proposed tax reductions. Receipts were projected to increase from 1981 to 1983 by about \$110 billion, by both the administration and CBO.

The administration forecast slower growth in expenditures, because it expected higher real growth, lower inflation, and lower interest rates. The projected difference between the administration and CBO in 1983 was \$34 billion, of which \$13 billion resulted from lower interest rates on the debt, and \$6 billion from lower inflation and, therefore, lower payments for social security, medicare, and oil purchases.

The administration forecast a deficit of \$23 billion for 1983, and a balanced budget in 1984; CBO forecast a deficit of \$59 billion in 1983, and \$50 billion in 1984. The differences seemed large, but both saw the deficit declining from its 1980 level (\$74 billion), and declining rapidly in constant dollars. CBO forecast a deficit of less than 1.2 percent of GNP by 1984, which would have been the smallest since 1973.

The unforeseen recession changed this outlook, though the change was not immediately recognized. Indeed, during the

summer of 1981, two-thirds of the private economic forecasters participating in the annual survey of the National Association of Business Economists felt that the next recession would not begin until after the end of 1982. Both the administration and CBO were forecasting continued economic growth. At that time, however, the recession was actually just beginning.

Recovery and Receipts.—The recession ended in November 1982, early in the 1983 fiscal year. Its depressing effect on receipts continued through the remainder of the fiscal year. Since the end of the recession, the Nation has enjoyed sustained economic growth and continued low inflation; since the end of fiscal year 1983, Federal Government receipts have grown steadily from year to year. Between 1983 and 1987, receipts increased from \$601 billion to \$854 billion, an annual growth rate of over 6 percent. This is higher than the growth rate during the peacetime expansion of the early 1960s, but lower than the growth during 1977–1981. The reason for the higher receipts growth during the late 1970s was the high rate of inflation, which automatically diverted receipts from taxpayers to the Federal Government even if taxpayers' real incomes were unchanged.

The rapid growth in receipts results partly from economic growth and partly from changes in the tax laws. Two new laws, the Tax Equity and Fiscal Responsibility Act of 1982 and the Deficit Reduction Act of 1984, broadened the tax base; the Highway Revenue Act of 1982 raised the Federal gasoline tax; the Social Security Amendments of 1983 raised contribution rates as part of reforming the system. This historically rapid increase in receipts has not been enough to balance the budget, although it has brought the deficit down both in dollar terms and as a share of GNP.

The lower inflation has not been a major contributing factor to the deficit. Receipts have been lower than projected, but so have expenditures for indexed entitlement programs. Real outlays for non-indexed programs have been higher than originally anticipated, because they are budgeted in nominal dollars; this was particularly important in 1981. Nonetheless, the net effect of lower inflation on the deficit over the years since 1981 is close to zero.

Domestic Spending.—While receipts have grown rapidly since the end of the recession, so too has spending. An unavoidable consequence of past deficits has been the growth in interest payments for the Federal debt. Outlays for defense have increased to make up for the dangerously depleted situation of our armed forces in the aftermath of the Vietnam war. Domestic spending has grown as well, however, though this is less widely recognized. Indeed, annual domestic spending increased slightly more than defense spending between 1981 and 1987 (\$128 billion vs. \$125 billion), and

substantially more than interest (\$71 billion). Much of the increased domestic spending has been for social security and low-income benefits, but annual spending for other programs has risen by \$47 billion. Moreover, the domestic increases in the 1980s have come after an extraordinarily rapid period of spending growth during the 1960s and 1970s, while the defense spending increase has come after a period of substantial reduction.

The administration has regularly proposed sustained programs to reduce domestic spending over a period of several years, in order to bring the goal of a balanced budget within reach. The fiscal year 1984 budget offered a 5-year reduction plan that would have saved \$106 billion in fiscal year 1988. Similarly, the 1986 budget offered a plan to reduce the deficit by \$105 billion in fiscal year 1988. In both cases, minimal reductions were proposed for low-income benefit programs—\$3 billion in the 1984 plan, \$2 billion in 1986. Had either program been enacted in its entirety, the budget deficit in the current fiscal year would be substantially lower. For example, Congress enacted about one-third of the domestic spending cuts that the administration proposed in 1986; had it approved the full domestic package, the 1988 deficit would be about \$90 billion, less than 2 percent of GNP. (Congress has cut defense spending for 1988 by some \$20 billion below the President's 1986 budget request, far less than the additional domestic spending that it appropriated.) A balanced budget would now be attainable within 3 years, given normal receipts growth and some further restraint on spending.

Deficit Reduction Options in the Future.—The solution to the deficit problem must be to control the growth of the Federal Government and to give maximum opportunity for continued economic growth. This budget proposes a gradual deficit reduction, in accord with the Bipartisan Budget Agreement. It reflects the priorities of Congress as well as the administration. If it is not enacted, deficit reduction and a balanced budget will be pushed further into the future.

This budget does not propose tax increases to balance the budget. Taxes now take about the same share of GNP as they did in 1980—between 19 and 20 percent. The composition of receipts has changed slightly; individual and corporate income taxes now represent about 1 percentage point less of GNP, while social insurance taxes and contributions are about 1 percentage point more. The American citizen, worker, and taxpayer should be allowed to enjoy the beneficial effects of the 1986 Tax Reform Act. Lower marginal tax rates are a powerful incentive for increasing economic productivity; higher rates risk a renewal of the stagflation that plagued the United States in the late 1970s.

PART 3b

THE ECONOMIC OUTLOOK

The past year saw a welcome resurgence of the Nation's industrial sector, along with some startling developments in financial markets. This part of the budget reviews these events, discusses the economic outlook for 1988, presents the economic assumptions for the following 5 years, and discusses how the budget is affected by changes in the economic assumptions. In this part, annual statistics refer to calendar years rather than fiscal years.

The Economy in 1987.—The economy grew vigorously last year. The increase in real GNP from the fourth quarter of 1986 through the fourth quarter of 1987 was 3.8 percent. The total unemployment rate fell by almost a full percentage point, from 6.6 percent in December 1986 to 5.7 percent in December 1987, its lowest level since 1979, and employment increased by over 3 million jobs. Inflation rebounded from the low rate reached in 1986, when falling oil prices temporarily held it down. The overall increase in prices for the year, however, was only slightly above the average maintained since the era of double-digit inflation rates ended in 1982. The Consumer Price Index rose 4.4 percent between December 1986 and December 1987. Excluding energy prices, the index was up 4.1 percent, just under its rate of increase over the previous 5 years. The Federal budget deficit, which had reached \$221 billion in fiscal year 1986, fell to \$150 billion in fiscal year 1987, its lowest level since fiscal year 1982. Measured as a share of nominal GNP, the deficit fell from 5.3 percent in fiscal year 1986 to 3.4 percent in fiscal year 1987.

At this time a year ago, the budget estimates assumed a real GNP growth rate of 3.2 percent for the four quarters of 1987, 0.6 percentage point below the actual outcome; the Blue Chip consensus, an average of 52 private sector forecasts, was less optimistic, calling for a growth rate of 2.8 percent. Most forecasters failed to anticipate the magnitude of the improvement in the manufacturing sector just then getting under way.

A healthy growth rate, stable inflation, and a sharply lower deficit would normally have been good news for financial markets. Last year, however, was not a normal year. After skyrocketing upward in the first 8 months of the year, stock prices faltered in

August and, on October 19th, fell precipitously, registering the largest one-day decline in history. After further volatility, the market began 1988 near its level of a year ago. These startling events reawakened fears about the direction of the economy, and even led some to predict an imminent economic downturn. Despite the sharp reversal in stock prices, however, the real economy has shown few signs of serious damage.

The budget agreement reached last year between the President and leaders of Congress preserves the gains that have been made in reducing the deficit and sets the stage for further improvements. If the policies proposed in this budget are adhered to, the deficit will decline steadily in future years. The economy would be healthier today if the deficit had already been eliminated, but changes in the budget outlook do not explain the course of the stock market last year. It was affected much more by changing patterns of world trade and finance.

Last year saw the first solid evidence that trade flows were finally responding to the steep decline in the exchange value of the U.S. dollar that began in February 1985. In the third quarter of 1984 the real value of goods and services exported from the U.S. stopped growing. For the next two years real exports remained below their level in that quarter. During that period, the volume of goods and services imported by the United States rose by \$77 billion, measured in 1982 prices. Nonpetroleum imports accounted for 80 percent of this increase. Real net exports, the difference between exports and imports, fell to a level of -\$162 billion in the third quarter of 1986. That proved to be the low point, however, for this key measure of the U.S. trade deficit. Since then real net exports have improved by \$31 billion (in 1982 dollars). The turnaround was led by a sizable jump in U.S. exports, which have increased by \$74 billion in 1982 dollars, an increase of 20 percent. Real imports have continued to increase, but at a slower rate. Real nonpetroleum imports have risen just \$23 billion since the third quarter of 1986.

This striking turnaround in the real U.S. trade balance has been overshadowed because, measured in current dollars, the deficit has continued to increase. The improvement in trade volume was more than offset by a rapid rise in the price of U.S. imports and an increase in oil imports. Over the four quarters of 1987, the fixed-weighted price index for merchandise imports rose 10.4 percent. Much of this increase was accounted for by a 38 percent increase in petroleum prices. Of course, higher import prices are also responsible for moderating the growth in import volumes over the past year, but as long as import prices continue to rise rapidly, nominal trade flows will be slow to reflect the improvement in trade volumes. Moreover, there is normally a lag of one to four quarters

between changes in exchange rates and adjustments in import prices. Since the exchange rate continued to decline through the end of 1987, this lag means that a turnaround in the nominal trade deficit could still be some months away.

The improved international competitiveness of U.S. producers generated increased demand for U.S. manufacturing output. This was reflected in higher employment and rising production. From December 1986 to December 1987, manufacturing employment rose by over 400,000. This followed 2 years in which manufacturing employment declined. Industrial production was up more than 5 percent, the first time in three years that it outpaced the increase in real GNP. U.S. firms, whose competitiveness was adversely affected as the dollar appreciated, found they could compete with foreign firms as the dollar declined. The earlier loss of competitiveness was widely attributed to fundamental weaknesses in U.S. production methods or the closing of foreign markets. These explanations have been proven wrong. The increase in the trade deficit was a macroeconomic phenomenon that is finally responding to a macroeconomic solution.

The recovery of manufacturing contributed to a pickup in business fixed investment. After a weak first quarter due in part to the timing of the Tax Reform Act of 1986, investment grew very strongly for the rest of the year. Since last spring, it has risen at an annual rate of 10.7 percent in real terms. Inventory investment also added to growth last year, especially in the fourth quarter.

While exports and business investment were surging ahead, other components of total output were slowing down. Real consumer spending, which had been rising at a 4.5 percent annual rate in the first 4 years of the expansion, increased only 0.6 percent in the four quarters of 1987. Some moderation in consumer spending had long been anticipated. The boom in consumption had pulled down the personal saving rate, and the growth rate of consumer debt had been outpacing the rise in household incomes for some time. A slowdown in the pace of consumer spending is probably a healthy adjustment under the circumstances. Real residential investment declined slightly in 1987, following 2 years of robust growth. Housing purchases are highly sensitive to changes in borrowing costs, and the upturn in mortgage rates earlier in the year had a negative effect on the housing sector. In addition, changes in the tax law and high rental vacancy rates curtailed multifamily housing starts.

While the real economy prospered in 1987, the Nation's financial markets experienced an upheaval. The bond market lost about a fifth of its value during the first three quarters of the year as long-term interest rates rose by more than 2 percentage points. (These losses were partially reversed when interest rates eased after the

October decline in the stock market.) The falling dollar, which was helpful to the Nation's manufacturers, was a problem for foreign investors. The prospect of a decline in the U.S. exchange rate was worrisome to them because the value of their U.S. investment portfolios would ultimately be measured in terms of a foreign currency. U.S. investors with holdings overseas would benefit for the same reason, of course.

As foreign investors became more cautious about adding to their U.S. holdings, foreign central bankers sought to prevent their currencies from appreciating further by intervening in the currency markets. The Federal Reserve also tightened the U.S. money supply, beginning in the spring. There were signs at that time of heightened inflation expectations, as reflected in commodity prices and in long-term bond yields. From the end of April until the beginning of October, interest rates rose coincident with a sharp slowdown in growth of the monetary aggregates; M2 grew at an annualized rate of 3 percent, while M1 barely grew at all. The ongoing rally in the stock market was checked temporarily, but when interest rates stabilized in June, the market took off again in a dizzying rush. By August, it was at a new all-time high—43.6 percent above its levels at the end of 1986. The last upward surge in the market is difficult to account for in terms of fundamentals. It is true that the rebound in the real economy promised higher earnings for America's major manufacturing corporations, but—even so—the ratio of prices to earnings was stretched well beyond historical bounds in the summer rally. In August and September, interest rates rose again, and the stock market faltered. Between its high point on August 25th and mid-October, the Dow-Jones Industrial average lost 13.5 percent. On the Friday before October 19th, the market fell by 4.6 percent. On the day of the crash, it dropped another 22.6 percent.

In the immediate aftermath of this massive upheaval, there were many predictions that the economy would soon suffer a downturn or even a return of the Great Depression. Although it is too soon to determine what the final effects will be, the initial fears now seem greatly exaggerated. Despite the memories of 1929 provoked by the crash, stock market upheavals are not inevitably followed by major downturns. In 1962, for example, the stock market fell 26 percent in less than 3 months, but the economy did not go into a recession. Indeed, the next recession did not occur until 8 years later. Two other times in the past 25 years, the stock market has fallen by more than 10 percent without a recession following within the next 3 years: in 1966 it fell 21 percent and in 1983-1984 it fell 12 percent.

There are other reasons for reassurance as well. First, the October decline did not shake confidence in the Nation's banking

system. The stock market crash of 1929 would not have led to the Great Depression had it not been followed by several waves of banking panics which contributed to a drop in the money supply of one-third. The banking system today is much better protected against such eventualities as a result of Federal programs, most notably Federal deposit insurance, and because the Federal Reserve has a clearer understanding of what it must do to forestall such a catastrophe. The Federal Reserve's response to the October crash is a model of effective central bank action. It did much to calm the markets and prevent panic from spreading. In the days following the crash, the Federal Reserve provided sufficient liquidity to reassure the markets and enable interest rates to decline. As U.S. interest rates fell, other central banks cooperated by allowing their interest rates to decline somewhat.

As 1988 began, exchange rates and interest rates were relatively stable. The outlook for inflation is quite favorable. Responding to a surplus of production and high inventories, the price of oil has come down. There appears to be no need, at present, for restrictive monetary measures. Somewhat slower growth is likely this year for reasons that are explained below, but the economy should continue to expand at a healthy pace, and the prospects for more rapid growth in 1989 are good.

Outlook for 1988-89.—The economy continues to exhibit considerable strength as it enters 1988. Final sales were weak in the fourth quarter but the strong growth of exports and capital spending should carry the economy through the coming inventory correction. Large and widespread gains in employment in the closing months of last year suggest that most businesses remain confident that the economy will continue to grow in 1988. That confidence is shared by the majority of economic forecasters. The Blue Chip consensus forecast envisages an increase in real GNP of 1.8 percent from the fourth quarter of 1987 to the fourth quarter of this year. The administration's forecast calls for a somewhat stronger 2.4 percent increase. Given the uncertainty surrounding any forecast, the difference between these projections is not large. They share the common view that whatever adverse effects might ensue from the stock market crash, those effects will not push the economy into recession. Most private and public forecasters foresee the expansion continuing through 1988 and 1989.

The highlights of the administration's forecast are as follows:

- The net export deficit in real terms is expected to shrink substantially this year as a consequence of the nearly 50 percent decline in the dollar's trade-weighted exchange rate since its peak in February 1985. Almost half of the rise in real GNP forecast for this year is due to the improvement in

the foreign balance, up from a 15 percent contribution to real growth during 1987.

- The slower growth of real GNP this year—2.4 percent, fourth quarter to fourth quarter, compared with 3.8 percent last year—is largely due to an expected decline in inventory investment, which offsets the favorable impact from the rebounding foreign sector. Stockbuilding, which accounted for half of the increase in real GNP last year, is likely to make a negative contribution to growth in 1988. The inventory-to-sales ratio rose sharply in the fourth quarter of last year, and some of the increase was probably involuntary stockbuilding. In these circumstances, businesses normally limit their inventory investment in the months that follow.
- Overall growth of economic activity should be slower in the first half of the year than in the second. The stock market crash appears to have contributed to some erosion of consumer confidence. As a consequence, business and household spending may expand at a somewhat slower pace than they would have otherwise. A step-up in the pace of activity is likely in the second half of the year as these uncertainties are dispelled.
- The total unemployment rate, which was 5.7 percent in January, is likely to remain near this level throughout 1988. This would produce the lowest average unemployment rate for any year in the 1980s.
- The rate of inflation as measured by the Consumer Price Index is expected to moderate slightly in 1988. The ample supply of oil in world markets suggests that energy prices are unlikely to increase very rapidly. Other import prices, however, should continue to outpace the overall index.
- Short- and long-term interest rates are expected to decline further this year. The somewhat slower growth of economic activity implies reduced private demand for credit. The lower rate of inflation and continued Federal budget restraint should help reduce the inflation premium in long-term interest rates.

For 1989, the administration forecasts a rebound in the rate of growth of real GNP and continued progress toward lower inflation, lower interest rates, and lower unemployment.

- In 1989, real GNP is forecast to increase 3.5 percent, about 1 percentage point faster than during 1988. With confidence improving and the economy expanding, private sector spending on fixed investment, housing and consumption is anticipated to grow more rapidly than during 1988. At the same time, the real net export deficit is expected to continue to shrink significantly, reflecting increased competitiveness of

SHORT-RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1986	Forecast		
		1987	1988	1989
Major economic indicators:				
Gross national product, percent change, fourth quarter over fourth quarter:				
Current dollars.....	4.5	7.2	6.4	7.3
Constant (1982) dollars.....	2.2	3.8	2.4	3.5
GNP deflator (percent change, fourth quarter over fourth quarter).....	2.2	3.3	3.9	3.7
Consumer Price Index (percent change, fourth quarter over fourth quarter) ¹	0.9	4.6	4.3	3.9
Unemployment rate (percent, fourth quarter) ²	6.7	5.8	5.8	5.5
Annual economic assumptions:				
Gross national product:				
Current dollars:				
Amount.....	4,235	4,486	4,779	5,113
Percent change, year over year.....	5.6	5.9	6.5	7.0
Constant (1982) dollars:				
Amount.....	3,713	3,820	3,932	4,054
Percent change, year over year.....	2.9	2.9	2.9	3.1
Incomes:				
Personal income.....	3,534	3,746	3,978	4,245
Wages and salaries.....	2,089	2,213	2,344	2,502
Corporate profits before tax.....	232	275	310	353
Price level:				
GNP deflator:				
Level (1982=100), annual average.....	114.1	117.5	121.5	126.1
Percent change, year over year.....	2.6	3.0	3.5	3.8
Consumer Price Index: ¹				
Level (1967=100), annual average.....	323.4	335.0	349.3	363.5
Percent change, year over year.....	1.6	3.6	4.3	4.1
Unemployment rates:				
Total, annual average ²	6.9	6.1	5.8	5.6
Insured, annual average ³	2.8	2.4	2.2	2.1
Federal pay raises, January (percent):				
Military.....		3.0	2.0	4.3
Civilian.....		3.0	2.0	2.0
Interest rate, 91-day Treasury bills (percent) ⁴	6.0	5.8	5.3	5.2
Interest rate, 10-year Treasury notes (percent).....	7.7	8.4	8.0	7.4

¹ CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

² Percent of total labor force, including armed forces residing in the U.S.

³ Unemployment under State regular unemployment insurance as a percentage of covered employment under the program; does not include recipients of extended benefits under the program.

⁴ Average rate on new issues within period, on a bank discount basis.

American-made goods at home and abroad and continued policy actions to stimulate increased demand abroad.

- The resumption of faster growth should put the unemployment rate back on a gradual downward path, following its leveling off this year. By the end of 1989, the total unemployment rate is forecast to be 5.5 percent.
- As usually occurs when activity accelerates, productivity growth is likely to increase next year, helping to moderate the growth of unit labor costs and slow the rise in prices.

LONG-RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1990	1991	1992	1993
Major economic indicators:				
Gross national product, percent change, fourth quarter over fourth quarter:				
Current dollars.....	7.1	6.5	5.9	5.3
Constant (1982) dollars.....	3.5	3.4	3.3	3.2
GNP deflator (percent change, fourth quarter over fourth quarter).....	3.5	3.0	2.5	2.0
Consumer Price Index (percent change, fourth quarter over fourth quarter) ¹	3.5	3.0	2.5	2.0
Unemployment rate (percent, fourth quarter) ²	5.4	5.3	5.2	5.2
Annual economic assumptions:				
Gross national product:				
Current dollars:				
Amount.....	5,481	5,850	6,207	6,548
Percent change, year over year.....	7.2	6.7	6.1	5.5
Constant (1982) dollars:				
Amount.....	4,196	4,340	4,485	4,630
Percent change, year over year.....	3.5	3.4	3.3	3.2
Incomes:				
Personal income.....	4,521	4,806	5,081	5,343
Wages and salaries.....	2,676	2,858	3,040	3,212
Corporate profits before tax.....	406	448	471	492
Price level:				
GNP deflator:				
Level (1982 = 100), annual average.....	130.6	134.8	138.4	141.4
Percent change, year over year.....	3.6	3.2	2.7	2.2
Consumer Price Index: ¹				
Level (1967 = 100), annual average.....	376.7	388.7	399.2	407.9
Percent change, year over year.....	3.6	3.2	2.7	2.2
Unemployment rates:				
Total, annual average ²	5.4	5.3	5.2	5.2
Insured, annual average ³	2.0	2.0	1.9	1.9
Federal pay raises, January (percent):				
Military.....	4.6	4.5	4.2	4.0
Civilian.....	3.0	3.0	3.0	3.0
Interest rate, 91-day Treasury bills (percent) ⁴	5.0	4.5	4.0	3.5
Interest rate, 10-year Treasury notes (percent).....	6.8	6.0	5.0	4.5

¹ CPI for urban wage earners and clerical workers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic cost-of-living increases for indexed Federal programs.

² Percent of total labor force, including armed forces residing in the U.S.

³ Unemployment under State regular unemployment insurance as a percentage of covered employment under that program; does not include recipients of extended benefits under that program.

⁴ Average rate on new issues within period, on a bank discount basis. These projections assume, by convention, that interest rates decline with the rate of inflation.

- The Consumer Price Index is projected to increase only 3.9 percent in 1989, down from 4.3 percent this year. Lower inflation will help reduce interest rates, especially long-term rates.

The Long-Term Assumptions: 1990-93.—The economic projections beyond 1989 depend more on recommended public policies and long-term trends than on considerations of business fluctuations. The administration's budget assumptions are somewhat more optimistic than most private long-term forecasts in two important re-

spects: real GNP growth averages almost $3\frac{1}{2}$ percent a year in 1990-1993, and inflation and interest rates decline each year, as indicated by the tables.

The assumption about real growth has the largest effect on projected future deficits, and it has become a center of attention in debates about the budget projections. In the long run, the Nation's real output of goods and services is determined by the supply of labor and capital inputs and the efficiency with which they are used in production, i.e., productivity. When output per hour is used as the measure of productivity, the rate of growth in total output can be decomposed into the rate of growth in productivity plus the rate of growth in total hours.

Output per hour, of course, is a partial measure that relates output to just a single input—labor. Growth in output per hour, however, depends upon increases in the amount of capital used per hour of work, and upon a number of variables that affect productive efficiency, such as the reallocation of resources, changes in the quality of labor, improvements in management, technological advances, and government regulation.

Changes in labor input depend on changes in the working age population, labor force participation rates, unemployment and the average workweek. The working-age population is projected to increase at an annual rate of about 1 percent a year over the next several years, which is a considerable slowdown from the experiences of the 1970s and early 1980s, when the working age population grew rapidly as the very large baby-boom generation (those born between 1946 and 1964) entered their working years. Continued increases in the labor force participation rate for women and other demographic factors are projected to maintain growth of the labor force close to $1\frac{1}{2}$ percent per year. The rate of employment increase should be a little faster than that as the unemployment rate is projected to edge down from the current rate of about $5\frac{3}{4}$ percent to about $5\frac{1}{4}$ percent by 1993.

Throughout much of the postwar period, growth of total labor inputs has been dampened by a gradual decline in the average workweek. So far in the current decade, that declining trend has been partially arrested and, for the next several years, very little further decline in the average workweek is projected—about 0.1 percent per year. Combining all these demographic forces, and allowing for a continued shift in the composition of employment toward the private sector, total work-hour inputs into the business sector of the economy should rise about $1\frac{3}{4}$ percent per year, which is close to its average rate of increase in the 1960s and 1970s.

Critical to the administration's relatively optimistic real GNP growth forecast is the assumption that productivity will advance at a yearly rate of nearly 2 percent over the next 5 years. To put this

projection in perspective, it is useful to examine productivity performance over an extended period of time.

Rate of Growth in Output Per Hour in the Private Economy Since 1918

Interval ¹	Yearly growth, %
1918-1928.....	2.0
1928-1938.....	1.2
1938-1948.....	3.1
1948-1973.....	2.9
1973-1981.....	0.7
1981-1987.....	1.6
1918-1948.....	2.1
1948-1978.....	2.2

¹ These intervals are not strictly comparable from the standpoint of business cycle chronology. In the post-1948 period, the endpoints of the intervals are business cycle peaks. In the pre-1948 period, this practice was not followed, but except for 1938-1948 each of the intervals covers at least one complete cycle.

Productivity has averaged a little over 2 percent a year during the past 70 years, with little significant change between the 1918-1948 and 1948-1987 periods. Periods of very slow productivity growth, like the 1930s and the 1970s, have been followed by periods with much more rapid rates of increase.

Much has been said about the dismal productivity record of the 1970s and its detrimental effects on output, real income, and the overall standard of living. While it is difficult to pinpoint specific causes, it is useful to describe the unfavorable economic environment of that period—rapid inflation, oil price shocks, proliferating Government regulations, and the changing composition of the labor force.

- Inflation slowed productivity by promoting inefficient resource allocation and by reducing the rate of return on capital through increasing effective tax rates (the tax on capital increased because depreciation allowances are based on historical costs and were inadequate to cover the replacement costs of capital in an inflationary environment). Inflation also encouraged expectations that rising price levels would continue and that the passthrough of increases in costs would be nearly automatic. In this setting, business had little incentive to hold down costs, undertake innovations, or stress productivity improvement.
- The two oil price shocks of 1973-74 and 1978-79 depressed productivity growth not only by contributing to inflation but also through changes in relative costs. The higher marginal cost of energy per unit of output and the relatively lower marginal cost of labor may have induced business to use more of the relatively cheap factor (labor) and to economize on the use of the relatively expensive energy input. Substitution is costly, and substitution in the short term is likely to be in-

complete, so efficiency may have suffered during the 1970s as a result. Furthermore, the high price of energy made a part of the capital stock obsolete. If firms abandoned energy-intensive capital equipment, capital used per hour of work would be reduced and productivity growth would be slowed.

- Increased regulation also may have resulted in the abandonment of some plant and equipment that is not captured by conventional measures of capital stock. It also increased business investment in equipment designed to reduce pollution and to increase safety. While these activities are desirable from a general welfare point of view, they add nothing to conventional measures of output, and are therefore not reflected in measured productivity.
- Shifts in the age composition of the work force were an additional factor in the productivity slowdown after 1973. The proportion of the labor force between 16 and 24 years of age increased. Partly because young workers move in and out of the labor market frequently and partly because they have little work experience, their skill levels tend to be lower than average.

The economic environment has improved significantly during the current decade. The rate of inflation has been sharply reduced. Oil prices, have trended down and in 1986 they plummeted. This experience showed that falling prices could also have disruptive effects. Although the benefits of lower energy prices were widespread, some regions of the country were hurt by the decline, especially in 1986. Excessive and costly government regulation has been curbed. Furthermore, stiff and growing competition from foreign suppliers has forced domestic businesses to undertake extensive cost-cutting and reorganization measures to improve efficiency. Although these changes have yet to show their full effects, the results so far have been encouraging. Growth in output per hour in the private economy accelerated from only 0.7 percent a year from 1973-81 to 1.6 percent over the past 6 years. The most dramatic turnaround occurred in the manufacturing sector, where the impact of foreign competition has been particularly large. Manufacturing productivity has grown at an annual rate of 4.2 percent since 1981, about 3 times as fast as occurred from 1973 to 1981, and well above the 2.8 percent rate of increase for 1948-1973.

The pace of overall productivity advance should increase over the next several years due to further moderation in inflation, more stable oil prices, and continued breakthroughs in science and technology. This assessment, however, depends heavily on the assumption that proper policies will be followed.

Policies that promote sustained, noninflationary economic growth and build confidence in that outlook are the key to the

productivity improvements outlined above. Preserving the incentives embodied in the lower marginal tax rates contained in the Tax Reform Act of 1986 is a must if the economy is to achieve its full economic potential and a more efficient allocation of resources. The chief threat is excessive Federal spending and continued high deficits that would crowd out private investment and retard capital formation.

The budget assumes a declining rate of inflation and falling interest rates. By the end of the forecast period, the rate of inflation is projected to be 2 percent a year and interest rates are assumed to have fallen correspondingly. At that time real interest rates, the margin between nominal interest rates and expected inflation, are projected to return to their historical levels, about 2½ percent for long-term rates. These assumptions hinge on the ability of the Federal Reserve to follow a monetary policy that will lead to further disinflation. If the policy measures reflected in this budget are adhered to, the deficit will decline, and the Federal Reserve will find this task to be more manageable. Failure to uphold the Bipartisan Budget Agreement would endanger this prospect.

Changes in Economic Assumptions and the Budget.—The table below shows changes in economic assumptions (on a calendar year basis) since last year's budget. Changes in economic assumptions reflect both adjustments for actual experience in late 1986 and 1987 and revisions to the outlook for subsequent years. The following table shows the impact of these changed assumptions on the budget outlook for fiscal years 1988-1992.

Real growth in 1987 was stronger than projected in last year's budget. However, the fourth quarter of 1986 was substantially weaker than had been assumed. The GNP deflator in 1987 was slightly lower than anticipated. The net effect of these differences was a moderately lower level of nominal GNP, and a shortfall of receipts of \$9 billion in fiscal year 1988.

The projection for real growth during 1988-89 is substantially lower in this year's budget, and even though inflation is projected to be slightly higher, the overall shortfall in receipts is \$13 billion in fiscal year 1989 compared to last year's estimate. In the out-years, the real growth projection is little changed, while the inflation rate is moderately higher. Although nominal GNP remains slightly below last year's projection in 1992, receipts are expected to be somewhat higher. This reflects adjustments in the distribution of income components in GNP resulting in large part from the July 1987 revisions to the National Income and Product Accounts.

Changes in economic assumptions account for higher outlays of about \$4.8 billion in fiscal years 1988-89, increasing to \$19.1 billion in fiscal year 1992. A higher interest rate projection accounts for

COMPARISON OF JANUARY 1987 AND CURRENT ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	1986	1987	1988	1989	1990	1991	1992
Nominal GNP:							
1987 assumptions ¹	4,246	4,520	4,844	5,196	5,557	5,914	6,252
1988 assumptions.....	4,235	4,486	4,779	5,113	5,481	5,850	6,207
Real GNP (percent change):²							
1987 assumptions ¹	2.7	3.2	3.7	3.6	3.6	3.5	3.3
1988 assumptions.....	2.2	3.8	2.4	3.5	3.5	3.4	3.3
GNP deflator (percent change):²							
1987 assumptions ¹	2.8	3.6	3.5	3.5	3.0	2.7	2.0
1988 assumptions.....	2.2	3.3	3.9	3.7	3.5	3.0	2.5
Interest rate on 91-day Treasury bills (percent):							
1987 assumptions.....	6.0	5.4	5.6	5.3	4.7	4.2	3.6
1988 assumptions.....	6.0	5.8	5.3	5.2	5.0	4.5	4.0
Unemployment rate (percent):							
1987 assumptions.....	6.9	6.7	6.3	6.0	5.8	5.6	5.5
1988 assumptions.....	6.9	6.1	5.8	5.6	5.4	5.3	5.2

¹ Adjusted for July 1987 revisions.² Fourth quarter to fourth quarter.

most of the higher outlays in 1988. In the outyears, the slightly higher inflation path in this year's budget, and the interest costs due to higher borrowing, account for most of the rise in the outlays.

The total budget impact of changes in economic assumptions results in a \$13.9 billion higher deficit in fiscal year 1988, and adds \$17.8 billion to the fiscal year 1989 projection. In the outyears, the effect on the deficit diminishes to only \$6.2 billion in fiscal year 1992. Thus, the performance of the economy in 1986-87 and the resulting changes in the economic assumptions have made the near-term outlook somewhat worse than expected in last year's budget but have little impact on the long run budget outlook.

Sensitivity of the Budget to Economic Assumptions.—Both receipts and outlays are significantly affected by changes in economic conditions. This sensitivity seriously complicates budget planning because the inevitable errors in economic forecasting lead to errors in the budget forecast. The budgetary effects of changes in economic assumptions are fairly predictable, however, and a set of rules of thumb can be used to estimate how much various changes in the economic forecast would alter outlays, receipts, and the deficit.

Several observations can be made in conjunction with the sensitivity rules shown in the table. The economic variables that affect the budget do not change independently of one another. Output and employment move together in the short run; a higher rate of real GNP growth tends to reduce the rate of unemployment, and vice versa. In the long run, however, changes in the average rate of growth in real GNP result primarily from changes in the rate of

EFFECTS ON THE BUDGET OF CHANGES IN ECONOMIC ASSUMPTIONS SINCE LAST YEAR

(Fiscal years; in billions of dollars)

	1988	1989	1990	1991	1992
Budget totals, January 1987 budget:					
Receipts.....	916.6	976.2	1,048.3	1,123.2	1,191.2
Outlays.....	1,024.3	1,069.0	1,107.8	1,144.4	1,178.9
Deficit (—).....	—107.8	—92.8	—59.5	—21.3	12.3
Budget totals under January 1987 economic assumptions and February 1988 policies:					
Receipts.....	918.3	977.7	1,049.8	1,118.8	1,177.0
Outlays.....	1,051.1	1,089.4	1,138.7	1,187.5	1,221.9
Deficit (—).....	—132.8	—111.7	—88.9	—68.7	—44.9
Changes due to economic assumptions:					
Receipts.....	—9.1	—13.0	—5.7	5.6	12.9
Outlays:					
Inflation and pay raises.....	0.6	1.9	3.7	6.0	8.3
Unemployment.....	—2.6	—2.3	—1.8	—1.4	—1.5
Interest rates.....	6.3	3.7	5.2	8.5	9.1
Interest on changes in borrowing.....	0.5	1.5	2.5	3.0	3.2
Total, outlays.....	4.8	4.8	9.6	16.2	19.1
Increase in deficit (+).....	13.9	17.8	15.3	10.6	6.2
Budget totals under February 1988 economic assumptions and February 1988 policies:					
Receipts.....	909.2	964.7	1,044.1	1,124.4	1,189.9
Outlays.....	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0
Deficit (—).....	—146.7	—129.5	—104.2	—79.3	—51.1

growth in productivity, and are not necessarily associated with changes in the level of unemployment. Inflation and interest rates are also closely interrelated: a higher rate of inflation generally raises interest rates while lower inflation is associated with lower rates. The relationships between nominal and real variables are less regular; there is no necessary connection between changes in the rate of inflation and the real rate of economic growth or the unemployment rate. Finally, the effects on budget receipts and outlays depend heavily on whether a change in either real GNP growth or inflation is temporary or permanent.

These patterns are the basis for the combinations of changes examined in the table. The unemployment rate is assumed to vary by one-half percentage point for each one percentage point change in real growth. Inflation and interest rates are assumed to vary directly by equal percentage point changes; interest rates are higher by one percentage point for each percentage point rise in inflation. Other examples where only one variable changes are also shown.

The first section illustrates the effects of changes in real variables on the deficit. If real GNP growth is lower by one percentage point in fiscal year 1989, then 1989 receipts will be lower by \$5.9

billion, and 1989 outlays will be higher by \$1.8 billion, primarily for unemployment-sensitive programs. In 1990, the receipts would decline further, by \$10.4 billion, and outlays would increase by \$3.5 billion, compared to the base, even though the growth rate after 1989 followed the path originally assumed. The budget effects would grow slightly in future years.

The effects are much larger if the growth rate is assumed to be one percentage point less in each year. The levels of real and nominal GNP then are below the base case by a cumulatively growing percentage and the unemployment rate steadily rises, compared to the base. The deficit is \$76.7 billion higher than originally projected by 1993.

The effects of slower productivity growth are shown in the third example. Real growth is one percentage point lower per year, while the unemployment rate is unchanged. In this case also the budget effects mount steadily over the years, but more slowly, reaching \$66.0 billion by 1993.

Changes in interest rates and inflation have a smaller impact on the deficit, because they have effects on receipts and outlays which are substantially offsetting. The first example shows the effect of a one percent higher rate of inflation and one percentage point higher interest rate during fiscal year 1989 only. In subsequent years, the price level and nominal GNP are one percent higher than in the base case, but interest rates return to their base levels. Outlays for 1989 would rise by \$7.8 billion and receipts by \$6.6 billion, for a net increase of \$1.2 billion in the 1989 deficit. In 1990, outlays would increase further above the base, by \$12.0 billion, due in part to lagged cost-of-living adjustments, and the increase in receipts would rise to \$10.9 billion, for a net \$1.1 billion increase in the deficit. In subsequent years, the amounts added to receipts and to outlays would remain close, and would continue to have roughly offsetting effects on the deficit. Receipts would rise slightly and outlays would decline.

If the rate of inflation and the level of interest rates are higher by one percentage point in all years, then the price level and nominal GNP rise by a cumulatively growing percentage above their base levels. In this case the effects on receipts and outlays mount steadily in successive years, adding \$63.8 billion to outlays and \$56.7 billion to receipts in 1993. These estimates assume that discretionary program levels and Federal pay are adjusted for the rising price level to maintain real program levels. Under this assumption, receipts do not rise quite as fast as outlays; the net impact is a \$7.0 billion increase in the 1993 deficit.

The table also shows the interest rate and the inflation effects separately, and rules of thumb for the added interest cost associat-

SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS

(Fiscal years; in billions of dollars; current services basis)

Budget effect	1989	1990	1991	1992	1993
REAL GROWTH AND EMPLOYMENT					
Effects of 1 percent lower real GNP growth in fiscal year 1989 only, including higher unemployment: ¹					
Receipts.....	-5.9	-10.4	-11.4	-11.9	-12.5
Outlays.....	1.8	3.5	4.4	5.3	5.9
Deficit increase (+).....	7.7	13.9	15.8	17.2	18.4
Effects of a sustained 1 percent lower annual real GNP growth rate during fiscal years 1989-1993, including higher unemployment: ¹					
Receipts.....	-5.9	-16.4	-28.5	-41.3	-55.3
Outlays.....	1.8	5.4	10.5	15.8	21.4
Deficit increase (+).....	7.7	21.8	39.0	57.1	76.7
Effects of a sustained 1 percent lower annual real GNP growth rate during fiscal years 1989-1993, with no change in unemployment:					
Receipts.....	-6.0	-16.9	-29.7	-43.5	-58.7
Outlays.....	0.3	1.1	2.8	5.0	7.3
Deficit increase (+).....	6.3	18.0	32.5	48.5	66.0
INFLATION AND INTEREST RATES					
Effects of 1 percentage point higher rate of inflation and interest rates during fiscal year 1989 only:					
Receipts.....	6.6	10.9	11.7	12.3	13.0
Outlays.....	7.8	12.0	11.0	10.2	10.0
Deficit increase (+).....	1.2	1.1	-0.7	-2.1	-3.0
Effects of a sustained 1 percentage point higher rate of inflation and interest rates during fiscal years 1989-93:					
Receipts.....	6.6	17.7	29.7	42.4	56.7
Outlays.....	7.8	21.2	35.0	49.0	63.8
Deficit increase (+).....	1.2	3.5	5.3	6.6	7.1
Effects of a sustained 1 percentage point higher interest rate during fiscal years 1989-93 (no inflation change):					
Receipts.....	0.6	1.4	1.9	2.3	2.7
Outlays.....	5.8	11.9	16.3	19.7	22.7
Deficit increase (+).....	5.2	10.5	14.4	17.4	20.0
Effects of a sustained 1 percentage point higher rate of inflation during fiscal years 1989-93 (no interest rate change):					
Receipts.....	6.0	16.3	27.8	40.1	54.0
Outlays.....	2.0	9.3	18.7	29.3	41.1
Deficit increase (+).....	-4.0	-7.0	-9.1	-10.8	-12.9
INTEREST COST OF HIGHER FEDERAL BORROWING					
Effect of \$100 billion additional borrowing in fiscal year 1989.....	3.5	7.3	7.5	7.4	7.1
FEDERAL PAY RAISES					
Outlay effect of a 1 percentage point increase in 1988.....	1.2	1.3	1.3	1.4	1.4

¹ The unemployment rate is assumed to be ½ percentage point higher per 1 percent shortfall in the level of real GNP.

ed with higher or lower deficits (increased or reduced borrowing), and changes in Federal pay rates.

The effects of changes in economic assumptions in the opposite direction are approximately symmetric. The impact of a 1 percentage point lower inflation or higher real growth would be of about the same magnitude as shown, but with the opposite sign.

These rules of thumb ignore possible changes in the assumed income share composition of GNP that would be likely to accompany any changes in real growth, inflation, or interest rates. Because different income components are subject to different taxes and tax rates, estimates of total receipts can be affected significantly by changing income shares. These relationships are too complex, however, to reduce to simple rules.

PART 4

FEDERAL RECEIPTS
BY SOURCE

4-1

FEDERAL RECEIPTS BY SOURCE

Receipts (budget and off-budget) are taxes and other collections from the public that result from the exercise of the Government's sovereign or governmental powers. They are compared with outlays to determine the surplus or deficit.

This section of the budget discusses receipts for 1988 and 1989, and the legislative proposals and administrative actions affecting them.¹

SUMMARY

Total receipts in 1989 are estimated to be \$964.7 billion, an increase of \$55.5 billion or 6.1 percent from the \$909.2 billion estimated for 1988. These estimates include the effects of:

- previously enacted tax legislation, including the Omnibus Budget Reconciliation Act of 1987; and
- the receipts proposals in this budget.

As a share of GNP, receipts are projected to decline slightly from 19.3 percent in 1988 to 19.2 percent in 1989, primarily due to the fact that 1989 is the first full fiscal year in which the two-bracket individual income tax rate schedule is in effect.

Composition of Receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1989:

- Income taxes paid by individuals and corporations are estimated at \$412.4 billion and \$117.7 billion, respectively. These sources combined account for 55.0 percent of estimated receipts.
- Social insurance taxes and contributions—composed largely of payroll taxes levied on wages and salaries, most of which are paid in equal amounts by employers and employees—will yield an estimated \$354.6 billion, 36.8 percent of the total.
- Excise taxes imposed on selected products, services, and activities are expected to provide \$35.2 billion, 3.6 percent of the total.
- Estate and gift taxes, customs duties, and miscellaneous receipts are estimated at \$44.8 billion, the remaining 4.6 percent of receipts.

¹ Detailed estimates of receipts by source for 1988 and 1989 are shown in Tables 13 and 17 of Part 6g. The economic assumptions on which the receipts estimates are based are presented in Part 3b, and estimates of receipts for 1988-1993 are presented in Table 2 of Part 6g. Part 6d contains an analysis of the difference between actual receipts for 1987 and the estimates for 1987 transmitted to the Congress in February 1986. Part 6e explains the conceptual basis for classifying certain amounts collected by the Federal Government as receipts and other amounts as offsetting collections.

RECEIPTS BY SOURCE

(In billions of dollars)

Source	1987 actual	1988 estimate	1989 estimate	1990 estimate	1991 estimate
Individual income taxes.....	392.6	393.4	412.4	448.9	490.5
Corporation income taxes.....	83.9	105.6	117.7	129.3	140.6
Social insurance taxes and contributions.....	303.3	331.5	354.6	382.5	410.0
On-budget.....	(89.9)	(91.6)	(96.1)	(100.1)	(104.0)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)
Excise taxes.....	32.5	35.3	35.2	36.1	34.7
Estate and gift taxes.....	7.5	7.6	7.8	8.0	8.2
Customs duties.....	15.1	16.4	17.2	18.3	19.2
Miscellaneous receipts.....	19.3	19.4	19.8	20.9	21.3
Total receipts.....	854.1	909.2	964.7	1,044.1	1,124.4
On-budget.....	(640.7)	(669.3)	(706.2)	(761.7)	(818.5)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)

Because of legislated tax changes, the composition of receipts in 1989 is estimated to be much different than in 1980. Although the Federal tax system relied predominantly on income and payroll taxes in 1980, as it will in 1989, the income tax share of total receipts in 1989 is expected to be 4.7 percentage points less than in 1980, when income taxes comprised 59.7 percent of receipts. In contrast, the social insurance taxes and contributions share of receipts in 1989 is estimated to be 6.2 percentage points higher than in 1980. The share of all other receipts is expected to decline 1.5 percentage points, from 9.8 percent in 1980 to 8.3 percent in 1989.

ENACTED LEGISLATION

Several major tax laws—including one of the most sweeping overhauls of the tax code in our nation's history—have been enacted since the administration took office in January 1981. These legislated changes have improved the fairness and efficiency of the tax system and broadened the income tax base by eliminating unintended benefits and obsolete incentives, curbing tax shelter abuse, limiting unwarranted tax benefits, and providing mechanisms to improve tax law enforcement and collection techniques. They have also reduced individual and corporation income tax rates and provided other incentives for work, saving, and investment.

For individuals, the sixteen individual income tax brackets and tax rates of pre-1981 tax law—ranging from 14 percent to 70 percent—have been reduced to two tax brackets with rates of 15 and 28 percent.² The zero bracket amount, which was \$3,400 for a

² The benefit of the 15 percent bracket is phased out for taxpayers with taxable income exceeding specified levels, implicitly creating a marginal tax rate of 33 percent in the affected income range.

NET EFFECT OF MAJOR ENACTED LEGISLATION ON RECEIPTS ¹

(In billions of dollars)

	1987	1988	1989	1990	1991	1988-89
Economic Recovery Tax Act of 1981	-241.7	-260.8	-285.5	-315.7	-350.2	-546.2
Tax Equity and Fiscal Responsibility Act of 1982	56.9	57.3	55.8	57.4	61.6	113.1
Highway Revenue Act of 1982	4.7	4.9	5.1	5.1	5.1	10.0
Social Security Amendments of 1983	12.1	24.6	31.0	23.9	23.9	55.6
Interest and Dividends Tax Compliance Act of 1983	-1.7	-1.8	-2.0	-2.5	-2.8	-3.8
Railroad Retirement Revenue Act of 1983	1.2	1.2	1.1	1.1	1.1	2.3
Deficit Reduction Act of 1984	22.0	25.3	27.7	31.0	34.0	53.0
Consolidated Omnibus Budget Reconciliation Act of 1985	2.7	2.9	3.0	3.0	3.2	5.9
Federal Employees' Retirement System Act of 1986	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4
Omnibus Budget Reconciliation Act of 1986	2.7	2.5	2.0	1.0	0.2	4.5
Superfund Amendments and Reauthorization Act of 1986	0.4	0.8	0.8	0.8	0.8	1.6
Continuing Resolution for 1987	1.9	2.7	2.6	2.7	2.8	5.3
Tax Reform Act of 1986	21.5	-4.5	-17.2	-13.5	-9.5	-21.8
Omnibus Budget Reconciliation Act of 1987 ²		9.1	14.3	16.2	15.6	23.3
Continuing Resolution for 1988		2.4	3.1	3.3	3.4	5.5
Net tax reduction (-)	-117.5	-133.7	-158.4	-186.3	-211.4	-292.1
ADDENDUM						
Net effect on receipts by source:						
Individual income taxes	-158.7	-193.1	-224.8	-250.2	-278.3	-418.0
Corporation income taxes	19.7	24.2	26.8	33.1	41.0	51.0
Social insurance taxes and contributions	14.1	29.2	36.0	27.9	25.8	65.3
Excise taxes	14.1	13.1	11.7	11.8	9.4	24.8
Estate and gift taxes	-7.6	-7.8	-8.7	-9.3	-9.7	-16.5
Customs duties	0.7	0.2	0.2	*	*	0.3
Miscellaneous receipts	0.2	0.5	0.4	0.4	0.3	0.9

* \$50 million or less.

¹ These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.² These estimates reflect only the effect on budget receipts. The Act reclassified the ad valorem customs user fee as an offsetting collection, rather than as a budget receipt, which reduces outlays by the following amounts: 1988, \$0.1 billion; 1989, \$0.1 billion; and 1990, \$0.7 billion.

married couple filing a joint return and \$2,300 for a single taxpayer or a head of household under pre-1981 tax law, has been replaced with a standard deduction of \$5,000 for a married couple filing a joint return, \$3,000 for a single taxpayer, and \$4,400 for a head of household. The personal exemption has been increased from \$1,000 in 1980 to \$1,900 in 1987 and to \$1,950 in 1988, and will be increased to \$2,000 in 1989. In addition, the individual income tax brackets and the standard deduction will be adjusted annually for inflation beginning in 1989, and the personal exemption will be adjusted beginning in 1990.

Corporate income, which was subject to tax under a 5-bracket rate schedule with rates ranging from 17 to 46 percent under pre-

1981 tax law, is now subject to tax under a 3-bracket rate schedule with rates of 15, 25, and 34 percent.

Other legislated changes affecting receipts have restructured highway-related taxes to increase tax compliance and to make the taxes paid by various highway users correspond more equitably to the wear and tear that they cause to the highway system, restored the solvency of the social security trust funds, placed the railroad industry pension program on a sounder financial basis, established the Federal Employees' Retirement System (FERS), reauthorized the Superfund toxic waste cleanup program, and established a fund to finance the cleanup of wastes from leaking underground petroleum storage tanks.

As a result of these legislated changes, taxes have been reduced, on net, by \$133.7 billion in 1988 and \$158.4 billion in 1989 relative to what they would have been under pre-1981 tax law. Individuals have benefited the most from these legislated changes, realizing reductions in income taxes of \$418.0 billion over the two years.

The provisions of the major laws enacted in 1987 affecting receipts—the Omnibus Budget Reconciliation Act of 1987 and the Continuing Resolution for 1988—are described below.³

OMNIBUS BUDGET RECONCILIATION ACT OF 1987

In conformance with the Bipartisan Budget Agreement, this Act meets the target of \$23 billion in receipts increases over two years without affecting the reductions in income tax rates or the increases in the personal exemption and the standard deduction provided in the Tax Reform Act of 1986. The major provisions of this Act, highlighted below, primarily affect corporations and wealthy individuals.

Extension of Telephone Excise Tax.—The 3 percent excise tax imposed on amounts paid for local and toll telephone service, and for teletypewriter exchange service, was extended through December 31, 1990. The tax had been scheduled to expire after December 31, 1987.

Extension of Temporary Federal Unemployment Tax Act (FUTA) Tax.—The 6.2 percent gross FUTA tax rate consists of a permanent component of 6.0 percent and a temporary component of 0.2 percent. The temporary component, which was scheduled to expire on

³ For a more detailed discussion of the Economic Recovery Tax Act of 1981, see Part 4 of the 1983 *Budget*. A more detailed discussion of the Tax Equity and Fiscal Responsibility Act of 1982 and the Highway Revenue Act of 1982 is provided in Part 4 of the 1984 *Budget*. Detailed discussions of the Social Security Amendments of 1983, the Interest and Dividends Tax Compliance Act of 1983, and the Railroad Retirement Revenue Act of 1983 are provided in Part 4 of the 1985 *Budget*. The major provisions of the Deficit Reduction Act of 1984 are described in Part 4 of the 1986 *Budget*. Part 4 of the 1988 *Budget* includes a detailed discussion of the Tax Reform Act of 1986, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Federal Employees' Retirement System Act of 1986, the Omnibus Budget Reconciliation Act of 1986, the Superfund Amendments and Reauthorization Act of 1986, and the Continuing Resolution for Fiscal Year 1987.

January 1, 1988, was extended for 3 years through December 31, 1990.

Extension of 55 Percent Estate and Gift Tax Rate.—Under prior law, the maximum estate and gift tax rate was scheduled to decline from 55 percent in 1987 to 50 percent in 1988. The reduction in the maximum rate to 50 percent was deferred for 5 years until January 1, 1993.

Expansion of Employer Share of Social Security (OASDHI) Payroll Tax to Include All Cash Tips.—Under prior law, employees were required to pay the employee portion of the OASDHI payroll tax on the total amount of cash tips; the liability of their employers, however, generally was limited to the amount of tips considered to be wages under the Federal minimum wage law. Effective January 1, 1988, employers must pay the OASDHI payroll tax on the total amount of cash tips, up to the taxable wage base.

Extension of Social Security (OASDHI) Coverage to Certain Earnings.—Social security coverage was extended to the earnings of inactive duty reservists, certain agricultural workers, children age 18-21 employed by their parents, and spouses employed by the other spouse. In addition, the cost of employer-provided group term life insurance must be included in wages for OASDHI tax purposes if the cost is included in income for individual income tax purposes. These changes became effective January 1, 1988.

Restrictions on Estate Tax Deduction for Sales to an Employee Stock Ownership Plan (ESOP).—Because of an unintended loophole in the Tax Reform Act of 1986, executors of estates were allowed to sell stocks held by an estate to an ESOP and exclude one-half of the proceeds from the estate tax. Effective with respect to sales of securities to an ESOP after October 22, 1986, the deduction is not available unless the decedent directly owned the securities before death, and, after the sale, the securities are allocated to plan participants or are held for future allocation. In addition, effective with respect to sales after February 26, 1987, the deduction is limited to sales of securities not publicly traded, may not exceed 50 percent of the taxable estate, and may not reduce estate taxes by more than \$750,000.

Increase in Contributions to the Rail Industry Pension Fund.—The primary source of income to the rail industry pension fund is payroll taxes levied on employers and their employees. In addition, the Railroad Retirement Revenue Act of 1983 provided that up to \$877 million in income taxes from the taxation of rail industry pensions received between January 1, 1984 and October 1, 1988 was to be transferred to the rail industry pension fund. Effective Janu-

ary 1, 1988, the employer contribution to the rail industry pension fund was increased 1.35 percentage points to 16.1 percent; the employee contribution was increased 0.65 percentage points to 4.9 percent. The limit on the amount of income taxes from the taxation of rail industry pensions that are diverted to the rail industry pension fund was eliminated, and the transfer was extended to apply to the taxation of benefits received prior to October 1, 1989. This gives the rail pension fund an additional \$390 million in taxpayer subsidies.

Initiation of Internal Revenue Service (IRS) Fees.—The IRS is required to charge a fee for each request for a letter ruling, determination letter, opinion letter, or other similar ruling or determination. The amount of the fee will vary with the type of request and will apply to requests filed after January 31, 1988 and before October 1, 1990.

Increase in Fees for Services Provided by the Bureau of Alcohol, Tobacco, and Firearms (BATF).—Occupational taxes imposed on the producers and manufacturers of alcohol, tobacco and firearms products, and on the dealers in alcohol and firearms products, were increased effective January 1, 1988.

Modification of Customs User Fee.—The ad valorem fee on imports of 0.22 percent of value in 1987, dropping to 0.17 percent in 1988 and expiring September 30, 1989, was extended through September 30, 1990. The Act also reclassified collections from the fee as offsets to outlays, rather than as receipts, and, for imports with U.S. components, exempted only the value of the U.S. component, rather than the total value of the good, from the fee.

Limitation on Qualified Residence Interest Expense Deduction.—Interest on debt to acquire or improve a principal or second residence is deductible to the extent the amount of debt does not exceed \$1 million. Interest on up to \$100,000 in debt secured by a lien on a principal or second residence is also deductible, irrespective of the purpose of the borrowing, provided the debt does not exceed the fair market value of the residence(s). These changes apply to mortgage debt incurred after October 13, 1987. Under prior law, interest on debt secured by a principal or second residence was deductible to the extent the debt did not exceed the purchase price of the property plus improvements, plus debt for educational and medical expenses.

Repeal of Vacation Pay Reserve.—Under prior law, employers were allowed to elect to deduct an amount for vacation pay earned by employees before the close of the year and paid within 8½ months after the close of the year. Effective for taxable years

beginning after December 31, 1987, non-vested vacation pay may be deducted only if it is paid during the year, and vested vacation pay may be deducted only if it is paid within 2½ months after the end of the year.

Limitations on Completed Contract Method of Accounting.—Under prior law, companies engaged in the production of property under a long-term contract were required to compute income from the contract under either the percentage of completion method or the percentage of completion-capitalized cost method. Under the percentage of completion-capitalized cost method, 40 percent of the income from the contract was reported according to the percentage of completion method, and 60 percent was reported according to the taxpayer's normal method of accounting. Effective for long-term contracts entered into after October 13, 1987, 70 percent of contract income must be reported according to the percentage of completion method and 30 percent according to the taxpayer's normal method of accounting.

Delay in Application of 2 Percent Floor to Mutual Fund Shareholder Expenses.—Effective January 1, 1987, miscellaneous expenses generally are deductible only to the extent that they exceed 2 percent of adjusted gross income. The application of this floor to indirect deductions of publicly offered mutual funds was delayed for one year until January 1, 1988.

Change in Collection of Excise Taxes on Diesel Fuel and Nongasoline Aviation Fuel.—Excise taxes on diesel fuel and nongasoline aviation fuel will be imposed at the wholesale rather than the retail level effective April 1, 1988. Excise taxes on special motor fuels will continue to be imposed at the retail level.

Acceleration of Corporation Estimated Tax Payments.—A corporation that fails to pay an installment of estimated income tax on or before the due date generally is subject to a penalty on the amount of underpayment. Under prior law, the amount of underpayment was the difference between the payments made on or before the due date of each installment and 90 percent of the total tax shown on the return for the year, divided by the number of installments that should have been made. However, no penalty was imposed if total tax payments for the year equaled or exceeded installments based on (1) the previous year's tax liability, if a return showing a liability for tax was filed for the previous year; (2) the tax computed by using the facts shown on the prior year's return under the current year's tax rates; or (3) 90 percent of the taxes that would have been due if certain income already received during the current year had been annualized. Large corporations (those having at least \$1 million of taxable income in any of the

three prior years) could not use exceptions (1) and (2). Effective for taxable years beginning after December 31, 1987, the underpayment penalty will apply to the difference between payments made by the due date of the installment and the lesser of an installment based on (1) 90 percent of the taxes that would have been due if certain income already received during the current year had been annualized or (2) 100 percent of the tax shown on the previous year's return. Exception (2) will not be available to large corporations except that such large corporations may base their first estimated tax payment for such year on that exception; in addition, in determining whether a corporation's taxable income exceeds \$1 million, net operating loss and capital loss carryforwards and carrybacks will be disregarded. Moreover, the safe harbor allowing the use of the previous year's facts and the current year's tax rates was repealed. Other technical changes were made to the estimated tax rules, including a new requirement that taxpayers make up in subsequent estimated tax payments any previous reduction in such payments that occurred by using the annualization exception if the annualization exception was not used by the taxpayer for subsequent periods.

Repeal of Installment Method of Accounting for Dealers.—A taxpayer who sells property generally must recognize gain or loss at the time of the sale. However, under prior law, taxpayers were eligible to use the installment method of reporting gain, which allowed them to defer the payment of tax and recognize the gain as the payments were received rather than upon sale. The proportionate disallowance rules generally applied to installment sales of property. Under these rules a percentage of the deferred gain from installment sales, based on the seller's debt to equity ratio, was required to be included currently in income. The installment method of accounting and the application of the proportionate disallowance rules were repealed for dealer dispositions occurring after December 31, 1987. In addition, the proportionate disallowance rules as applied to non-dealer installment sales of rental or business real property exceeding \$150,000 were repealed and replaced with other restrictions.

Denial of Graduated Corporation Income Tax Rates for Personal Service Corporations.—Effective for taxable years beginning after December 31, 1987, the taxable income of qualified personal service corporations is taxed at the flat rate of 34 percent. These corporations perform services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting. Substantially all of the stock of such corporations is owned by employees, retired employees, or the estates of former employees.

Capitalization of Past Service Pension Costs.—Contributions to a pension or annuity plan for past service costs were deductible under prior law. Effective for taxable years beginning after December 31, 1987, past service pension costs are subject to the uniform capitalization rules.

Election of Taxable Year Other Than Required Taxable Year.—Under prior law, partnerships, S corporations and personal service corporations generally were required to conform their taxable years to the taxable years of their owners. Effective for taxable years beginning after December 31, 1986, partnerships, S corporations and personal service corporations may elect the use of a taxable year other than the year they would otherwise be required to use, if certain required procedures are followed. Under those procedures, electing partnerships and S corporations are required to make payments to the Federal Government that are intended to represent the value of the tax deferral obtained by the owners of those entities through the use by the entities of their particular taxable year. In addition, under those procedures, electing personal service corporations that fail to distribute certain amounts to employee-owners by December 31 of any taxable year may be required to defer the taking of certain deductions for amounts paid to those employee-owners.

Change in the Taxation of Partnerships.—The income and loss of a partnership is subject to tax at the partner's level; in contrast, corporations are subject to tax at the entity level and distributions of stock are taxed at the shareholder level. Effective for taxable years beginning after December 31, 1987, certain publicly traded partnerships will be treated as corporations for Federal income tax purposes. An exception is provided for certain partnerships, 90 percent or more of whose gross income is passive-type income. Income from publicly traded partnerships that are classified as corporations under this provision generally will be treated as dividend income, which is treated as portfolio income for purposes of the passive loss rule. The Act also placed restrictions on the ability of a partnership with both tax exempt and taxable partners to make disproportionate allocations of income, gain, loss, and deductions among the partners to take advantage of the tax-exempt status of certain partners.

Modification of Computation of Earnings and Profits for Purposes of Intercorporate Dividends and Stock Basis Adjustments.—For the purposes of determining gain or loss on the disposition of a subsidiary with which it filed a consolidated return, a parent corporation's basis in such stock is computed as if the subsidiary's earnings and profits had been computed (during the period of consolida-

tion) without regard to special adjustments for depreciation and certain other items. This provision applies to stock disposed of after December 15, 1987.

Limitation on Dividends Received Deduction.—Under prior law, corporations owning less than 80 percent of the stock of another domestic corporation were entitled to a deduction equal to 80 percent of the dividends received. Effective for dividends received or accrued after December 31, 1987, the dividends received deduction is reduced to 70 percent of the amount of the dividend for corporations owning less than 20 percent of the voting stock of the distributing corporation. The 80 percent dividends received deduction is maintained for corporations owning 20 percent or more (but less than 80 percent) of the stock of the issuing corporation.

Reduction of Tax Avoidance in Certain Corporate Dispositions.—Gains on liquidating distributions to a U.S. corporate shareholder owning 80 percent or more of the stock in the liquidating corporation are tax free to both the distributing corporation and the distributee. However, effective for distributions after December 15, 1987, the distributing corporation must recognize gain on such distributions to a corporation within an affiliated group filing a consolidated tax return, if such corporation meets the 80 percent ownership test solely by reason of the consolidated return regulations. In addition, the nonrecognition of gain on the distribution of stock of a controlled corporation may apply in the case of a corporate distributee-shareholder owning 80 percent or more of the stock in the distributing corporation, only if the distributee corporation has owned such stock for at least 5 years.

Taxation of "Greenmail" Gain.—A 50 percent non-deductible excise tax is imposed on "greenmail" gain realized by corporate raiders. Such gain is the amount paid by a corporation that was the subject of an attempted takeover pursuant to a public tender offer (or a threatened offer) in redemption of its stock held by the raider for less than two years.

Distribution of Income by Mutual Funds.—In order to avoid a penalty excise tax under prior law, regulated investment companies (mutual funds) were required to distribute 97 percent of their ordinary income earned during a given calendar year and 90 percent of their capital gains net income earned during the 12 month period ending on October 31 of the same year, by December 31 of the following year. Effective January 1, 1987, mutual funds must distribute 98 percent of their capital gains net income in order to avoid the penalty.

Modification of Pension Funding.—Subject to certain limitations, an employer may make deductible contributions to a qualified defined benefit pension plan up to the full funding limitation, which is the amount of the plan's accrued liability for projected benefits in excess of the plan's assets. However, if a defined benefit plan is terminated, the employer's liability to plan participants does not exceed the plan's termination liability, which is the liability for benefits determined as of the date of the plan termination. Defined benefit plans also are required to meet minimum funding standards for each plan year. This Act limited deductible contributions to defined benefit pension plans to the lesser of the existing full funding limitation or 150 percent of the plan's termination liability. In addition, this Act applied stricter minimum funding standards (up to the plan's termination liability) to single-employer defined benefit pension plans with more than 100 participants.

CONTINUING RESOLUTION FOR FISCAL YEAR 1988

Increase in Internal Revenue Service (IRS) Funding.—Funds were provided to the IRS for additional examiners; additional staff to handle appeals and litigation related to tax shelters; an automated examination system; and a system to match information documents supplied by third parties against taxpayer returns. These increases in staffing and equipment will help IRS ensure the smooth implementation of tax reform, improve tax law enforcement, and reduce the gap between taxes owed and taxes paid.

EFFECT OF MAJOR LEGISLATION ENACTED IN 1987 ON RECEIPTS ¹

(In billions of dollars)

	1987	1988	1989	1990	1991
Omnibus Budget Reconciliation Act of 1987					
Individual income taxes.....		-0.1	0.4	0.1	0.8
Corporation income taxes.....		4.0	6.0	7.3	8.2
Social insurance taxes and contributions.....		1.7	2.6	2.8	1.6
Excise taxes.....		2.0	3.3	3.6	1.7
Estate and gift taxes.....		1.2	1.7	2.2	3.2
Miscellaneous receipts.....		0.2	0.3	0.3	0.2
Total, Omnibus Budget Reconciliation Act of 1987 ²		9.1	14.3	16.2	15.6
Continuing Resolution for 1988					
Individual income taxes.....		1.0	1.2	1.3	1.3
Corporation income taxes.....		1.5	1.8	2.0	2.0
Total, Continuing Resolution for 1988.....		2.4	3.1	3.3	3.4
ADDENDUM					
Total effect on receipts by source:					
Individual income taxes.....		0.8	1.6	1.4	2.1
Corporation income taxes.....		5.5	7.9	9.2	10.2
Social insurance taxes and contributions.....		1.7	2.6	2.8	1.6
Excise taxes.....		2.0	3.3	3.6	1.7
Estate and gift taxes.....		1.2	1.7	2.2	3.2
Miscellaneous receipts.....		0.2	0.3	0.3	0.2
Total effect on receipts.....		11.5	17.3	19.5	19.0
Total effect on customs outlays.....		-0.1	-0.1	-0.7	.....
Total deficit reduction (-).....		-11.6	-17.4	-20.2	-19.0

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

² These estimates reflect only the effect on budget receipts. The Act reclassified the ad valorem customs user fee as an offsetting collection, rather than as a budget receipt, which reduces outlays by the following amounts: 1988, \$0.1 billion; 1989, \$0.1 billion; and 1990, \$0.7 billion.

RECEIPTS PROPOSALS

The receipts changes proposed in this budget are estimated to increase receipts by \$0.7 billion in 1989. However, because the proposed reclassification of the ad valorem customs user fee is estimated to increase 1989 outlays by \$0.7 billion, the combined impact is estimated to be deficit neutral in 1989.

Extension of Medicare Hospital Insurance (HI) Coverage to All State and Local Government Employees.—A minority of the State and local government employees who were hired prior to April 1, 1986, may not be assured of medicare coverage. Moreover, because of eligibility through their spouse or short periods of work in covered employment, as many as three out of four State and local employees who contribute nothing to the program are entitled to the full range of medicare benefits. Coverage of these employees, who are the only major group of employees not assured medicare coverage, would eliminate this drain on the medicare trust fund.

The change in coverage, proposed to be effective December 1, 1988, is estimated to increase receipts \$1.6 billion in 1989.

Revision in Research and Experimentation (R&E) Allocation Rules.—For tax years beginning after July 31, 1987, companies with foreign operations are allowed to allocate at least 30 percent of total research and experimentation expenditures to their domestic operations. For the tax year prior to August 1, 1987, such companies were allowed to allocate at least 50 percent of R&E expenditures to domestic income. The administration proposes to allow companies to allocate at least 67 percent of total R&E expenditures to domestic source income. This proposal is estimated to reduce 1989 receipts by \$0.6 billion.

Initiation of a Permanent Research and Experimentation (R&E) Tax Credit.—The tax credit provided for certain incremental research and experimentation expenditures is scheduled to expire on December 31, 1988. To reduce taxpayers' uncertainty about the availability of this incentive for research and experimentation, the administration proposes to establish a permanent R&E tax credit. This proposal is estimated to reduce 1989 receipts by \$0.4 billion.

Exemption of Mutual Fund Shareholder Expenses From the Two Percent Floor for Miscellaneous Deductions.—Effective January 1, 1987, miscellaneous expenses generally are deductible only to the extent that they exceed two percent of adjusted gross income. Because the expenses of publicly offered mutual funds would have been subject to this floor, mutual fund shareholders would have been required to include in taxable income amounts in excess of actual payments from mutual funds. However, the Omnibus Budget Reconciliation Act of 1987 delayed for one year, until January 1, 1988, the application of this floor to expenses of publicly offered mutual funds. The administration proposes to permanently exempt these expenses from the two percent floor. This proposal is estimated to reduce 1989 receipts by \$0.4 billion.

Increase in Nuclear Regulatory Commission (NRC) User Fees.—Under current law, 45 percent of NRC's costs incurred in regulating nuclear power plants are recovered through user fees. The administration proposes to increase these fees to a level sufficient to recover 55 percent of NRC's costs effective October 1, 1988. This proposal is estimated to increase receipts by \$45 million in 1989.

Initiation of Federal Emergency Management Agency (FEMA) User Fees.—Under current law, FEMA's costs incurred, as NRC's agent in regulating the evacuation plans of nuclear power plants, are not recovered through user fees. The administration proposes to recover 55 percent of FEMA's costs through user fees, effective

October 1, 1988. This proposal is estimated to increase receipts by \$4 million in 1989.

Modification of Customs User Fee.—Under the Omnibus Budget Reconciliation Act of 1987, the ad valorem fee on imports (currently 0.17 percent of value), which would have expired on September 30, 1989, was extended through September 30, 1990. The Act also reclassified collections from the fee as offsets to outlays, rather than as receipts. For imported goods made with U.S. components, the Act exempted only the value of the U.S. component, rather than the total value of the good, from the fee. A ruling of the General Agreement on Tariffs and Trade (GATT) requires correcting legislation to make the user fee consistent with GATT requirements. Legislation will be proposed to ensure that the ad valorem fee structure represents the costs of processing individual entries and that collections from the fee are reclassified as budget receipts. In 1989, this proposal is estimated to increase receipts by \$0.6 billion; however, it will also increase outlays by \$0.7 billion, for a net deficit increase of \$0.1 billion.

Initiation of Higher Education Savings Bonds.—The costs of post-secondary education have increased substantially in recent years, often faster than inflation. As a result, parents may have difficulty bearing these costs unless they establish a savings program for this purpose when their children are young. To encourage parents to establish such savings programs, the administration proposes to exclude from taxation the interest on certain savings bonds that are redeemed to pay certain post-secondary educational expenses of the taxpayer or the taxpayer's spouse, children, or other dependents. The exclusion would be phased-out for taxpayers with higher annual adjusted gross income levels, and the phase-out income levels would be adjusted annually for inflation beginning in 1990. The exclusion would apply to bonds issued after December 31, 1988. The amount of the interest eligible for the exclusion would be limited to the total qualified educational expenses incurred. This proposal is estimated to increase the 1989 deficit by \$10 million.

Increase in the District of Columbia (D.C.) Employer Contributions to the Civil Service Retirement System (CSRS).—The D.C. Government currently contributes 7 percent of wages and salaries to CSRS; D.C. Government employees contribute an additional 7 percent. The cost of civil service retirement exceeds the combined contribution of the D.C. Government and its employees. The administration will propose legislation requiring the D.C. Government to begin making an annual cost-of-living adjustment payment to the civil service retirement system to fully cover the cost of cost-of-living adjustments for D.C. Government retirees and their survi-

vors beginning in 1989. This proposal is estimated to increase 1989 receipts by \$4 million.

Repeal of Windfall Profit Tax.—The windfall profit tax reduces incentives for exploration and production of domestic oil, and imposes burdensome recordkeeping expenses on producers. Based upon budgetary oil price assumptions made last year, repeal of this tax would reduce receipts by less than \$23 million in each year. Using a more current forecast of oil prices, there would be no loss in receipts from repeal of this tax.

Initiation of Branch Tax Credit.—The Tax Reform Act of 1986 levied a tax on the earnings and profits of a U.S. branch of a foreign corporation attributable to its income connected with a U.S. trade or business. As a result, taxes are levied twice on U.S. source income of U.S. shareholders of foreign corporations. The administration proposes to provide a tax credit to U.S. shareholders for branch taxes paid by such foreign corporations. This proposal, which would be effective for branch taxes incurred on income earned after December 31, 1987, is estimated to reduce 1989 receipts by \$30 million.

Modification of Oil and Gas Depletion Rules.—Independent oil producers are limited in their use of depletion deductions by two provisions: (1) “proven” properties transferred from integrated oil companies to independent producers are ineligible for percentage depletion, and (2) the deduction may not exceed 50 percent of the owner’s net income from the property. Because these restrictions discourage the transfer of marginal wells to independent producers, the administration proposes to remove the transfer rule restrictions and to raise the deduction limit to 100 percent of the property’s net income, effective January 1, 1989. These changes are estimated to reduce 1989 receipts by \$52 million.

Technical Corrections to Previous Legislation.—The administration supports prompt passage of technical corrections legislation to the Tax Reform Act of 1986 and to the Omnibus Budget Reconciliation Act of 1987. Technical corrections are needed quickly to help administer the tax laws as intended by Congress and to ease taxpayer uncertainty. These corrections would have no effect on receipts.

Elimination of Tax Differentials in Superfund Petroleum Tax.—The superfund petroleum tax is imposed at a rate of 8.2 cents per barrel of domestic crude oil and 11.7 cents per barrel of imported petroleum products. This tax differential, if not changed, could subject the United States to retaliation or possible compensatory damage payments under the General Agreement on Tariffs and

Trade (GATT). A revenue neutral change in the excise tax rates, slightly increasing the rate on domestic crude oil and lowering to an equal level the rate on imported petroleum products, would be GATT-consistent and have no effect on receipts.

Repeal of Reduction in Aviation-Related Taxes.—The Airport and Airway Safety and Capacity Expansion Act of 1987 extended the airport and airway trust fund taxes, which had been scheduled to expire on December 31, 1987, at their prior law rates. However, the Act also provided that most of these taxes be reduced by 50 percent, beginning in calendar year 1990, if appropriations for the programs funded by these taxes are less than 85 percent of authorizations. Under current budget projections, airport and airway trust fund taxes would be reduced by \$1.2 billion in 1990 in accordance with this provision. The administration will propose to repeal this reduction, resulting in increased receipts to the trust fund in 1990 of \$1.2 billion.

Other.—Two other proposals will not affect receipts until 1990: the initiation of Federal marine fishing license fees for commercial and recreational fishing, and the administration's Federal pay raise proposals.

EFFECT OF ENACTED AND PROPOSED CHANGES ON RECEIPTS

The actual change in receipts that will result from an enacted or proposed tax revision will depend on both the direct effect of the tax change and the indirect or "feedback" effect. The direct effect is the increase or decrease in receipts due only to the tax change at the levels of income reflected in the administration's forecast. The indirect or feedback effect is the increase or decrease in receipts due to the effect of the tax change on income levels.

The estimates of the effect of enacted and proposed tax changes shown in this budget represent only the direct effect of these changes on receipts, based on the levels of corporate and individual income reflected in the administration's forecast. These levels of income already reflect enactment of the tax change; therefore, the estimated indirect or feedback effect on receipts due to the tax-induced change in incomes is already included in the baseline (pre-tax change) estimates of receipts.

For example, the estimates of the effect of the Economic Recovery Tax Act of 1981 (ERTA) shown in this budget represent only the direct effect of the changes provided in the Act, based on the levels of income reflected in the administration's forecast. These levels of income already reflect enactment of ERTA. The increased receipts resulting from the tax-induced increase in incomes therefore are included in the baseline estimates of receipts. The esti-

EFFECT OF PROPOSED LEGISLATION AND ADMINISTRATIVE ACTION ON RECEIPTS ¹

(In billions of dollars)

	1988	1989	1990	1991
HI coverage of State and local employees.....		1.6	2.1	2.1
R&E allocation rules.....	-0.4	-0.6	-0.7	-0.7
R&E tax credit.....		-0.4	-0.8	-1.0
Mutual fund exemption.....		-0.4	-0.5	-0.6
NRC fees.....		*	*	*
FEMA fees.....		*	*	*
Customs user fee ^{2 3}	0.7	0.6	0.5	0.5
Education savings bonds.....		-*	-*	-0.1
D.C. contributions to CSRS.....		*	*	*
Windfall profit tax ^{2 4}	-*	-*	-*	-*
Branch tax credit.....		-*	-0.1	-0.1
Oil and gas depletion rules.....		-0.1	-*	-*
Aviation-related taxes ²			0.9	1.6
Other.....			-0.6	-0.5
Total effect on receipts	0.3	0.7	0.9	1.2
ADDENDUM				
Effect of proposals on receipts by source:				
Individual income taxes.....	*	-0.4	-1.4	-1.6
Corporation income taxes.....	-0.4	-1.1	-1.6	-1.9
Social insurance taxes and contributions.....		1.6	2.0	2.0
Excise taxes.....	-*	-*	1.2	2.1
Customs duties.....	0.7	0.6	0.5	0.5
Other.....		*	0.1	0.1
Total effect on receipts	0.3	0.7	0.9	1.2
Total effect on customs outlays	0.7	0.7	0.7	0.8
Total deficit increase/reduction (-)	0.4	*	-0.2	-0.4

* \$50 million or less.

¹ These estimates are based on the direct effect only of legislative changes at a given level of economic activity. Induced effects on the economy are taken into account in forecasting incomes, however, and in this way affect the receipts estimates by major source and in total.² Net of income tax offsets.³ These estimates reflect only the effect of the proposal on budget receipts. The proposal increases customs outlays by the following amounts: 1988, \$0.7 billion; 1989, \$0.7 billion; 1990, \$0.7 billion; and 1991, \$0.8 billion.⁴ These estimates are based on the administration's budgetary oil price assumptions made last year. Using a more current forecast of oil prices, there would be no loss in receipts from repeal of this tax.

mates of the direct effect of the Economic Recovery Tax Act of 1981 on receipts therefore overstate, in this sense, the net loss to the Treasury of the income tax reductions and other tax changes provided in the Act.

The estimates in this budget of the effect of the administration's proposals on receipts also represent only the direct effect of these changes. The indirect effect of these proposals is likewise included in the baseline estimates of receipts.

CHANGES IN RECEIPTS

Receipts are estimated to increase by \$55.0 billion in 1988 and \$55.5 billion in 1989. These year-to-year changes can be divided between changes due to growth in the tax base and changes due to revisions in the tax structure. For example, under the tax rates and structure in effect on January 1, 1981, receipts would have risen by \$71.6 billion in 1989. The combined effect of administrative action and enacted and proposed tax law changes reduces the growth in 1989 receipts by \$16.1 billion.

COMPONENTS OF CHANGES IN RECEIPTS

(In billions of dollars)

	1988	1989	1990	1991
Growth in receipts:				
Under existing law and administrative action and proposed legislation.....	55.0	55.5	79.4	80.3
Under tax rates and structure in effect January 1, 1981	62.2	71.6	82.4	87.4
Difference.....	-7.1	-16.1	-3.0	-7.0

CHANGES IN RECEIPTS

(In billions of dollars)

	1987	1988	1989	1990	1991
Receipts under tax rates and structure in effect January 1, 1981 ¹	933.1	995.3	1,066.8	1,149.2	1,236.6
Administrative action	0.3	0.8	0.8	0.6	0.2
Enacted legislative changes:					
Economic Recovery Tax Act of 1981.....	-241.7	-260.8	-285.5	-315.7	-350.2
Tax Equity and Fiscal Responsibility Act of 1982.....	56.9	57.3	55.8	57.4	61.6
Highway Revenue Act of 1982.....	4.7	4.9	5.1	5.1	5.1
Social Security Amendments of 1983 ²	9.5	11.0	12.2	15.4	18.4
Interest and Dividends Tax Compliance Act of 1983.....	-1.7	-1.8	-2.0	-2.5	-2.8
Railroad Retirement Revenue Act of 1983.....	1.2	1.2	1.1	1.1	1.1
Deficit Reduction Act of 1984.....	22.0	25.3	27.7	31.0	34.0
Consolidated Omnibus Budget Reconciliation Act of 1985.....	2.7	2.9	3.0	3.0	3.2
Federal Employees' Retirement System Act of 1986.....	-0.1	-0.2	-0.2	-0.3	-0.4
Omnibus Budget Reconciliation Act of 1986 ³	2.0	1.2	2.0	1.0	0.2
Superfund Amendments and Reauthorization Act of 1986 ⁴	0.4	0.8	0.8	0.8	0.8
Continuing Resolution for 1987.....	1.9	2.7	2.6	2.7	2.8
Tax Reform Act of 1986.....	21.5	-4.5	-17.2	-13.5	-9.5
Omnibus Budget Reconciliation Act of 1987 ⁵		9.1	14.3	16.2	15.6
Continuing Resolution for 1988.....		2.4	3.1	3.3	3.4
Social security taxable earnings base increases: ⁶					
\$29,700 to \$32,400 on Jan. 1, 1982.....	5.9	6.7	7.7	8.7	9.8
\$32,400 to \$35,700 on Jan. 1, 1983.....	5.8	6.7	7.8	8.9	10.1
\$35,700 to \$37,800 on Jan. 1, 1984.....	3.0	3.5	4.1	4.8	5.4
\$37,800 to \$39,600 on Jan. 1, 1985.....	2.3	2.8	3.3	3.8	4.4
\$39,600 to \$42,000 on Jan. 1, 1986.....	2.8	3.1	3.7	4.3	5.1
\$42,000 to \$43,800 on Jan. 1, 1987.....	0.7	2.1	2.4	2.9	3.4
\$43,800 to \$45,000 on Jan. 1, 1988.....		0.5	1.5	1.8	2.1
\$45,000 to \$46,500 on Jan. 1, 1989.....			0.7	2.1	2.5
\$46,500 to \$48,900 on Jan. 1, 1990.....				1.2	3.7
\$48,900 to \$51,600 on Jan. 1, 1991.....					1.4
Social security (OASDHI) tax rate increases: ^{6 7}					
13.3% to 13.4% effective Jan. 1, 1982.....	1.7	1.8	1.9	2.0	2.1
13.4% to 14.0% effective Jan. 1, 1984.....	12.3	13.2	13.9	14.6	15.3
14.0% to 14.1% effective Jan. 1, 1985.....	2.3	2.5	2.6	2.8	2.9
14.1% to 14.3% effective Jan. 1, 1986.....	4.2	4.5	4.7	5.0	5.3
14.3% to 15.02% effective Jan. 1, 1988.....		10.6	15.5	16.5	17.5
15.02% to 15.3% effective Jan. 1, 1990.....				5.5	9.2
Other.....	0.7	3.5	4.0	3.3	3.0
Proposed legislation and administrative action		0.3	0.7	0.9	1.2
Total, receipts under existing and proposed legislation and administrative action ⁸	854.1	909.2	964.7	1,044.1	1,124.4

¹ These figures assume a social security taxable earnings base of \$29,700 through 1991.² Excludes the effect of increases in the OASDHI tax rate that are shown below.³ Excludes the effect of increases in the social security taxable earnings base that are shown below.⁴ These estimates represent the net increase in receipts relative to receipts under the tax rates in effect January 1, 1981.⁵ These estimates reflect only the effect on budget receipts. The Act reclassified the ad valorem customs user fee as an offsetting collection, rather than as a budget receipt, which reduces outlays by the following amounts: 1988, \$0.1 billion; 1989, \$0.1 billion; and 1990, \$0.7 billion.⁶ When the tax rate and the taxable earnings base increase at the same time, dividing up the total effect on receipts is arbitrary to some small extent because of an interaction effect. The increase in receipts due to this interaction effect is attributed to the rate and base changes in proportion to the increases in receipts that would occur if the rate and base were each changed separately.⁷ The combined employer-employee old age and survivors, disability, and hospital insurance (OASDHI) tax rate.⁸ These estimates include both the direct and indirect effects of administrative action and legislative changes.

RECEIPTS BY SOURCE

Individual Income Taxes.—Individual income taxes are estimated to increase by \$19.0 billion or 4.8 percent from 1988 to 1989, largely due to increases in incomes resulting from both real economic growth and inflation. These estimates reflect the legislated reductions in individual income taxes provided since the administration took office in January 1981, and the proposed changes included in this budget. The administration's proposals are estimated to reduce individual income taxes by \$0.4 billion in 1989.

Corporation Income Taxes.—Corporation income taxes are estimated to increase from \$105.6 billion in 1988 to \$117.7 billion in 1989, in large part due to higher corporate profits. These estimates reflect the changes in corporation income taxes provided in the Tax Reform Act of 1986 and the Omnibus Budget Reconciliation Act of 1987, and other tax changes enacted since January 1981. They also reflect the administration's proposals, which include a permanent R&E tax credit and modification of the R&E allocation rules. Together, the administration's proposals are estimated to reduce corporation income taxes by \$1.1 billion in 1989.

Social Insurance Taxes and Contributions.—This category includes social security and railroad retirement taxes, unemployment insurance taxes and deposits, and other retirement contributions.

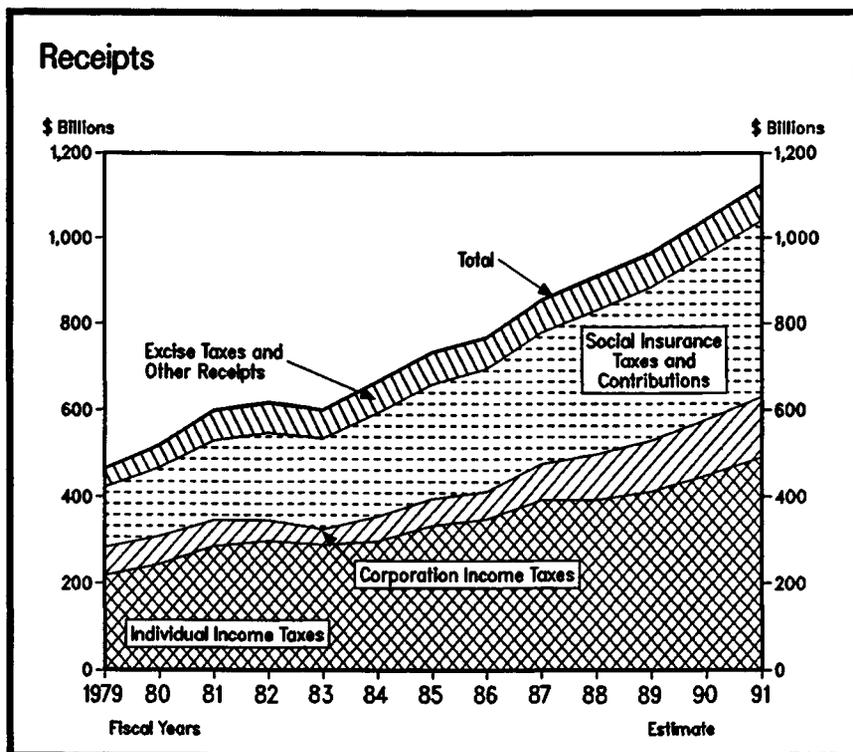
Receipts from this source are expected to increase from \$331.5 billion in 1988 to \$354.6 billion in 1989. These estimates reflect annual increases in the social security taxable earnings base from \$45,000 in 1988 to an estimated \$46,500 in 1989. The estimates also reflect the following changes provided in the Omnibus Budget Reconciliation Act of 1987: extension of OASDHI coverage to certain earnings and to the employer share of cash tips, increases in contributions to the rail industry pension fund, and extension of the temporary 0.2 percent FUTA tax through December 31, 1990. The administration's proposal to extend medicare coverage to State and local Government employees is estimated to increase this source of receipts by \$1.6 billion in 1989.

Excise Taxes.—Excise taxes are levied on a variety of products, services, and activities. Receipts from these taxes are estimated to decrease from \$35.3 billion in 1988 to \$35.2 billion in 1989. These estimates reflect the extension of the 3 percent telephone excise tax through December 31, 1990 (the tax had been scheduled to expire after December 31, 1987), and the collection of excise taxes on diesel fuel and nongasoline aviation fuel at the wholesale rather than the retail level effective April 1, 1988. These changes were provided in the Omnibus Budget Reconciliation Act of 1987.

Other Receipts.—Estate and gift taxes, customs duties, and miscellaneous receipts (almost all of which are deposits of earnings by the Federal Reserve System) are estimated to total \$43.3 billion in 1988 and \$44.8 billion in 1989. These estimates reflect the extension of the 55 percent maximum estate and gift tax rate through December 31, 1992, restrictions on the estate tax deduction for sales to an ESOP, and the proposed modification and reclassification of the ad valorem customs user fee as a budget receipt.

PROPRIETARY RECEIPTS

In addition to receipts, the Government receives significant proprietary income from the public. This income is derived from various market-oriented activities and takes the form of interest, rents, royalties, and the sale of Government property, products, and services. Because this income arises from business-type transactions rather than from taxation, it is treated as an offset to related outlays and budget authority rather than as receipts. These offsetting collections from the public are discussed in Part 6e; they are divided between collections offset in expenditure accounts and proprietary receipts from the public. Proprietary receipts from the public are shown in Table 14 of Part 6g.



PART 5

**FEDERAL
PROGRAMS BY FUNCTION**

5-1

INTRODUCTION

National Needs and the Functional Classification.—This section discusses budget authority, outlays, and related measures of Federal spending, focusing on the end purposes served by the spending. The presentation is organized in terms of national needs as defined by the functional structure.

The Part 5 structure includes 19 functions and two additional categories—allowances and undistributed offsetting receipts—that are not functions but are needed to encompass the entire budget. Each function is further divided into subfunctions, which consist of more homogeneous groupings of programs. Federal spending is classified in the functional structure according to the primary purpose of the activity; to the extent feasible this classification is made without regard to agency or organizational distinctions. Classifying each activity solely in the function that defines its most important purpose—even though many activities serve more than one purpose—permits adding the budget authority and outlays for each function to obtain the budget totals.

The function-subfunction-program hierarchy is used in the tables of budget authority and outlays and the text presented for each function. The text begins with a statement of national needs served by programs in the function. This is followed by a paragraph or two that describes the function and summarizes the major proposals. The President's proposals for individual programs are then described in greater detail.

Changes in the Functional Structure.—While it is obviously desirable to maintain stability in the functional classification from budget to budget so that budget users will not have to learn a new system each year, absolute stability is impossible. Changing conditions frequently require modifications. When such changes are made, the historical data base is usually revised to conform to the new functional structure so that budget users can compare program trends over time without discontinuities caused by changes in classification or accounting conventions.

Two major function changes have been made for this budget. First, the general purpose and fiscal assistance function has been abolished as a major function; all activities formerly included in this function have been transferred to the general government function, where they appear as a separate subfunction. This change

was made because the general revenue sharing program, which constituted the bulk of the former major function, was ended by Congress, and the remaining general purpose fiscal assistance activities are not significantly large to warrant being a separate major factor.

The second major function change is being made in conjunction with the administration's proposed reform for budgeting for Federal credit activities. Under current practice, the budget fails to distinguish between the bona fide loan component and the subsidy provided when the Federal Government makes a direct loan or guarantees a loan. The administration proposes to separate the subsidy from the non-subsidy portion of Federal credit activities. The budget authority and outlays for the subsidy portion will be shown in the present functional locations of the credit programs, while a new major function entitled "central Federal credit activities" will record the non-subsidy elements of these credit programs. Since the reform is proposed to begin in 1989, there is an inevitable discontinuity in the credit historical data by function and the data for the years after the new system is in place. The administration's credit reform proposal is discussed in greater detail in Part 6b and in Special Analysis F, "Federal Credit Programs."

One additional change, which is not a functional reclassification but does affect the totals for several functions, is the reclassification of the Federal retirement thrift savings fund from being an on-budget trust fund to a non-budgetary status. The reasons for this reclassification are discussed in Part 6e. Since this program began in 1987, this reclassification has no impact on the data for earlier years. The following functions are affected by this reclassification:

- The income security function no longer includes the thrift fund operations, employee contributions to their thrift accounts, and refunds or withdrawals of contributions.
- The net interest function no longer includes the interest received by the trust fund; instead it now includes only the interest paid to the fund, which is now classified as payments to the public.
- Collections of Federal employing agencies' contributions to the fund are no longer deducted as undistributed offsetting receipts.
- The cost and financing of thrift fund operations now appears in the general government function.

Credit Budget.—While budget authority and outlays are important measures of resources allocated to Federal programs, they do not cover all Federal activities. Federal credit activity may also take the form of direct loans or loan guarantees, which do not always become budget authority or outlays. For example, Federal

loan guarantees generally require no outlays unless the borrower defaults. To monitor and control Federal credit activities, a subsidiary credit budget measures and provides a mechanism for controlling all loan guarantee commitments and direct loan obligations.

Most functions contain Federal credit programs. The functional sections discuss these programs and contain a table of credit activity. The figures in these tables add up to the credit budget totals, which appear in Table 1 of Part 6g of this volume. The credit budget, and the administration's credit reform proposal, are explained in Part 6b of this volume and in Special Analysis F, "Federal Credit Programs."

Tax Expenditures.—Tax expenditures are provisions of the income tax laws that provide special benefits in comparison with what would be permitted under the general provisions of the Internal Revenue Code. They arise from special exclusions, exemptions, or deductions from gross income, or from special credits, preferential tax rates, or deferrals of tax liability. In many cases tax expenditures can be viewed as alternatives to other means by which the Federal Government can carry out policy objectives, such as direct outlays, loan guarantees, regulations, or other tax law provisions.

Tax expenditures are discussed in the functional presentation that follows so that they may be compared with outlays and loan guarantees that serve similar purposes. To aid in this comparison all tax expenditures estimates in Part 5 are shown as outlay equivalents, that is, the amount of outlays that would be required to provide the same level of after-tax benefits if direct spending programs were substituted for the tax expenditure. The definition and measurement of tax expenditures are discussed in Part 6d of this volume and in Special Analysis G, "Tax Expenditures."

Relationship to Other Budget Tables.—The following tables appear in other parts of the budget and supplement the tables shown in Part 5:

- Outlays by function and subfunction for 1979 through 1989, in Table 18 of Part 6g.
- Budget authority and outlays by function for 1987 through 1993, in Tables 8 and 3, respectively, of Part 6g.
- Budget authority and outlays for 1987 through 1989 for each agency and account, in Part 6f. Each account has a 3-digit code indicating the function and subfunction in which it is classified.
- Data for earlier years are published in *Historical Tables, Budget of the United States Government, Fiscal Year 1989*

NATIONAL DEFENSE

The objectives of the national defense program are to protect the United States and its allies from foreign aggression and to maintain sufficient military strength to deter both nuclear and conventional war. Should armed conflict nonetheless occur, we must be prepared to defend ourselves successfully, while limiting the scope and intensity of the conflict.

Carrying out these objectives requires a full range of defense capabilities. These include survivable and flexible capabilities for nuclear deterrence; maritime superiority; strong air and ground forces forward deployed in Europe and other critical areas; and the means to deploy reinforcements rapidly from the United States and to sustain our military forces anywhere in the world.

The budget proposals for budget authority and outlays are consistent with the Bipartisan Budget Agreement for 1988 and 1989. These levels are significantly below the biennial budget request submitted last year for 1988 and 1989 (\$20 billion and \$33 billion, respectively). After 1989, budget authority is projected to increase by about 2 percent a year in real terms. Compared to last year's estimate, total 1988-1992 funding for national defense is reduced by \$177 billion.

The budget proposes \$299.5 billion in budget authority and estimates \$294.0 billion in outlays for the national defense function in 1989. The defense program has been extensively revised to accommodate these reduced budget levels. Although our national defense objectives remain unchanged, the rebuilding of our national security capabilities will proceed at a slower pace. Some programs will be cancelled, while others are being deferred. This will result in smaller annual procurements of equipment, ammunition and war reserve stocks than previously planned, and slower development of new systems. Combat readiness will be preserved, but some delays in equipment maintenance will be unavoidable.

To address the requirements resulting from the recent INF Treaty with the Soviet Union, the Department of Defense will reprogram, within available funds, the amount necessary for inspection and verification required by the treaty.

The accompanying table shows budget authority and outlays for the three national defense subfunctions: military functions of the Department of Defense, atomic energy defense activities, and defense-related activities of other agencies.

Department of Defense—Military.—Budget authority of \$290.8 billion is requested for the military functions of the Department of Defense in 1989. This budget level will provide for continuing efforts to:

NATIONAL DEFENSE

(Functional code 050; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Department of Defense—Military:					
Military personnel.....	74,010	76,145	78,399	80,144	80,725
Operation and maintenance.....	79,607	80,684	85,649	89,176	92,803
Procurement.....	80,234	81,027	80,037	85,259	91,069
Research, development, test and evaluation...	35,644	36,695	38,157	40,022	42,047
Military construction.....	5,093	5,354	5,743	6,022	6,307
Family housing.....	3,075	3,149	3,272	3,435	3,607
Revolving funds and other.....	2,647	854	788	976	1,031
Offsetting receipts.....	-841	-750	-766	-785	-795
Allowances: Civilian pay raises.....				833	1,962
Allowances: Military pay raises and benefits.....				2,461	5,838
Allowances: Savings from reform of Davis-Bacon and Service Contract Acts:					
Proposed legislation.....			-310	-310	-310
Allowances: Other legislation (proposed).....			-185	54	54
Subtotal, Department of Defense—Military.....	279,469	283,159	290,784	307,287	324,338
Atomic energy defense activities.....	7,478	7,749	8,100	8,380	8,630
Defense-related activities.....	480	508	645	733	732
Total, budget authority.....	287,427	291,416	299,529	316,400	333,700
OUTLAYS					
Department of Defense—Military:					
Military personnel.....	72,020	75,453	77,827	79,512	80,182
Operation and maintenance.....	76,205	80,433	82,725	86,667	90,734
Procurement.....	80,744	79,166	79,820	80,578	82,495
Research, development, test and evaluation...	33,596	33,127	36,295	38,212	40,325
Military construction.....	5,853	5,418	5,668	5,917	6,241
Family housing.....	2,908	3,022	3,229	3,425	3,502
Revolving funds and other:					
Existing law.....	3,481	1,405	906	950	1,014
Proposed legislation.....			-40		
Offsetting receipts.....	-841	-750	-766	-785	-795
Allowances: Civilian pay raises.....				819	1,943
Allowances: Military pay raises and benefits.....				2,312	5,634
Allowances: Savings from reform of Davis-Bacon and Service Contract Acts:					
Proposed legislation.....			-196	-268	-288
Allowances: Other legislation (proposed).....			33	-34	-10
Subtotal, Department of Defense—Military.....	273,966	277,275	285,500	297,305	310,977
Atomic energy defense activities.....	7,451	7,631	7,945	8,246	8,513
Defense-related activities.....	582	517	575	649	710
Total, outlays.....	281,999	285,423	294,020	306,200	320,200

- modernize all components of U.S. strategic forces to ensure that they deter nuclear attack by virtue of their ability to survive and retaliate should an attack occur;
- develop and procure conventional equipment for the essential modernization of U.S. conventional forces;

- maintain the readiness and improve the combat sustainability of conventional forces;
- develop sufficient sealift and airlift capacity to ensure that U.S. forces can be rapidly deployed overseas in order to protect our critical interests, support our allies, and allow continued access to essential resources; and
- strengthen alliances and coalitions to protect U.S. interests worldwide and, in particular, to achieve NATO objectives.

The budget constraints imposed by the Bipartisan Budget Agreement require a reduction in military personnel levels from the 2,172,400 authorized by the Congress for 1988 and 1989 to a new level of 2,138,300. Air Force reductions are the largest. Its proposed level is 575,600, which is 23,100 below the authorized level. The Army proposed level is 772,300, which is 8,600 below the authorized level.

Budget authority requested for the Department of Defense—Military is estimated by mission category in the second table of this section. These categories are discussed below.

Strategic Forces.—The budget continues the President's strategic modernization program, which is essential for strengthening deterrence and achieving meaningful arms control agreements. Maintaining a modern triad of strategic forces remains our highest defense priority. Nevertheless, some adjustments to individual strategic programs have been made as part of the administration's efforts to adapt to the reduced defense budget levels agreed to in the Bipartisan Budget Agreement.

Our bomber forces are being modernized by acquiring the advanced technology (stealth) bomber and the advanced cruise missile, while formation of operational B-1 bomber wings continues following delivery of the one-hundredth production aircraft in 1988. Continued procurement of the Peacekeeper intercontinental ballistic missile (ICBM) is proposed, to provide for operational and reliability testing. To continue the modernization of our submarine-based forces, the budget provides for procurement of one new Trident ballistic missile submarine per year, and procurement of the new Trident II missile. Finally, the budget also supports improvements to our strategic command and control systems, as well as to our early warning and strategic defense capabilities. These programs for strategic forces are essential to ensure that our deterrent remains strong in the near term and through the 1990's.

General Purpose Forces.—U.S. forces must be able to respond effectively to all levels of potential conflict—up to and including a war between NATO and the Warsaw Pact—while retaining the flexibility to meet other threats. The budget provides support for 18 active-duty Army divisions, 3 Marine divisions, 3 Marine and 13 Navy active-duty tactical airwings, the equivalent of nearly 25

MISSION CATEGORIES: DEFENSE, MILITARY ¹

(Functional code 051; in billions of dollars)

Major missions and programs	1987 actual	Estimate	
		1988	1989
Strategic forces ²	21.1	21.0	23.4
General purpose forces.....	114.9	110.7	114.1
Intelligence and communications.....	27.7	28.0	28.1
Airlift and sealift.....	7.1	5.6	5.9
Guard and reserve.....	15.7	16.2	16.6
Research and development ³	27.5	32.5	32.6
Central supply and maintenance.....	22.7	24.1	24.1
Training, medical, and other general personnel activities.....	35.5	35.9	36.6
Administration and associated activities.....	6.6	5.8	6.0
Support of other nations.....	0.7	0.8	0.8
Special operations forces.....		2.6	2.6
Total, budget authority.....	279.5	283.2	290.8

¹ Preliminary data; subject to revision.² Excludes strategic systems development included in the research and development category.³ Excludes research and development in other program areas on systems approved for production.

active-duty wings of Air Force tactical aircraft, and a 580-ship Navy (including strategic missile submarines and support ships).

Army General Purpose Forces.—The budget provides for new weapons to improve the firepower, mobility, and survivability of Army forces, and supports the maintenance and training of these forces.

In the 1989 budget program, the Army would procure 545 M-1 Abrams tanks and 581 Bradley fighting vehicles. Last year's biennial budget for 1988 and 1989 provided for the procurement of 534 Abrams tanks and 618 Bradley fighting vehicles in 1989.

The Army's plans for modernizing its helicopter forces have been significantly revised. Last year's budget was based on a plan to cease production of the AH-64 Apache attack helicopter after 1988 and to develop a new multipurpose helicopter, the LHX or light helicopter experimental, that would be used for both attack and utility missions. The plan assumed procurement of more than 4,000 multipurpose LHX's over a 10-year period starting in 1993. This year's revised program would continue procurement of Apaches at a rate of 72 a year, and the new LHX would be designed for the light attack mission. About 2,000 LHX helicopters are to be procured beginning in the late 1990's. This year's budget also includes funds to procure 72 Blackhawk utility helicopters, as proposed last year.

The budget continues procurement of air defense missile systems such as the short-range Stinger and Chaparral missiles and the longer-range Patriot area defense system. Initial procurement of a new forward area air defense system to provide short-range air

defense for mechanized infantry and armored divisions is planned for 1989.

The 1989 budget will support the Army's 18 active and 10 reserve divisions. The personnel strength of two active divisions, however, will be below the levels projected last year. Also, about 450 utility helicopters and their support personnel will be eliminated from the Army force structure.

Navy General Purpose Forces.—In peacetime, Navy forces provide a tangible demonstration of U.S. regional commitments. In wartime, Navy forces are essential to control the sea lines of communication over which U.S. reinforcements and resupply would travel to battle theaters. Naval forces also must be able to conduct offensive operations, if necessary, against Soviet naval forces and facilities.

Under the budget proposal, the Navy's deployable battle force ships (including strategic missile submarines and support ships) would increase from 570 ships in 1988, to 580 ships in 1989. This compares to 605 ships in 1989 that were anticipated before the budget revision. To keep future forces strong, the Navy's shipbuilding plan for 1989 includes 3 guided missile destroyers, 3 attack submarines (including initial procurement of the SSN-21 *Seawolf*), 1 amphibious ship, 7 support ships, and 2 minesweepers.

Active naval aviation forces will consist of 16 tactical airwings (13 Navy and 3 Marine Corps), 24 land-based patrol squadrons, and various support aircraft. The Navy's 14th active-duty tactical airwing will be deactivated. To maintain and modernize these forces, the budget provides for continued procurement of F-14, F/A-18, and AV-8B aircraft for tactical air wings, as well as SH-60B LAMPS III ship-based and SH-60F carrier-based helicopters for anti-submarine warfare. Budget limitations require cancellation of the new A-6F aircraft in favor of converting existing A-6 aircraft to a new and more capable configuration. A competitive procurement for an updated P-3 long-range patrol aircraft will be delayed until the early 1990s.

Realizing the full potential of the investment in naval ships and aircraft requires highly trained crews. Navy tactical aircraft pilots will average about 300 flying hours annually during 1988-1989, roughly double that of their Warsaw Pact counterparts.

Air Force General Purpose Forces.—The Air Force's tactical forces include fighter, attack, and support aircraft to gain air superiority and to conduct attacks against enemy ground forces and interdiction targets. Aircraft inventories will be maintained at a level that will support nearly 25 fully equipped active wings. Fighter and attack units of the active Air Force, the Air National Guard, and the Air Force Reserve together provide the equivalent of 38 fully equipped wings in 1988. Total wing equivalents will be reduced to 35 in 1990.

To continue modernization in 1989, the Air Force plans to procure 36 F-15E aircraft, six fewer than originally planned for 1989, and 180 F-16 multi-mission fighters.

Improvements in readiness and combat sustainability will also be made at a slower rate than previously planned. Spare parts will be purchased mainly for peacetime flying, with fewer additions to wartime stocks. Aircrew flying hours will be increased over the 1988 level, reflecting support for activities that are first in priority in maintaining high levels of readiness. To enhance air-to-air combat capability and sustainability, the budget provides for procurement of nearly 1,500 advanced medium range air-to-air missiles for the Air Force, compared to 1,750 that were projected last year to be procured in 1989.

Intelligence and Communications.—To employ our weapon systems and forces effectively, we must be able to direct them in accordance with national policy and military strategy. Information on friendly, hostile, and potentially hostile forces must be gathered and evaluated to aid decision makers. Decisions and operational orders, in turn, must be communicated to the appropriate forces.

The budget seeks improvements in intelligence and communications by providing for development and modernization of command centers, sensors, computers, satellites, and other data-gathering and communication links. These improvements will be made in five broad mission areas: strategic and non-strategic nuclear force management; theater and tactical force management; world-wide information and communication systems; electronic warfare; and intelligence.

Airlift and Sealift Forces.—Our strategy of a forward defense with a limited peacetime presence depends on being able to project military forces rapidly to crisis areas anywhere in the world and to sustain them once deployed. The budget reflects an expansion of airlift capacity through procurement of the new C-17 cargo aircraft, and continuing efforts to improve existing airlift aircraft through modifications. Sealift capabilities will be strengthened by the continued procurement of equipment to make civilian container ships more useful for military purposes.

Stockpiling equipment and materials near potential trouble spots greatly aids the deployment of forces to distant areas. The Army has stockpiled in Europe heavy equipment for four divisions and supporting units, but the acquisition of equipment for two more divisions has been slowed. Equipment to support the rapid deployment of tactical fighter squadrons is also being stockpiled in Europe.

National Guard and Reserves.—The Guard and Reserves are an integral part of our national defense, and this budget reflects their importance. Total Selected Reserve strength for 1989 will be

1,172,900, of which 1,101,300 will be paid drill strength and 71,600 will be full-time support personnel. Measures will be adopted to improve readiness and increase unit strength levels, improve training, and modernize equipment. Particular attention will be placed on strengthening combat support and combat service support units in the Army Guard and Reserve. The Guard and Reserves will continue receiving modern weapon systems and equipment such as C-130H and F-16 aircraft, UH-60A helicopters, and M-1 tanks. The Sixth Quadrennial Review of Military Compensation, focused on Reserve compensation, will make its report this spring in time for consideration in developing the 1990 budget.

Research and Development.—This category includes funds for all research and development except improvements to systems that are already operational. Weapon systems are developed, tested and evaluated to meet new military requirements. At the same time, a strong research and technology base allows continued investigation into promising new technologies and guards against technological surprise by potential adversaries. As a result of budget reductions, some programs have been cancelled and others delayed. However, the strength of our technology base is being maintained.

Major strategic force development programs include the Trident II submarine-launched missile, the B-2 advanced technology (stealth) bomber, and the advanced cruise missile. The budget requests \$4.6 billion for the Strategic Defense Initiative (SDI). This is an increase of \$1.1 billion from the level provided by the Congress for 1988, but \$1.7 billion less than the 1989 level planned in last year's budget. Additional SDI funding of \$0.4 billion is provided in the Department of Energy budget. The budget continues development of a rail garrison basing mode for the Peacekeeper ICBM. Funding requested for the development of the small ICBM has been reduced substantially from the 1988 level, pending further review of the program.

For general purpose forces, development continues on the joint service tilt-rotor aircraft and new fighter and attack aircraft for the Air Force and the Navy. Major efforts on anti-submarine warfare are funded. The Army continues development of advanced anti-tank weapon systems, cannon-fired precision munitions, and ground-based missile and control systems to fulfill its air defense mission.

Training, Medical, and Other General Personnel Activities.—These activities include training and medical services for active duty personnel. The budget request continues the improvements to individual training and realistic operational training that simulate actual combat conditions. Efforts to improve the readiness of our medical forces and the provision of peacetime care continue.

Special Operations Forces.—A new Special Operations Command was recently established at MacDill Air Force Base, Florida, to strengthen the integration of units specialized in land, sea and air operations. These units include Army Special Forces and Rangers, Navy SEALs, and Air Force special units. Modernization of these forces will continue with procurement of new and specially modified helicopters, transport aircraft, and high-speed boats. Although special operations forces are mainly oriented toward low-intensity conflict, they can be employed across the entire spectrum of military operations—from peacetime operations to conventional and nuclear war.

Military Personnel and Compensation.—The military services continue to enjoy unprecedented success in manning our forces with competent and highly motivated volunteers. A key to this success has been a commitment to maintaining attractive levels of military compensation. The budget provides for a pay raise of 4.3 percent effective January 1989, which should roughly match increases in private sector pay. This pay raise is especially crucial in light of the reduced pay raise enacted in 1988.

Management Initiatives.—Over the past 7 years, the Department of Defense (DOD) has made major improvements in the way it does business. Continued improvements have become increasingly important in light of recent budget reductions. For 1989, major goals of the department's management improvement program include simplifying and improving the acquisition process, strengthening the financial management system by consolidating financial management data within each military department and the defense agencies, and accelerating the Department's efforts to improve productivity.

Competition will be encouraged in order to keep costs down, quality up and the industrial base strong. Multiyear procurement will be emphasized to improve program stability. Commercially available products will be used instead of custom-made items wherever possible and an information system will be established to gather and maintain data on DOD's use of commercial products. The administration will propose legislation to streamline commercial products acquisition procedures, as well as to simplify the basic procurement statutes. The administration will also develop a policy on contractors' rights to technical data developed under Government contracts. DOD plans to continue improving its cash management programs.

As required by Executive Order 12615, the Department will accelerate its program of contracting-out some of its commercially available activities. The Order requires studies covering 25,000 full-time-equivalent positions (FTE) in 1988. For 1989 and beyond, DOD will conduct studies covering no less than 3 percent of its civilian

SUMMARY OF ACTIVE MILITARY PERSONNEL AND FORCES

(Year end—i.e., as of September 30)

	1987 actual	Estimate	
		1988	1989
Military personnel (in thousands):			
End strength:			
Army.....	781	772	772
Navy.....	587	593	593
Marine Corps.....	200	197	197
Air Force.....	607	576	576
Total, Department of Defense.....	2,174	2,138	2,138
Average strength:			
Army.....	777	770	764
Navy.....	582	584	592
Marine Corps.....	199	198	197
Air Force.....	609	594	579
Total, Department of Defense.....	2,167	2,145	2,132
Strategic forces:			
Intercontinental ballistic missiles:			
Peacekeeper.....	27	46	50
Minuteman.....	973	954	950
Poseidon-Trident.....	640	624	656
Strategic bomber squadrons.....	23	*25	* 25
General purpose forces:			
Land forces:			
Army divisions.....	18	18	18
Marine Corps divisions.....	3	3	3
Tactical air forces:			
Air Force wing equivalents.....	25.2	25.5	24.5
Navy attack wings.....	14	13	13
Marine Corps wings.....	3	3	3
Naval Forces:			
Attack and multipurpose carriers.....	14	14	14
Battleships.....	3	3	4
Nuclear attack submarines.....	97	96	99
Other warships.....	214	204	200
Amphibious assault ships.....	61	62	65
Airlift and sealift forces:			
C-5 airlift squadrons.....	4	4	4
Other airlift squadrons.....	13	13	13
Sealift fleet.....	61	61	61

*Includes 4 B-52G squadrons that will be reassigned to conventional forces.

employment annually until all identified potential commercial activities have been studied. Also, a test of contracting out commissary store operations will begin in 1988. When the results of that test have been assessed, the Department will conduct a test to examine the feasibility of contracting out the operation of military exchanges.

This budget also reflects expected combined savings of \$310 million annually from enactment of pending legislation to raise to \$1

million the dollar threshold for defense contracts covered by Davis-Bacon and related acts and the Service Contract Act.

Atomic Energy Defense Activities.—These activities, conducted by the Department of Energy, include research, development, testing, and production of nuclear weapons; production of special nuclear materials; storage of nuclear wastes from defense programs; and design of reactors for nuclear-powered Navy vessels.

The accompanying table shows the funding levels for these programs. In total, budget authority of \$8.1 billion is requested for 1989, compared to \$7.7 billion for 1988. Outlays are estimated to increase from \$7.6 billion in 1988 to \$7.9 billion in 1989.

ATOMIC ENERGY DEFENSE ACTIVITIES

(Functional code 053; in millions of dollars)

Major missions and programs	1987 actual	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Weapons research, development, test and production	4,180	4,208	4,243	4,390	4,521
Weapons materials, production, and waste management.....	2,531	2,704	2,972	3,074	3,166
Naval reactor development	575	607	630	652	671
Other research programs.....	192	230	255	264	272
Total, budget authority.....	7,478	7,749	8,100	8,380	8,630
OUTLAYS					
Weapons research, development, test and production	4,165	4,144	4,162	4,320	4,460
Weapons materials, production and waste management.....	2,522	2,663	2,915	3,025	3,123
Naval reactor development	573	598	618	642	662
Other research programs.....	191	226	250	259	268
Total, outlays.....	7,451	7,631	7,945	8,246	8,513

The nuclear weapons program involves the design, testing, and production of nuclear warheads for the nuclear weapons stockpile, including quality control and periodic inspection of the finished devices. Budget authority proposed for 1989 would provide for continuing missile warhead production for current and new weapon systems, and for production of special nuclear materials for use in these warheads.

The defense nuclear waste management program provides interim storage for all defense nuclear wastes. The program also supports research and development activities for the isolation and permanent storage of these wastes. Pursuant to the stipulated agreement of 1982 between the Department of Energy and the State of New Mexico, the Department will provide funds from this function for the improvement of roads relating to the Waste Isolation Pilot Plan (WIPP).

The naval reactor development program includes the research and development, design, procurement, and testing of prototype reactors for current and future nuclear-powered naval vessels.

Other atomic energy defense and research and development programs cover security at defense nuclear facilities, security investigations, and arms control and verification technology development.

Defense-Related Activities.—Activities of departments and agencies that support national defense include emergency preparedness programs, management of the Ready Reserve Force, the Selective Service System, and assistance for the Nicaraguan democratic resistance.

The Federal Emergency Management Agency conducts civil defense and other preparedness programs. Budget authority of \$160 million is proposed for 1989 for civil defense programs in order to improve State and local preparedness to cope with emergencies. Total outlays for all defense-related activities of this agency are estimated at \$325 million in 1989.

CREDIT PROGRAMS—NATIONAL DEFENSE

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Navy industrial fund:					
Change in outstandings.....	40	—29	—38	—48	—48
Outstandings.....	1,788	1,759	1,721	1,672	1,624
Defense stock fund:					
Change in outstandings.....	—1				
Defense production guarantees:					
Change in outstandings.....	—10				
Total, direct loans:					
Change in outstandings.....	29	—29	—38	—48	—48
Outstandings.....	1,788	1,759	1,721	1,672	1,624

To meet defense and essential civilian requirements for strategic and critical materials in the event of a national emergency, a stockpile of such materials is maintained. In 1988, the President designated the Secretary of Defense stockpile manager, consolidating responsibility for stockpile policy, budgeting, and administration. Legislation will be proposed to authorize the disposal of \$180 million of surplus material stocks and the acquisition and upgrading of \$90 million worth of materials in 1989. These amounts are included in the Department of Defense-Military.

The Maritime Administration (MarAd) maintains the Ready Reserve Force (RRF), a group of inactive commercial vessels that can be used to support military contingency operations. This group of cargo ships is to be ready to carry military unit equipment within five to ten days of notification. Through 1988, MarAd had program

responsibility, while the Navy budgeted for most costs including acquiring additional ships and providing maintenance. In 1989, funding and program management responsibility will be consolidated in MarAd. Although in 1989 funding will remain in the national defense function, the administration will consult with Congress about transferring funding to the transportation function in future budgets.

The Selective Service System maintains a high level of readiness to meet defense manpower requirements in case of a national emergency. Activities in support of this objective include national and regional operational planning, maintenance of automated registration information on eligible inductees, and training of Reserve officers and local and appeal board members necessary to set up local offices. The agency will begin planning for the development of a post-mobilization system for the registration and classification of health care personnel. Estimated outlays for 1988 and 1989 are \$26 million a year.

By law, funds appropriated or transferred to the President to support the Nicaraguan democratic resistance to advance democracy in Nicaragua and security for all of Central America are administered by the Secretary of State. Additional assistance for the Resistance will be requested in 1988 and 1989 as required to achieve U.S. foreign policy objectives.

Tax Expenditures.—The housing and meals provided military personnel, either in cash or in-kind, are excluded from taxable income, which results in a tax expenditure estimated at \$2.2 billion in 1989.

INTERNATIONAL AFFAIRS

The Federal Government bears the primary responsibility for protecting and advancing the interests of the United States and its people in international affairs. The funds for international affairs proposed in this budget are necessary to carry out that responsibility.

The Bipartisan Budget Agreement set ceilings for discretionary programs; i.e., those that are appropriated annually and are not mandated by permanent legislation. Budget authority in 1989 for discretionary programs is \$18.1 billion, the same as the ceiling in the Bipartisan Budget Agreement. Outlays are \$15.6 billion, or \$0.5 billion below the ceiling. This is because the administration has allocated the 2 percent increase allowed by the Bipartisan Budget Agreement to programs with low outlays in the year in which funds are appropriated.

For all international affairs programs in 1989, \$16.5 billion in budget authority is requested and outlays of \$13.3 billion are estimated. These amounts are lower than the discretionary totals primarily because non-discretionary programs include large amounts of receipts. For 1989, new direct loan obligations for international affairs are proposed to be \$5.9 billion, and new guaranteed loan commitments are proposed to be \$12.9 billion.

Foreign Aid.—Two budget subfunctions—international security assistance and international development and humanitarian assistance—comprise foreign aid.

International Security Assistance.—Security assistance programs are vital to the exercise of national security and foreign policy and serve to strengthen allied and friendly governments where the United States has special security concerns. These programs make it possible for other governments to strengthen their economies and to acquire and use the U.S. military equipment necessary for their defense. Security assistance also helps ensure U.S. access to military bases and facilities overseas. Because of the importance of national security objectives, but in keeping with current budget requirements, 1989 budget authority of \$9.0 billion is proposed. Outlays are estimated to be \$6.0 billion in 1989.

Foreign Military Sales Credit.—This program provides financing for foreign governments to purchase U.S. military equipment, training, and design and construction services for their security needs. The program proposed for 1989 consists of only forgiven loans. For 1989, budget authority of \$4.6 billion is requested and net outlays of \$1.2 billion are estimated, including credit reform.

This year the budget also reflects the estimated impact of a new foreign military sales (FMS) debt reform program for existing FMS

credit loans. Under this program, FMS credit debtor countries have the option of refinancing their loans through commercial financial institutions. This would reduce the interest rate for allies and friendly developing countries whose FMS loans are at interest rates that are now above market rates. Loan repayments under this refinancing arrangement are credited to the program, lowering net outlays.

Military Assistance.—This program provides the same types of articles and services as the foreign military sales credit program. For 1989, budget authority of \$0.5 billion is requested. Outlays are estimated to be \$0.6 billion.

Economic Support Fund.—This account finances programs in over 40 countries; the largest portion goes to countries where there are special political and security concerns. Grants provide general budget and balance of payments support to friendly governments and finance individual development projects where doing so enhances our ability to achieve important national security objectives. Aid to Egypt and Israel accounts for approximately two-thirds of the program. The proposed budget authority for 1989 is \$3.3 billion. Outlays are estimated to be \$3.5 billion.

Other.—The budget authority requested in 1989 for security assistance includes \$32 million for peacekeeping operations, \$52 million for international military education and training, and \$10 million for anti-terrorism assistance.

International Development and Humanitarian Assistance.—An important complement to security assistance are international development and humanitarian assistance programs. These programs are designed to encourage the expansion of a market-oriented international economic system and to help meet the development and humanitarian needs of developing countries. Budget authority requested for 1989 is \$4.7 billion. Outlays for 1989 are estimated at \$4.6 billion.

Multilateral Development Banks (MDBs).—The United States contributes to the World Bank group of institutions and regional banks for Latin America, Asia, and Africa. These institutions provided more than \$23.5 billion in long-term loans and technical assistance in 1986 and promoted sound economic policies in recipient countries. Lending programs are funded through the direct contributions of members and through borrowing in world capital markets, backed by guaranteed repayment of that borrowing by member governments. Both are provided in accord with multiyear international agreements to replenish the resources of each bank.

To support international commitments to the MDBs, budget authority of \$1.3 billion is requested for 1989. Nearly three-fourths of the proposed budget authority will be used to meet existing pledges to the International Development Association, which lends to the

NATIONAL NEED: CONDUCTING INTERNATIONAL RELATIONS

(Functional code 150; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Foreign aid:					
International security assistance:					
Foreign military sales credit:					
Existing law	4,053	4,017	4,460	4,540	4,615
Proposed credit reform			155	219	
Military assistance	950	701	467	475	483
Economic support fund	3,576	3,201	3,281	3,340	3,395
Guarantee reserve fund		532	643	40	
Other	98	89	94	96	97
Offsetting receipts	-464	-114	-132	-191	-298
Subtotal, International security assistance	8,213	8,425	8,968	8,520	8,293
International development and humanitarian assistance:					
Multilateral development banks	1,207	1,206	1,324	1,805	1,400
International organizations	237	245	200	204	207
Agency for International Development:					
Existing law	2,162	2,240	2,169	2,215	2,244
Proposed credit reform			16	17	18
P.L. 480 food aid:					
Existing law	1,083	1,060	1,023	1,094	1,050
Proposed credit reform			-214	-205	-197
Refugee assistance	361	338	340	313	307
Other:					
Existing law	300	292	296	305	314
Proposed credit reform			25	26	28
Offsetting receipts	-449	-479	-458	-479	-492
Subtotal, International development and humanitarian assistance	4,902	4,901	4,722	5,295	4,878
Subtotal, Foreign aid	13,114	13,326	13,690	13,815	13,171
Conduct of foreign affairs:					
Administration of foreign affairs:					
Existing law	2,091	2,039	2,071	2,380	2,421
Proposed credit reform			*	*	*
International organizations and conferences	420	515	525	543	560
Other	80	91	89	91	91
Subtotal, Conduct of foreign affairs	2,591	2,645	2,685	3,014	3,072
Foreign information and exchange activities	1,022	1,041	1,110	1,371	1,108
International financial programs:					
Foreign military sales trust fund (net)	811	-791	-1,214	-751	-761
Export-Import Bank:					
Existing law	78	110			
Proposed credit reform			336	317	294
Other	1,196				
Offsetting receipts	-89	-90	-92	-94	-96
Subtotal, International financial programs	1,997	-771	-970	-528	-563
Total, budget authority	18,724	16,241	16,515	17,673	16,789

* \$500 thousand or less.

NATIONAL NEED: CONDUCTING INTERNATIONAL RELATIONS

(Functional code 150; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Foreign aid:					
International security assistance:					
Foreign military sales credit:					
Existing law	3,758	-2,264	1,091	724	4,371
Proposed credit reform			155	219	
Military assistance	356	633	624	578	506
Economic support fund	3,466	3,362	3,459	3,469	3,508
Guarantee reserve fund	-117	723	701	40	
Other	108	89	93	90	94
Offsetting receipts	-464	-114	-132	-191	-298
Subtotal, International security assistance.....	7,106	2,428	5,991	4,931	8,181
International development and humanitarian assistance:					
Multilateral development banks.....	1,043	1,248	1,298	1,397	1,431
International organizations	263	257	239	229	226
Agency for International Development:					
Existing law	2,012	2,056	2,126	2,229	2,162
Proposed credit reform			*	1	1
P.L. 480 food aid:					
Existing law	970	1,155	1,082	1,091	1,048
Proposed credit reform			-194	-204	-197
Refugee assistance	341	335	336	322	310
Other:					
Existing law	139	173	186	196	200
Proposed credit reform			3	8	9
Offsetting receipts	-449	-479	-458	-479	-492
Subtotal, International development and humanitarian assistance.....	4,319	4,744	4,618	4,790	4,699
Subtotal, Foreign aid	11,425	7,173	10,609	9,721	12,880
Conduct of foreign affairs:					
Administration of foreign affairs:					
Existing law	1,793	2,037	2,156	2,197	2,227
Proposed credit reform			*	*	*
International organizations and conferences	360	565	523	542	559
Other	65	97	90	91	91
Subtotal, Conduct of foreign affairs.....	2,218	2,699	2,769	2,829	2,877
Foreign information and exchange activities	990	1,119	1,115	1,221	1,219
International financial programs:					
Foreign military sales trust fund (net)	1,407	155	142	98	-44
Buffer stocks.....	3				
Export-Import Bank:					
Existing law	-2,300	-985	-1,084	-565	-829
Proposed credit reform.....			81	79	9
Other	-2,006	-145	-206	-160	-110
Offsetting receipts	-89	-90	-92	-94	-96
Subtotal, International financial programs	-2,985	-1,065	-1,160	-642	-1,070
Total, outlays	11,649	9,926	13,334	13,129	15,905

*\$500 thousand or less.

poorest countries on concessional terms. The administration is also proposing to provide funding for the general capital increase of the World Bank's International Bank for Reconstruction and Development. The remaining funds will be used to make authorized annual payments to the other multilateral banks.

The 1989 budget provides currently scheduled annual payments to the MDBs. However, \$405 million remains outstanding on prior pledges that could not be accommodated in the budget due to the ceiling in the 2-year Bipartisan Budget Agreement. The administration intends to request funding for the full amount of these arrearages in the 1990 budget, consistent with its international obligations.

International Organizations.—Voluntary contributions of \$200 million in budget authority are proposed for 1989 for several developmental, humanitarian and scientific programs carried out by the United Nations and other international organizations—\$45 million less than the 1988 level. The administration believes that, useful as some of these programs may be, a higher priority must be afforded other foreign assistance activities accomplishing the same objectives.

Agency for International Development (AID).—AID carries out bilateral development assistance programs in more than 60 countries in Latin America, Africa, and Asia. The agency also supports the overseas humanitarian relief and development programs of U.S. private and voluntary organizations and assists development-related research activities in U.S. universities. Proposed budget authority for AID programs for 1989 is \$2.2 billion, about 3 percent below 1988. Principal objectives of bilateral development programs include meeting the basic human needs of aid recipients, supporting sound economic policies in recipient countries, using the private sector as a vehicle for economic growth, improving the capability of indigenous institutions in developing countries, and increasing the use of science and technology in development.

Public Law 480 Food Aid.—This program provides U.S. agricultural commodities to foreign governments under either long term (up to 40 years) low interest rate (2 to 3 percent) loans or grants. Food aid commodities are limited to those declared by the Secretary of Agriculture as available, if excess to normal domestic and commercial export needs.

The U.S. agricultural sector benefits when these available commodities are exported in a manner that does not displace commercial exports. The food aid program serves U.S. objectives in promoting international security, agricultural export market development, and economic development. Recipients of these loans benefit by saving their scarce foreign exchange to import non-food goods and services beneficial to economic development.

Under the Title II grant program, food aid is targeted by foreign governments and private and voluntary organizations, as well as international organizations, mainly to needy children, pregnant women, and refugees. Title II also constitutes the U.S. Government's primary response mechanism to emergency food needs in Africa, Asia, and Latin America.

The budget includes a total program level of \$1.4 billion, with a request of \$809 million in 1989 budget authority for the P.L. 480 food aid program. This will allow for a program level of \$812 million under Title I (concessional loans) and \$595 million under Title II (grant assistance), after incorporating receipts from repayment of prior loans.

Refugee Assistance.—Budget authority of \$340 million is proposed in 1989 for assistance to refugees abroad, primarily in Africa, the Near East, Pakistan, and Southeast Asia, and for the admission of up to 68,500 refugees to the United States. Together with the continuing needs of existing refugee populations, this admissions level will cover the potential major inflow of Armenians and Soviet Jews into the United States. This budget request continues United States leadership in international humanitarian programs to assist refugees. Additional funding for refugee assistance in the United States is discussed in the income security function.

Conduct of Foreign Affairs.—Funds for this group of programs cover primarily the operating costs of the Department of State in carrying out diplomatic and consular activities with foreign governments and international organizations. Contributions assessed by international organizations of which the United States is a member are also included here. For 1989, \$2.7 billion of budget authority is requested, and \$2.8 billion in outlays are estimated.

Administration of Foreign Affairs.—To promote United States interests abroad, diplomatic and consular relations are maintained with foreign governments at 262 posts throughout the world. The overall request for 1989 budget authority is \$2.1 billion, with estimated outlays of \$2.2 billion. The administration's 1989 request for State Department operations reflects the need for budget restraint. This "hold the line" request maintains ongoing activities and emphasizes the need for efficiencies in departmental operations. Increased funding will be sought for only the highest priority requirements, such as a new Foreign Service Institute facility in Arlington, Virginia. This tight budget climate has not diminished the administration's commitment to further the interests of the United States abroad and to ensure that those interests may be pursued in a physically and technically secure environment. The diplomatic security program remains a high priority, and requested funding for its operating expenses will permit the continuation of high priority perimeter security programs, countermeasures and office

equipment protection programs, and foreign national replacement in Eastern Bloc countries. The administration is not requesting funds for new diplomatic security construction projects, preferring to focus on projects currently underway.

International Organizations and Conferences.—Budget authority of \$525 million in 1989 is proposed for assessed contributions to international organizations, international peacekeeping activities in the Middle East, and participation in international conferences. This amount, the maximum feasible under the Bipartisan Budget Agreement, is less than the total assessments on the United States from these organizations; as a result, arrearages to them will increase further. The United States remains committed to effective participation in international organizations in pursuit of important U.S. interests. The United States will continue to press for implementation of the administrative and program budget reforms required to rebuild confidence in the operational effectiveness and policy relevance of these organizations. The administration intends no downgrading of the importance of multilateral activities and will consult with both the Congress and other countries regarding ways to address the arrearage problem.

Foreign Information and Exchange Activities.—An important objective of this administration is to increase international understanding of American society and foreign policy. The United States Information Agency (USIA) seeks to do so through personal contacts, academic and leadership exchanges, WORLDNET satellite television broadcasting, Voice of America (VOA) radio broadcasting, distribution of books and periodicals, English language teaching, and the operation of libraries and cultural centers in 127 countries. For 1989, the administration proposes \$881 million in budget authority for USIA, an increase of \$61 million from 1988. The VOA multiyear modernization program includes funds for two major new transmitter facilities. The 1989 request of \$65 million in budget authority for radio construction maintains strong administration support for VOA modernization—which received no new funding in 1988—while modifying the previous plans to focus on establishing new relay facilities in Morocco and Thailand. The Television and Film Service funding request is increased over the 1988 level in order to complete the global satellite television broadcasting infrastructure for the WORLDNET television service. These two program areas account for most of the funding increases for USIA in 1989.

The Board for International Broadcasting provides grants to Radio Free Europe/Radio Liberty, Inc. (RFE/RL), which broadcasts in 22 languages to Eastern Europe and the Soviet Union. For 1989, \$227 million of budget authority is requested for the Board. This includes \$35 million for continuing construction of a transmitter in

Israel, to be used by both RFE/RL and the Voice of America. An operating budget increase is proposed to offset the decline in value of the dollar against the three foreign currencies that RFE/RL uses to pay for the bulk of its activities.

International Financial Programs.—To assist in the steady growth of the international economy, the United States conducts programs to improve the international financial system and to facilitate U.S. participation in world trade, including arms sales. For 1989, total net outlays are estimated to be —\$1.2 billion, because Export-Import Bank loan repayments are expected to exceed new loan commitments, and Export-Import Bank loans will continue to be prepaid.

CREDIT PROGRAMS—INTERNATIONAL AFFAIRS

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Foreign military sales credit:					
New obligations	4,053	4,049	4,460	4,540	4,615
Change in outstandings	1,066	—5,070	—1,571	—1,966	1,573
Outstandings	24,935	19,865	18,293	16,327	17,900
Economic support fund:					
New obligations	109	25			
Change in outstandings	5	—43	—73	—78	—81
Outstandings	6,310	6,267	6,194	6,116	6,035
Development credit:					
New obligations	124	65			
Change in outstandings	—35	—66	—88	—134	—111
Outstandings	12,072	12,006	11,918	11,784	11,672
OPIC subsidies:					
New obligations			17	18	18
Change in outstandings			1	7	11
Outstandings			1	8	19
Overseas Private Investment Corporation:					
New obligations	23	23			
Change in outstandings	8	4	2	—1	—6
Outstandings	49	53	56	54	48
AID private sector loan subsidies:					
New obligations			5	5	5
Change in outstandings				1	2
Outstandings				1	4
AID private sector revolving fund:					
New obligations	15	12			
Change in outstandings	6	7	8	4	—1
Outstandings	17	24	32	36	35
AID housing & other guarantee programs:					
Change in outstandings	23	19	20	26	21
Outstandings	92	112	132	158	179
Public Law 480 food aid:					
New obligations	804	777	739	752	764
Change in outstandings	597	543	499	607	556
Outstandings	11,219	11,762	12,261	12,868	13,424
Export-Import Bank:					
New obligations	677	693			
Change in outstandings	—3,149	—1,552	—1,471	—960	—1,148
Outstandings	11,202	9,649	8,178	7,218	6,070
Export-Import Bank subsidies:					
New obligations			705	718	730

CREDIT PROGRAMS—INTERNATIONAL AFFAIRS—Continued

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Change in outstandings.....			96	218	297
Outstandings.....			96	315	612
Other:					
New obligations.....	1	1	1	1	1
Change in outstandings.....	-99	556	643	41	-4
Outstandings.....	1,332	1,888	2,531	2,572	2,568
Total, direct loans:					
New obligations.....	5,806	5,645	5,927	6,034	6,133
Change in outstandings.....	-1,577	-5,601	-1,935	-2,237	1,110
Outstandings.....	67,229	61,627	59,693	57,456	58,566
Guaranteed loans:					
Foreign military sales credit:					
New commitments.....		5,153	2,300	3,266	
Change in outstandings.....	-20	5,133	2,280	2,730	-562
Outstandings.....	140	5,273	7,553	10,283	9,721
OPIC subsidies:					
New commitments.....			175	178	181
Change in outstandings.....			11	68	92
Outstandings.....			11	80	171
Overseas Private Investment Corporation:					
New commitments.....	200	200			
Change in outstandings.....	40	30	19	-23	-60
Outstandings.....	308	338	357	333	273
AID private sector loan subsidies:					
New commitments.....			100	100	100
Change in outstandings.....				25	50
Outstandings.....				25	75
AID housing guarantee subsidies:					
New commitments.....			100	100	100
AID housing & other guarantee programs:					
New commitments.....	145	125			
Change in outstandings.....	112	95	112	124	86
Outstandings.....	1,328	1,423	1,535	1,659	1,745
Export-Import Bank:					
New commitments.....	6,754	14,601			
Change in outstandings.....	294	-115	-1,125	-647	-554
Outstandings.....	5,079	4,964	3,839	3,192	2,638
Export-Import Bank subsidies:					
New commitments.....			10,200	10,384	10,555
Change in outstandings.....			1,184	1,498	1,461
Outstandings.....			1,184	2,682	4,143
Total, guaranteed loans:					
New commitments.....	7,099	20,079	12,875	14,028	10,936
Change in outstandings.....	426	5,143	2,481	3,774	514
Outstandings.....	6,855	11,998	14,479	18,254	18,767
Total, new obligations and new commitments.....	12,905	25,724	18,802	20,062	17,069

Export-Import Bank.—The Export-Import Bank (Eximbank) administers direct loan, guarantee and insurance programs to promote U.S. export sales. The direct loan program offers loans generally below market rates, consistent with an international agreement that reduces, but does not yet completely eliminate, interest rate subsidies. The administration proposes that Eximbank's direct

loan program be \$705 million in 1989, a 2 percent increase over the 1988 enacted level.

In 1989, as part of an overall Federal credit reform proposal discussed in Part 6b of this volume, the administration is proposing to appropriate the subsidies associated with Eximbank's direct loan and guarantee programs to reflect more accurately the cost to the U.S. economy of these programs. Loan prepayments of \$525 million in 1989 are anticipated.

Purtenant to the September 1987 OMB/Eximbank report to Congress titled "Report on Government Involvement in Export Credit Insurance," Eximbank and OMB will continue to examine the benefits of alternative delivery mechanisms for insurance provided through the Foreign Credit Insurance Association (FCIA). The study will also explore the current operating arrangement, in which the FCIA operates as an agent of Eximbank, in light of the withdrawal of meaningful private sector participation in FCIA.

Tax Expenditures.—In an effort to encourage exports, a portion of the profits from the export sales of foreign sales corporations (FSCs) is not taxed. Also, Americans working abroad are permitted to exclude substantial amounts of earned income and housing allowances from taxation. Tax expenditures resulting from FSCs and the foreign earned-income exclusion are an estimated \$0.6 billion and \$1.8 billion, respectively, for 1989. Additional estimated tax expenditures of \$4.4 billion, \$95 million, and \$155 million result from the source rules exception for inventory property sales, the interest allocation rules exception for certain nonfinancial institutions, and the deferral of income tax on the undistributed earnings of foreign corporations controlled by U.S. shareholders. Total tax expenditures for international affairs are estimated to be \$7.1 billion in 1989.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The programs in this function help to ensure U.S. strength and leadership in science and space technology. All the programs of the National Science Foundation, the space programs of the National Aeronautics and Space Administration, and the general science programs of the Department of Energy are included in this function. Continued support for these programs in the budget reflects the administration's view that the ability of the Nation to meet global competition, provide for national security, and improve the quality of life for all citizens depends in part upon national investments in science and technology.

Proposed budget authority for these programs is \$13.9 billion in 1989, an increase of \$3.1 billion or 29 percent above the 1988 level. Outlays for programs in this function are estimated to reach \$13.1 billion in 1989, an increase of 20 percent or \$2.2 billion over 1988.

The budget would increase funding for general science programs, and strengthen a vigorous and balanced space program. Even in a time of fiscal restraint, the increased budget authority proposed for these programs represents a necessary investment in the Nation's future because of the important contribution such programs make to long-range economic growth and the competitiveness of the U.S. economy.

The programs in this function all support basic research, and account for well over one-third of total Federal funding for such research. These programs are of particular importance to the Nation because they, along with research programs of the Department of Defense (DOD), constitute the predominant Federal sources of funding for basic research in the physical and engineering sciences.

The major initiatives proposed in the 1989 budget include:

- a 19 percent increase for the National Science Foundation, including full funding for the Science and Technology Centers program, as well as a continued commitment to double the support for academic basic research through NSF by 1993;
- an increase of nearly 50 percent in the general science programs of the Department of Energy, including funds to initiate construction of the Superconducting Super Collider (SSC); and
- a nearly 30 percent increase for the space research and technology programs of the National Aeronautics and Space Administration, including a doubling of support for the development of the space station to nearly \$1 billion, and the initiation of a major new technology program, Pathfinder.

General Science and Basic Research.—This area covers all the programs of the National Science Foundation (NSF), as well as the

NATIONAL NEED: INCREASING BASIC SCIENTIFIC KNOWLEDGE AND USE OF SPACE

(Functional code 250; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
General science and basic research:					
National Science Foundation programs	1,639	1,733	2,066	2,149	2,414
Department of Energy general science programs	702	804	1,197	1,617	1,500
Subtotal, General science and basic research	2,340	2,537	3,263	3,766	3,914
Space research and technology:					
Space flight	6,864	4,683	6,359	7,918	8,551
Space science, applications, and technology	2,297	2,444	2,998	3,099	3,165
Supporting space activities	1,037	1,077	1,259	1,419	1,394
Subtotal, Space research and technology	10,198	8,203	10,616	12,436	13,111
Total, budget authority	12,538	10,741	13,879	16,202	17,024
OUTLAYS					
General science and basic research:					
National Science Foundation programs	1,562	1,673	1,818	2,033	2,276
Department of Energy general science programs	697	795	1,104	1,349	1,372
Subtotal, General science and basic research	2,260	2,468	2,922	3,382	3,648
Space research and technology:					
Space flight	4,137	5,180	6,350	7,345	8,660
Space science, applications, and technology	1,942	2,352	2,673	3,100	3,148
Supporting space activities	878	903	1,158	1,364	1,374
Subtotal, Space research and technology	6,957	8,435	10,181	11,809	13,181
Total, outlays	9,216	10,903	13,103	15,191	16,830

general science projects and programs of the Department of Energy (DOE) in high energy and nuclear physics. Budget authority of \$3.3 billion is proposed for these programs in 1989, an increase of 29 percent or \$0.7 billion over the 1988 level.

National Science Foundation Programs.—The principal mission of the NSF is to support basic research in all fields of science and engineering. The NSF's broad-based research programs complement the basic research programs of agencies with specialized missions, such as the National Aeronautics and Space Administration, DOD, and the National Institutes of Health. This approach of funding basic research across several agencies helps ensure balanced Federal support across all scientific disciplines. The 1989 budget includes \$2.1 billion in proposed budget authority for the NSF, an increase of 19 percent or \$0.3 billion over the 1988 level. Within this amount, the support of basic research would increase from \$1.4 billion in 1988 to \$1.7 billion in 1989. In addition, the

budget projects a doubling of support for academic basic research through the NSF by 1993.

The NSF supports research at academic institutions through grants to individual scientists. The increased level of basic research support proposed for 1989 would continue to place special emphasis on interdisciplinary research. Basic research among several disciplines often leads to the creation of important new fields of science (e.g., biotechnology). The administration proposes to establish 10 to 15 new fully funded interdisciplinary basic science and technology centers over the next 5 years from a one-time appropriation in 1989. These centers would be modeled after the existing engineering research centers, and would focus on research among scientific disciplines, encouraging substantial participation by industry and the States to speed the transfer of new knowledge from the laboratory to the marketplace.

Research programs that contribute to the development of "human capital" would also be emphasized. Continued U.S. leadership in science and industry depends on the future availability of high-quality scientists and engineers. Academic basic research is a primary means of expanding the U.S. pool of trained scientists and engineers that, over the long term, enhances the ability of the U.S. to compete globally. This emphasis would be reflected in the new basic science and technology centers, discussed above, as well as in a variety of ongoing NSF programs, including the engineering research centers, the advanced scientific computing centers, the graduate fellowship program, and programs to improve student research and to increase funds for scientific equipment at undergraduate institutions.

Increased support is also requested for NSF programs aimed at improving the quality of pre-college science and math education. These programs are intended to complement the efforts of State and local education agencies and the private sector.

In addition, continued support is requested for the U.S. Antarctic program, managed by the NSF. Through this science program, the U.S. maintains an active and influential presence in that region.

Department of Energy General Science Programs.—The general science programs of the DOE support basic research in nuclear and high energy physics, and support the construction and operation of facilities required to carry out this research. The goal of the research is to achieve a comprehensive understanding of the basic components of matter and energy and the forces that govern their interaction. Budget authority of \$1.2 billion is requested for support of these programs in 1989, an increase of \$0.4 billion or 49 percent over the 1988 level.

The proposed budget would continue funding for research carried out at the nuclear and particle physics accelerators supported by

DOE. It would also continue funding for advanced accelerator and detector research and development related to the next generation of high energy particle accelerators.

The administration requests funding of \$0.4 billion for the initiation of construction of the Superconducting Super Collider (SSC). The SSC will be the world's most powerful proton-proton collider, producing particle collisions with total energies approaching 40 trillion electron volts, an energy twenty times the highest energies available in the world today. The budget projections assume substantial cost sharing by the host State and other nations, beginning in 1991.

The budget also proposes establishment of a separate new account that would support the construction, operation, and maintenance of the DOE's basic research user facilities. General science facilities funded through this account would include Fermilab, the Stanford Linear Accelerator Center, the Brookhaven National Laboratory, the Continuous Electron Beam Accelerator Facility (CEBAF), and the new Superconducting Super Collider project, discussed above. A separate appropriation account would facilitate the budgeting process and help ensure the funding levels necessary for effective operation of these unique national facilities.

Space Research and Technology.—This part of the function covers the space-related activities of the National Aeronautics and Space Administration (NASA). The proposed budget would continue a vigorous and balanced program in the primary areas of space flight, space science, and space technology. These activities ensure U.S. preeminence in areas critical to achieving the Nation's goals in space. Budget authority of \$10.6 billion is proposed for these programs in 1989, compared to \$8.2 billion in 1988, an increase of about 29 percent. Outlays are estimated to increase 21 percent, from \$8.4 billion in 1988 to \$10.2 billion in 1989. The proposed increase in budget authority would provide for continued development of the space station, increases in shuttle recovery activities, compensation for loss of previously planned reimbursements for the use of the shuttle, and procurement of additional expendable launch vehicle services for scientific and other missions. Additional requested increases are for program enhancements such as the advanced solid rocket motor, new activities such as Pathfinder, a program supporting the long-range goal of expanding human presence and activity beyond low earth orbit into the solar system, and initiation of a new science mission.

Space Flight.—U.S. preeminence in critical areas of manned space flight is ensured through programs to improve the space shuttle and to develop, deploy, and use the space station. Commitment to the use of commercial goods and services, and private sector investment and involvement in the space station, encourage

greater commercial use of space. Budget authority of \$6.4 billion is proposed for these programs in 1989, compared to \$4.7 billion in 1988, an increase of about 36 percent. Outlays are estimated to be \$6.4 billion in 1989, 22 percent or \$1.2 billion over the 1988 level.

The administration continues to place high priority on returning the space shuttle safely to flight. The proposed budget calls for the continuation of modifications and redesigns identified by post-Challenger accident reviews, particularly the solid rocket motor. The recommendations of the Rogers Commission would continue to be implemented in order to enhance the safe and effective operation of the shuttle fleet. The orbiter logistics program would continue to provide hardware to support the flight rate when flights resume. Proposed funding for operations would support training, mission planning, hardware and payload processing, and other preparations for flights planned in 1989 and 1990. Work on the replacement orbiter would continue, with delivery scheduled for 1991. A new advanced solid rocket motor would be initiated in 1989 to improve the safety, reliability, and performance of the shuttle fleet. The first delivery of the new motor is planned for 1993. Requested funding would also allow for the initiation of an improvement to the shuttle for extending the stay time in orbit. Use of domestic commercial launch services would be increased for small, medium, and large classes of expendable vehicles. The advanced launch system, a joint program of NASA and DOD, would explore new approaches to meet national space transportation needs.

For the manned space station program, the administration is requesting an increase in budget authority from \$0.4 billion in 1988 to \$1.0 billion in 1989, and a three-year advance appropriation commitment from Congress for \$6.0 billion, to expand development activities leading to an operating capability in the mid-1990's. Later in the year, the administration will request legislation to establish a total program cost ceiling on the space station. When operational, the space station will facilitate space-based research, help develop advanced technologies potentially useful to the economy, and encourage greater commercial use of space. The administration's proposal strengthens its commitment to private sector investment and involvement in the space station and relies, to the greatest extent feasible, on private sector design, financing, construction, and operation of future space station requirements, including those currently under study.

Space Science, Applications, and Technology.—This area includes programs that study the solar system, the universe, and Earth's environment; support research on materials processing in space; and develop technology for future space programs. Budget authority of \$3.0 billion is proposed for 1989, an increase of \$0.6 billion from the 1988 level.

In *space science*, the administration proposes to continue broad-based, high-quality flight programs and supporting ground-based research. Spacecraft development would continue for the gamma ray observatory, the Magellan mission, and the Mars observer. Operational support would be provided in 1989 for the Hubble space telescope, the Galileo mission to Jupiter, and the planned Voyager 2 rendezvous with Neptune in 1989. Planning activities would continue for several smaller space physics, astronomy, and life sciences experiments, which were rescheduled due to the Challenger accident. In addition, preparations would be made for future science flight missions. Specifically, for planetary exploration, such activities would include advanced technology development with emphasis on the Mariner Mark II Spacecraft. A major new mission, the Advanced X-ray Astrophysics Facility, would be initiated to allow the viewing of the universe in the X-ray region of the spectrum with an unprecedented degree of sensitivity, 1000 times better than any previous or planned X-ray mission. In 1989, proposed funding would provide for launch opportunities for small payloads on Scout rockets and for the explorer program. The global geospace sciences program would continue to expand space-based research on the physics of the interaction between the Sun and the Earth.

For *space applications*, the budget emphasizes space experiments and ground-based supporting research to study the Earth and its environment and to explore concepts and techniques for materials processing in space.

The administration proposes continued efforts to develop space-based remote sensing technologies to help better understand the Earth's environment and the interaction of the Sun and the Earth. It also calls for the continuation of planning activities for the ocean topography experiment, which will permit oceanographic studies aiding a better understanding of the effect of ocean circulation on the Earth's climate. In the area of materials processing, increased funding would allow support for the operation of the microgravity materials science laboratory and numerous ground-based microgravity experiments, including \$25 million to initiate the development of microgravity payloads for possible use on promising private sector space facilities. The budget provides for continuing planning activities for space-based experiments to be undertaken when shuttle flights resume.

For the generic *space technology* program, the administration is proposing continued growth in funding for 1989 to help provide the technology base for future space programs in areas such as propulsion, electronics, and materials research. The civil space technology initiative started in 1988 would continue as planned. Increased funding would allow the initiation of the Pathfinder program, a

major new effort oriented toward potential missions outside earth orbit, to develop a variety of generic space technologies such as transfer vehicles, closed cycle life support, and operations. These initiatives are intended to strengthen the technology base for continued U.S. leadership in space.

The commercial space programs encourage and facilitate greater private sector investment and involvement in space. The budget provides for increased funding to help non-aerospace firms and universities explore potential new uses of space for future economic benefits.

The transatmospheric research and technology program, a joint program of NASA and DOD, explores new approaches for cost-effective hypersonic vehicles for flight in the atmosphere and for access to space. Funding increases are proposed to continue cooperative research, as well as technology development and testing. These efforts are expected to lead to a transatmospheric flight research vehicle demonstration as part of the National Aerospace Plane program. The budget authority request for civil space-related elements of this activity is in this function; budget authority for NASA efforts related to aeronautical applications are discussed in the transportation function.

Supporting Space Activities.—Budget authority of \$1.3 billion is proposed in 1989 for spacecraft tracking, data gathering, and data processing support for the space program, an increase of \$0.2 billion over the 1988 level. The budget also provides for continued repayments of loan obligations for the tracking and data relay satellite (TDRSS) services, and for other tracking and data acquisition services required to support planned missions. The accompanying credit table shows NASA's repayment schedules on the outstanding direct loans made by the Federal Financing Bank for TDRSS construction and acquisition. No new obligations for this account are expected.

CREDIT PROGRAMS—GENERAL SCIENCE, SPACE, AND TECHNOLOGY

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
NASA:					
Change in outstandings.....	—79	—91	—105	—121	—138
Outstandings.....	809	717	612	491	354

Tax Expenditures.—In addition to direct Federal funding of basic research, the tax code encourages private sector research and development, including basic research, by allowing expenditures for such purposes to be deducted as a current expense. The 1989 esti-

mate for this provision is \$1.2 billion. A 25 percent tax credit to encourage increases in certain basic research and experimentation was allowed to expire in 1985, but was reinstated at a reduced rate of 20 percent through December 31, 1988 by the Tax Reform Act of 1986. This will cost \$0.8 billion in 1989. The administration is proposing that this credit be made permanent after 1988, in which case the 1989 cost would be an additional \$0.4 billion. The administration also proposes that the apportionment of research and experimentation expenses be at least 67 percent to domestic-source income. This tax expenditure would cost nearly \$1.0 billion in 1989. Tax expenditures for general science, space, and technology are estimated to total \$2.0 billion in 1989.

ENERGY

The Nation needs adequate supplies of energy at reasonable prices. Experience shows this is best achieved through minimum Government intervention in the operation of energy markets. The elimination of counterproductive Government intervention has resulted in significant benefits. For example, while the economy has greatly expanded, the United States is using no more energy and less oil than 10 years ago.

Further progress can be achieved by eliminating controls on natural gas prices, providing open access to natural gas pipelines, deregulating most of the Nation's oil pipelines, repealing the wind-fall profit tax on domestic crude oil production, and adopting new regulatory proposals to increase competition in the electric utility industry.

Federal spending can complement the workings of our market economy if it is carefully focused on meeting appropriate Federal responsibilities. For example, the Nation's strategic petroleum stockpiles have been increased fivefold since 1980 to provide protection against energy supply disruptions.

The 1989 budget continues this policy of limited Federal energy spending focused on meeting appropriate Federal responsibilities. It proposes that spending be reduced on activities that are more appropriately non-Federal responsibilities, that activities be privatized that can and should be undertaken by non-Federal entities, and that remaining programs be managed on a business-like basis. The major initiatives in the 1989 budget are:

- A renewed request for a 5-year, \$2.5 billion program to support the demonstration of innovative clean coal technologies.
- A proposal to sell the Government-run oil fields at Elk Hills and Teapot Dome. The proceeds from the sale would be used to accelerate the fill rate of the strategic petroleum reserve and to create an additional oil stockpile to replace the access the Government now has to these oilfields.
- Proposed major reforms to overhaul the lending practices of the Rural Electrification Administration (REA) and reduce costly subsidies by relying on partial REA guarantees of private loans rather than direct REA lending.

Total budget authority of \$4.8 billion is requested for energy programs in 1989, a reduction of \$0.7 billion from the level in 1988. This reduction is the net result of a \$1.3 billion decrease for REA and a \$0.4 billion decrease for the Tennessee Valley Authority, offset in part by a \$0.6 billion increase for the strategic petroleum reserve and a \$0.4 billion increase for energy supply research and development. Outlays are estimated to be \$3.1 billion in 1989, an increase of \$0.3 billion from the level in 1988. This increase is due

mainly to the increased fill rate proposed for the strategic petroleum reserve.

The budget also includes \$3.5 billion in receipts from the proposed sale of the naval petroleum reserves and \$0.1 billion from the proposed sale of assets of the Alaska power marketing administration. These proceeds are included in the undistributed offsetting receipts category.

Energy Supply.—The Federal Government's energy supply activities fall into three main categories: research and development (R&D), direct production activities, and subsidies for certain electric utilities and telephone systems.

A total of \$2.9 billion in budget authority is requested for energy supply *research and development* programs in 1989. This program level is \$0.4 billion above the level of funding in 1988. Federal spending on energy technology R&D is focused on longer-term, high-risk activities with high potential payoff. Federal support complements, rather than duplicates or competes with, R&D investments undertaken by the private sector.

Budget authority of \$352 million is requested for nuclear fission R&D in 1989, slightly above the level in 1988. An increase in funding is proposed for reactor concepts to meet space and military nuclear power requirements. This program serves national security interests and helps to maintain a technical and industrial base for potential commercial use of advanced nuclear technologies in the future.

For nuclear fusion R&D, budget authority of \$360 million is requested for 1989, a 7.5 percent increase above the 1988 level. The requested budget authority will fund fusion reactor development at a pace consistent with the potential contribution of fusion power in meeting national energy needs. In 1989, the program will continue to focus on resolving scientific questions key to the ultimate achievement of fusion energy. This includes planning and R&D to demonstrate that it is feasible to control the fusion process. The budget also includes funding to support cooperation with the Soviet Union on magnetic fusion research.

The administration requests total budget authority of \$692 million for two R&D programs addressing the clean and economical use of fossil fuels: a fossil energy program and a clean coal technology demonstration program. Budget authority of \$167 million is requested for the research program, a reduction of \$160 million from the 1988 level. The proposed reductions would close out the operation of synthetic fuels test facilities that have either completed their test programs or have proven uneconomic; eliminate subsidies for proprietary technology development, such as fuel cells, by individual companies; and reduce lower priority R&D, such as magnetohydrodynamics, not central to the core research program.

NATIONAL NEED: ENERGY

(Functional code 270; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Energy supply:					
Research and development:					
Fission	325	347	352	417	415
Fusion	342	335	360	375	392
Fossil	293	377	692	753	787
Solar and renewable energy resources	174	149	125	131	134
Energy science	833	914	859	937	1,008
Other	423	397	464	485	487
Offsetting transfers	-684	-104			
Direct production (net):					
Petroleum reserves:					
Existing law	-542	-596	-574	-558	-592
Proposed legislation				558	593
Federal power marketing:					
Existing law	64	-213	-175	-28	49
Proposed credit reform legislation				6	98
Tennessee Valley Authority:					
Existing law	1,243	1,269	858	1,075	595
Proposed credit reform			-45	-37	-29
Uranium Enrichment	55	-159	-108	-253	-183
Nuclear Waste Disposal Fund	58	-148	-88	57	76
Other subsidies:					
Nonconventional fuel production	-596	*	16	*	*
Rural electric and telephone:					
Existing law	294	1,442	22	22	22
Proposed legislation			81	85	80
Subtotal, Energy supply	2,280	4,010	2,838	4,025	3,930
Energy conservation:					
Conservation research and development	153	154	81	88	90
Conservation grants	81	157	9	7	4
Subtotal, Energy conservation	234	311	89	95	94
Emergency energy preparedness:					
Existing law	153	609	513	204	194
Proposed legislation			684	793	829
Subtotal, Emergency energy preparedness	153	609	1,197	997	1,023
Energy information, policy, and regulation	763	588	711	765	769
Total, budget authority	3,430	5,518	4,837	5,883	5,816

* \$500 thousand or less.

The budget request continues to support important, broad-based research in coal chemistry, coal-derived fuels, and petroleum and natural gas extraction. In particular, the budget provides increased funding for enhanced oil recovery and geoscience. It also includes funding to encourage cost-shared cooperative R&D ventures among companies and the Federal Government.

The administration is requesting \$2.5 billion over 5 years for clean coal technology demonstration projects to stimulate development and deployment of innovative technologies to reduce emission

NATIONAL NEED: ENERGY

(Functional code 270; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Energy supply:					
Research and development:					
Fission	320	332	355	408	407
Fusion	340	320	398	376	393
Fossil	323	380	463	534	667
Solar and renewable energy resources	174	148	128	128	131
Energy science	806	904	867	902	970
Other	409	408	455	449	471
Offsetting transfers	-87	-26			
Direct production (net):					
Petroleum reserves:					
Existing law	-515	-597	-587	-577	-591
Proposed legislation				627	591
Federal power marketing:					
Existing law	-401	-622	-580	-632	-500
Proposed legislation				7	99
Tennessee Valley Authority:					
Existing law	979	907	774	648	89
Proposed credit reform			-45	-37	-29
Uranium Enrichment	-102	-3	-91	-257	-191
Nuclear Waste Disposal Fund	5	-87	-102	-23	37
Other subsidies:					
Nonconventional fuel production	272	108	161	164	188
Rural electric and telephone:					
Existing law	-206	-998	805	389	59
Proposed legislation			-2,093	-667	-489
Proposed credit reform			10	33	52
Subtotal, Energy supply	2,318	1,177	915	2,470	2,354
Energy conservation:					
Conservation research and development	113	150	138	112	95
Conservation grants	168	176	171	72	27
Subtotal, Energy conservation	281	325	308	184	122
Emergency energy preparedness:					
Existing law	788	611	634	292	196
Proposed legislation			479	761	818
Subtotal, Emergency energy preparedness	788	611	1,113	1,053	1,015
Energy information, policy, and regulation	727	600	724	751	761
Total, outlays	4,115	2,713	3,061	4,458	4,252

of air pollutants. This Presidential initiative, which implements the recommendations of the U.S. and Canadian Special Envoys on Acid Rain, is funded by \$0.7 billion already made available for 1988 and 1989 plus an additional \$1.8 billion in budget authority requested in the form of advance appropriations for 1990 through 1992. Non-Federal sources are expected to contribute at least equal amounts of funding to these projects, as they did with cooperative agreements negotiated in 1987. Outlays for this program are estimated to be \$55 million in 1988 and \$163 million in 1989.

Budget authority of \$125 million is requested for solar and renewable energy R&D, a reduction of \$24 million from 1988. This research covers a broad range of technologies, with emphasis on the generation of electricity from sunlight, biomass, geothermal, and wind energy. The budget also proposes a new initiative to study the use of the new high-temperature superconducting materials by electric utilities. Like the fossil energy R&D budget, this budget provides for cost-shared government/industry cooperative ventures.

Energy science programs support energy-related basic and applied research in the physical, biological, environmental, and engineering sciences. The work is conducted at major universities and the Department of Energy's (DOE) national laboratories. The objective of this work is to provide fundamental scientific knowledge and a broadened engineering data base useful for future industrial development of a wide spectrum of energy technologies.

The 1989 budget requests \$859 million for these programs, a reduction of \$55 million from the 1988 level. The reduction is the net change resulting from elimination of \$126 million for congressionally-earmarked university buildings, offset by an increase of \$69 million, or nearly 10 percent, for on-going programs. The 15 building projects added by Congress in the 1988 continuing resolution have not been approved through a merit review process, and are not necessary to further program objectives. The increases for this on-going program would emphasize research on new high temperature superconducting materials and development of methods for mapping the constituents of human DNA. In addition, the budget proposes initiation of construction of a new synchrotron facility that will enable scientists to investigate the structure of matter and thereby make significant contributions to materials science.

Budget authority of \$464 million is requested for other energy supply R&D activities in 1989. Included in this category are Environmental Protection Agency research on acid rain, DOE studies of health and safety issues at its facilities, and investments to conserve energy at the national laboratories. Funding is also requested for environmental cleanup at DOE sites and for the cleanup of wastes from uranium mining. For cleanup of uranium mill tailings sites and the West Valley project, the administration will propose legislation to clarify and limit the Federal responsibility for these projects.

The Federal Government's *direct production activities* in the energy function include producing oil and gas at the naval petroleum reserves (NPR); producing and distributing electric power by the Federal power marketing administrations and the Tennessee

Valley Authority, enriching uranium, disposing of nuclear waste, and producing radioisotopes.

The administration proposes to sell the Government-run oilfields at Elk Hills, California and Teapot Dome, Wyoming. These fields were originally set aside in the early 1900's to assure an adequate oil supply for Navy ships converting from coal to oil.

The proceeds from selling these oil fields would be dedicated to raising the fill rate for the strategic petroleum reserve (SPR). The SPR is a much better emergency reserve than the NPR because it can pump out oil 30 times as fast, and it is also accessible to more pipelines and refineries. In addition, the proceeds would be used to create a separate 10 million barrel inventory to replace the access the Government now has to the NPRs and to provide increased flexibility to respond to a wide range of petroleum supply problems. The budget assumes the oil fields can be sold for \$3.5 billion, of which \$3.2 billion would be received in 1989.

The Federal power marketing administrations sell power produced at Federal hydroelectric facilities. The administration proposes divestiture of the Alaska Power Administration (APA). State and local groups in Alaska have proposed buying APA's two hydro-power projects in the Anchorage and Juneau areas. Upon successful completion of negotiations, DOE will submit authorizing legislation to the Congress in calendar year 1988, with the sale likely to be completed by the end of 1989. In addition, the administration has proposed legislation to authorize a study of divestiture of the Southeastern Power Administration (SEPA). The budget includes SEPA sale proceeds of \$1.4 billion in 1990, assuming congressional authorization and favorable results from the study. The proceeds are classified in the undistributed offsetting receipts category. The budget does not include funds for possible Bonneville Power Administration construction of a major new west coast power line. A final decision on funding will be made later this year, after completion of a study of possible non-Federal participation in, and funding for, the project.

The 1989 budget for the Tennessee Valley Authority (TVA) assumes revenues of \$5.4 billion and power expenses of \$4.6 billion. The net revenues of \$0.8 billion will finance a portion of planned capital investment of \$1.5 billion. The remaining \$0.7 billion will be borrowed from the Federal Financing Bank (FFB). Included in this total is TVA-guaranteed borrowing by the Seven States Energy Corporation from the FFB to finance the TVA nuclear fuel inventory. In recent years, TVA has encountered problems in its power program, particularly in nuclear generation. The administration believes that the report of the Southern States Energy Board Committee on TVA, chaired by Virginia Governor Baliles, includes

important recommendations to ensure that this program remains an efficient and reliable supplier of power in the Southeast.

The budget assumes that one of the five shutdown TVA nuclear power plants will resume operation in 1988. TVA's economic development programs are described in the community and regional development function.

The Federal Government's uranium enrichment enterprise is expected to have sales revenues in 1989 of \$1.3 billion and outlays of \$1.2 billion. The difference of \$91 million will be returned to the Treasury as repayment of prior-year investment. Included in the outlay total for 1989 is \$90 million for research and development of an advanced process for enriching uranium. The budget also proposes repeal of the prohibition, enacted in the 1988 continuing resolution, of any studies on the privatization of the uranium enrichment program. Repeal of this prohibition will allow assessment of the feasibility and desirability of converting the program into a private, taxpaying enterprise, a goal too important to the Nation to have it foreclosed preemptorily, without hearings or careful consideration.

The commercial nuclear waste program, which is financed by a fee on electricity generated by nuclear power plants, provides for the permanent disposal of spent nuclear reactor fuel rods and other high-level radioactive waste. In 1987, Congress enacted substantial changes in the program. Starting in 1988 DOE is directed to focus its detailed study efforts on one waste repository site, located at Yucca Mountain, Nevada. If this site proves technically feasible, DOE will build a repository there. In addition, the newly amended Nuclear Waste Policy Act provides incentive payments to any State that agrees to host the repository.

The 1989 budget includes a separate new fund for isotope sales and distribution. This new structure, along with focused management at DOE, will ensure that this service is run on a business-like basis that fully recovers costs. In addition, the restructured program will be better able to assure a secure supply to the many customers for both radioactive and stable isotopes.

The Rural Electrification Administration (REA), Department of Agriculture, provides deeply subsidized, 5 percent interest direct loans and guarantees of direct loans by the FFB for the construction and operation of rural electric utilities and telephone systems. Total REA loans outstanding, including FFB direct loans, are estimated to be \$34 billion at the end of 1987.

Since most REA borrowers are financially healthy and the goals of the REA program have been largely accomplished, the administration proposes that rural electric and telephone systems increase their reliance on private financing and that all REA lending pro-

grams be reformed through the use of partial REA guarantees of privately originated loans.

Under this proposal, 100 percent REA guaranteed FFB loans for power supply borrowers would be reformed into 80 percent REA guarantees of private loans. Further, 5 percent revolving fund direct loans would be reformed into 70 percent REA guarantees of private loans starting in 1989. Electric and telephone borrowers that serve largely urban, suburban, or recreation areas, and telephone borrowers who are subsidiaries of major telecommunications holding companies would not be eligible for such lending assistance.

Consistent with this approach, the administration proposes that REA reduce its direct loan obligations in 1989 by \$1.8 billion in favor of loans originated by the private banking system. In addition, the administration encourages privatization by proposing that any borrower with outstanding REA-guaranteed, FFB-originated loans have the opportunity to prepay them utilizing an 80 percent REA guarantee and without paying the required prepayment premium. Further, all outstanding revolving fund direct loans could be prepaid at a discount if the borrower agrees not to seek REA assistance in the future.

Energy Conservation.—The administration proposes \$89 million of budget authority in 1989 for programs in this subfunction, including energy conservation research and development and State and local energy conservation grants.

Federal Government energy conservation R&D spending supports development of methods to use energy more efficiently in buildings, transportation, and industry. The administration requests budget authority of \$81 million in 1989 for energy conservation R&D, a reduction of \$73 million from the 1988 appropriation. The proposed reduction would eliminate subsidies for development of proprietary commercial products, such as heat pumps and industrial cogeneration equipment, by specific companies. The proposed program continues support for many broad-based and long-range technology developments, including new ceramic materials for high efficiency engines and advanced chemical and biochemical processes for industry. The budget also includes a new initiative on high-temperature superconductors.

Energy grants to State and local governments are used to weatherize school buildings, hospitals, and the homes of low-income families. They also support State energy extension activities. States have received more than \$2.8 billion from the settlement of cases involving violations of rules and regulations under the price control program which expired in 1981. Since these amounts are avail-

CREDIT PROGRAMS—ENERGY

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
TVA power program:					
New obligations	97	72	70	68	65
Change in outstandings.....	16	-6	-23	-12	-6
Outstandings.....	267	261	238	226	220
TVA Seven States:					
New obligations	156	212	180	208	330
Change in outstandings.....	-16	-80	169	-362	-190
Outstandings.....	1,824	1,744	1,912	1,550	1,360
Rural electrification and telephone revolving fund:					
New obligations	1,033	1,794			
Change in outstandings.....	-666	-1,117	-1,120	-918	-1,006
Outstandings.....	34,323	33,206	32,086	31,168	30,162
Geothermal resources and other:					
Change in outstandings.....	-1	-1	-1	-1	-1
Outstandings.....	23	22	21	21	20
Total, direct loans:					
New obligations	1,286	2,078	249	276	395
Change in outstandings.....	-668	-1,203	-975	-1,293	-1,203
Outstandings.....	36,436	35,232	34,257	32,964	31,762
Guaranteed loans:					
Biomass energy development:					
Change in outstandings.....	-218	-12	-10		
Outstandings.....	578	565	555	555	555
Rural electrification and telephone subsidies:					
New commitments			1,319	1,413	1,413
Change in outstandings.....			179	581	875
Outstandings.....			179	760	1,634
Rural electrification and telephone revolving fund:					
New commitments	582	2,000			
Change in outstandings.....	404	1,985	-15	-15	-15
Outstandings.....	1,434	3,419	3,404	3,389	3,374
TVA power program:					
Change in outstandings.....		-1			-1
Outstandings.....	1	1	1	1	
Geothermal resources and other:					
Outstandings.....	50	50	50	50	50
Total, guaranteed loans:					
New commitments	582	2,000	1,319	1,413	1,413
Change in outstandings.....	185	1,972	154	566	859
Outstandings.....	2,062	4,034	4,188	4,754	5,613
Total, new obligations and new commitments.....					
	1,867	4,078	1,568	1,689	1,808

able in 1989 to fund the State grant programs, the budget requests \$9 million for administrative costs only; no new budget authority is proposed for new grants.

Emergency Energy Preparedness.—The administration supports the development of a 750 million barrel strategic petroleum reserve (SPR). The SPR is a Government stockpile of crude oil that is

intended to supplement the market in the event of a severe disruption in world oil supplies. By the end of 1988, the SPR will contain over 550 million barrels of crude oil, an amount equal to nearly 100 days of 1987 net U.S. imports of crude oil and petroleum products.

The administration is requesting \$334 million in budget authority to continue filling the SPR in 1989 at a minimum average rate of 50,000 barrels per day, the same fill rate approved by Congress in 1988. The budget also assumes proposed legislation to increase the SPR fill rate to 100,000 barrels per day and to create a separate 10 million barrel inventory to replace the Government's loss of access to the NPRs. These proposals would be contingent upon enactment of legislation authorizing the sale of the naval petroleum reserves (NPRs), and would be financed from the proceeds from the sale. These initiatives would require additional budget authority of \$684 million and outlays of \$479 million in 1989.

Energy Information, Policy and Regulation.—Net outlays for this subfunction are expected to be \$724 million in 1989, an increase of \$124 million above the 1988 level. This increase is due, in part, to the receipt in 1988 of \$49 million in fees charged by the Federal Energy Regulatory Commission (FERC), which reduce net outlays in that year. Included in this total are the general administrative expenses of the DOE together with the operating expenses of the Energy Information Administration, FERC and the Nuclear Regulatory Commission (NRC).

Proposed budget authority for the FERC in 1989 is \$107 million, completely offset by user fees. Proposed budget authority for the NRC is \$450 million in 1989. Currently, 45 percent of NRC budget authority is derived from user fees. Consistent with the Bipartisan Budget Agreement, the budget proposes legislation to increase these fees to cover 55 percent of NRC budget authority.

Tax Expenditures.—To encourage energy resource exploration and production, the tax code permits certain capital costs to be deducted as current expenses rather than amortized over the useful life of the property. In addition, the smaller, independent operators in the extractive industries are generally permitted to use percentage depletion rather than cost depletion.

Special tax credits for business investments in specified energy property, which were scheduled to expire at the end of 1985, were extended at declining rates through 1988 by the Tax Reform Act of 1986.

Currently, "proven" oil and gas properties that are transferred from major oil companies to independent oil producers are ineligible for percentage depletion. This discourages the transfer of marginal wells. The administration is proposing to remove the restriction. The independents may currently not deduct more than 50

percent of the owner's net income from a property as percentage depletion. The administration's proposal also would raise the deduction back to 100 percent. These proposed changes would raise the cost of allowing percentage depletion by an additional \$65 million in 1989.

Tax expenditures for energy are listed in the accompanying table and discussed in more detail in Special Analysis G.

TAX EXPENDITURES FOR ENERGY

(Outlay equivalents; In millions of dollars)

Description	Estimates		
	1987	1988	1989
Expensing of exploration and development costs:			
Oil and gas	-675	-415	-185
Other fuels	35	35	35
Excess of percentage over cost depletion:			
Oil and gas	1,030	770	665
Other fuels	330	225	215
Capital gains treatment of royalties on coal	75		
Exclusion of interest on State and local industrial development bonds for certain energy facilities	380	385	400
Residential energy credits:			
Supply incentives	60	5	
Conservation incentives	*	*	
Alternative, conservation and new technology credits:			
Supply incentives	180	95	35
Conservation incentives	-*	-*	-*
Alternative fuel production credit	25	15	15
Alcohol fuel credit ¹	10	10	10
Energy credit for intercity buses	*	-*	-*
Special rules for mining reclamation reserves	45	45	45
Total (after interactions), energy ²	1,060	830	875

*500 thousand or less.

¹ In addition, the exemption from the excise tax on alcohol fuel results in a reduction in excise receipts of \$475 million in 1987, \$480 million in 1988, and \$480 million in 1989.

² The estimate of total tax expenditures for this function reflects interactive effects among the individual items. Therefore, the estimates cannot simply be added.

NATURAL RESOURCES AND ENVIRONMENT

Federal natural resources and environment programs manage public lands and resources for their preservation, conservation, and economic development; assist State governments to ensure a clean environment; and encourage increased knowledge and understanding of the environment. A total of \$15.2 billion in budget authority is requested for this function in 1989, a decrease of \$233 million from 1988. This change results from a \$804 million decrease for sewage treatment plant construction grants, and reductions in Federal land acquisition and other natural resources programs. These reductions are partially offset by a \$778 million increase in the conservation reserve program.

Pollution Control and Abatement.—Efforts to control pollution of air, water, and land are carried out through direct Federal programs and through financial assistance to State and local governments. The administration proposes budget authority of \$4.6 billion for these programs in 1989, a decrease of \$281 million from 1988.

Regulatory, Enforcement, and Research Programs.—Proposed 1989 budget authority for these programs is increased \$51 million over the 1988 level. Increases are requested to carry out new statutory responsibilities under the Clean Water Act. In addition, increases are proposed for high priority environmental problems including stratospheric ozone depletion, global climate change, radon, disposal of suspended pesticides, and the attainment of Clean Air Act deadlines. Proposed 1989 budget authority for the Federal acid precipitation task force, classified in the energy and in other functions, will ensure that the task force will be able to address the remaining scientific uncertainties associated with acid precipitation in its final assessment.

Hazardous Substance Superfund.—This trust fund finances the cleanup of abandoned hazardous waste sites and hazardous chemical spills. The administration proposes budget authority of \$1.6 billion for 1989, an increase of \$472 million over 1988. This funding level is greater than the total Superfund program from 1981-1985. The requested level would enable the Superfund program to fund all projects ready for cleanup in 1989 and meet the statutory deadline for cleanups.

Sewage Treatment Construction Grants.—This program provides financial assistance to States and municipalities for the construction of publicly owned treatment facilities. For 1989, funding of \$1.5 billion is requested, split evenly between the existing grant program and the new State Revolving Fund (SRF) program. Capitalization grants to SRFs are intended to set up self-sustaining financial mechanisms that would make loans, enable refinancing, and provide loan guarantees. The 1989 funding level, which is \$804

million below the 1988 level, is consistent with the President's long-term program level of \$12 billion for 1986 to 1993, which was proposed in the 1988 budget. This program level is sufficient to fund the Federal share for all projects needed to meet the 1988 municipal compliance requirements, complete all treatment plants started with Federal funds, and give States the flexibility they need to make the transition to financial independence in this area.

NATIONAL NEED: USING AND PRESERVING NATURAL RESOURCES AND PROTECTING THE ENVIRONMENT

(Functional code 300; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Pollution control and abatement:					
Regulatory, enforcement, and research programs	1,487	1,538	1,589	1,562	1,560
Hazardous substance response fund	1,411	1,128	1,600	1,750	1,875
Oil pollution funds (gross)	7	5	6	6	6
Sewage treatment plant construction grants ..	2,361	2,304	1,500	1,300	1,100
Leaking underground storage tank trust fund	50	14	50	75	75
Offsetting receipts	-20	-68	-104	-122	-175
Subtotal, Pollution control and abatement	5,296	4,922	4,641	4,571	4,440
Water resources:					
Corps of Engineers	3,236	3,471	3,537	3,615	3,565
Bureau of Reclamation:					
Existing law	951	1,057	1,077	1,106	1,006
Proposed credit reform			-7	-5	-2
Other	218	206	138	135	134
Offsetting receipts:					
Existing law	-297	-459	-483	-448	-482
Proposed legislation			10	11	11
Subtotal, Water resources	4,107	4,274	4,273	4,413	4,233
Conservation and land management:					
Management of national forests, cooperative forestry, and forestry research (Forest Service)	2,054	2,071	1,971	1,971	1,971
Management of public lands (BLM)	564	520	547	547	541
Mining reclamation and enforcement	319	309	260	275	290
Conservation reserve program		1,086	1,864	2,020	1,975
Other conservation of agricultural lands	642	687	486	480	480
Other resources management	293	301	303	285	285
Offsetting receipts:					
Existing law	-2,151	-2,298	-2,354	-4,529	-2,559
Proposed legislation		23	23	23	23
Subtotal, Conservation and land management	1,721	2,699	3,101	1,072	3,007
Recreational resources:					
Federal land acquisition: ¹					
Existing law	244	232	81	85	85
Proposed legislation			-30	-30	-30
Urban park and historic preservation funds ..	24	27			
Operation of recreational resources:					
Existing law	1,475	1,560	1,465	1,478	1,490
Proposed legislation			23	23	43

NATIONAL NEED: USING AND PRESERVING NATURAL RESOURCES AND PROTECTING THE ENVIRONMENT—Continued

(Functional code 300; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
Offsetting receipts:					
Existing law	- 59	- 109	- 113	- 104	- 108
Proposed legislation		- 23	- 23	- 45	- 45
Subtotal, Recreational resources	1,685	1,687	1,403	1,406	1,435
Other natural resources:					
Program activities:					
Existing law	1,781	1,868	1,801	1,787	1,721
Proposed legislation				29	29
Offsetting receipts	- 11	- 26	- 27	- 27	- 27
Subtotal, Other natural resources	1,770	1,842	1,774	1,789	1,722
Total, budget authority	14,578	15,424	15,191	13,251	14,837

¹ Includes budget authority from State grants financed by the land and water conservation fund.

Water Resources.—Total 1989 net proposed budget authority for the Department of the Army's Corps of Engineers, the Department of the Interior's Bureau of Reclamation, and the Department of Agriculture's Soil Conservation Service (SCS) is \$4.3 billion, which is approximately the 1988 level, and is about \$166 million above the 1987 level. Increases due primarily to the construction of new Federal water resource projects initiated since 1985 are offset in 1989 by higher commercial navigation user fees, non-Federal project financing already authorized in law, and a decrease for SCS. Most proposed funding for water resources development covers ongoing construction of projects started in previous years, and operation and maintenance of completed projects. However, with the enactment of the Water Resources Development Act of 1986 (WRDA), the beneficiaries of water projects must pay a bigger share of planning and construction costs. While these new requirements allow continued work on needed water projects, cost-sharing has already resulted in smaller, less environmentally damaging projects.

The administration proposes six new construction starts for the Corps of Engineers, including the Santa Ana flood control project in Southern California. Construction of these projects is contingent upon the willingness of State and local governments, and other non-Federal project sponsors, to share in project costs in accordance with WRDA.

WRDA authorizes an ad valorem fee for use of the 200 U.S. commercial harbors, and will annually recover up to 40 percent of the Corps of Engineers harbor operation and maintenance expenses that were previously financed entirely by general tax funds. The

fee is equivalent to 4 cents for every \$100 of value of cargo loaded or unloaded.

The administration requests budget authority of \$156 million in 1989 for Corps of Engineers harbor operation and maintenance costs. These costs will be recovered from the WRDA ad valorem receipts. In addition, the administration proposes to offset 1989 construction costs of inland waterway projects with \$77 million in receipts from the existing tax on fuel to transport cargo on the inland waterway system (WRDA imposes a gradual increase in this tax, doubling it by 1995). Both harbor and inland revenues are classified as governmental receipts.

WRDA also authorizes greater concurrent non-Federal financing of Corps of Engineers construction costs and established new requirements for repayment of construction costs over time with interest. Budget estimates are based on these new cost-sharing policies.

NATIONAL NEED: USING AND PRESERVING NATURAL RESOURCES AND PROTECTING THE ENVIRONMENT

(Functional code 300; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Pollution control and abatement:					
Regulatory, enforcement, and research programs	1,419	1,511	1,580	1,565	1,566
Hazardous substance response fund	541	778	1,205	1,478	1,646
Oil pollution funds (gross)	6	8	7	6	6
Sewage treatment plant construction grants ..	2,920	2,566	2,378	2,370	2,070
Leaking underground storage tank trust fund	1	23	32	47	71
Offsetting receipts	-20	-68	-104	-122	-175
Subtotal, Pollution control and abatement	4,869	4,819	5,097	5,345	5,184
Water resources:					
Corps of Engineers	2,873	3,440	3,531	3,615	3,565
Bureau of Reclamation:					
Existing law	964	919	1,078	1,099	1,025
Proposed credit reform			-4	-5	-2
Other	243	254	166	189	138
Offsetting receipts:					
Existing law	-297	-459	-483	-448	-482
Proposed legislation			10	11	11
Subtotal, Water resources	3,783	4,154	4,298	4,460	4,256
Conservation and land management:					
Management of national forests, cooperative forestry, and forestry research (Forest Service)	1,876	2,068	1,977	1,980	1,971
Management of public lands (BLM)	537	545	560	547	542
Mining reclamation and enforcement	325	324	287	290	279
Conservation reserve program		736	1,841	2,393	1,975
Other conservation of agricultural lands	580	786	627	560	513
Other resources management	306	298	305	286	286
Offsetting receipts:					
Existing law	-2,151	-2,298	-2,354	-4,529	-2,559

NATIONAL NEED: USING AND PRESERVING NATURAL RESOURCES AND PROTECTING THE ENVIRONMENT—Continued

(Functional code 300; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
Proposed legislation		23	23	23	23
Subtotal, Conservation and land management.....	1,473	2,483	3,266	1,551	3,030
Recreational resources:					
Federal land acquisition ¹	281	312	185	110	71
Urban park and historic preservation funds.....	29	33	16	*	
Operation of recreational resources:					
Existing law	1,312	1,612	1,507	1,506	1,486
Proposed legislation			17	23	43
Offsetting receipts:					
Existing law	-59	-109	-113	-104	-108
Proposed legislation		-23	-23	-45	-45
Subtotal, Recreational resources.....	1,564	1,824	1,589	1,490	1,447
Other natural resources:					
Program activities:					
Existing law	1,686	1,886	1,801	1,890	1,876
Proposed legislation				27	29
Offsetting receipts.....	-11	-26	-27	-27	-27
Subtotal, Other natural resources.....	1,675	1,860	1,773	1,889	1,877
Total, outlays	13,363	15,139	16,024	14,735	15,794

*\$500 thousand or less.

¹ Includes outlays from State grants financed by the land and water conservation fund.

Funding for the Bureau of Reclamation is consistent with the change in the Bureau's mission announced in October 1987. An increase of \$32 million in budget authority over 1988 is proposed for enhanced operation and maintenance of existing dams, power plants, and irrigation facilities. Emphasis is also placed on the consolidation of many headquarters operations and technical functions in Denver, Colorado, and on completion of ongoing construction and planning activities that are substantially underway. Funding for new activities and projects is constrained. These changes will allow the Bureau to: upgrade the physical condition of its facilities; streamline administrative and technical functions; and complete more projects, or major project features, on schedule than would be possible if funding were distributed to all projects regardless of their relative stage of completion.

The Bureau is included in the administration's loan asset sale initiative. Bureau loans with a face value of about \$530 million will be offered for sale, yielding estimated net receipts of \$130 million in 1988.

The administration proposes major reforms for the SCS small watershed program, which provides flood control facilities in rural areas. The proposed reforms will eliminate overlap and duplication, achieve a reduction in bureaucracy, bring about a significant in-

crease in productivity, and make SCS flood control cost-sharing consistent with WRDA provisions for the Army Corps of Engineers. The administration is proposing \$116 million in budget authority for the small watershed program in 1989.

Conservation and Land Management.—Changes in these programs reflect the administration's continuing efforts to improve the management of the national forests and public lands, to make mineral leasing programs more efficient, and to place maximum responsibility with the States for surface coal mining regulatory and reclamation programs. Proposed budget authority for these programs increases by \$402 million between 1988 and 1989 because of increases in funding for the conservation of agricultural lands.

Management of National Forests, Cooperative Forestry, and Forestry Research.—Proposed budget authority in 1989 for direct management of National Forests is \$2.0 billion, a decrease from 1988 of \$10 million, after adjusting the 1988 and 1989 levels of funding for forest fire fighting. This net decrease occurs primarily as a result of the postponement of some construction projects, as well as the termination of financial assistance and reduced technical support to State forestry agencies.

The productivity of national forest management will be improved through careful control of costs and close attention to benefit-cost relationships. The administration's objective is to produce timber, minerals, recreation, and other products or services at the lowest unit costs. Both market and nonmarket benefits and the costs of resources will be carefully considered.

Planned timber sales from National Forest lands in 1989 are 11.2 billion board feet (BBF). Together with the estimated 25 BBF sold but still uncut at the end of 1988, this level will be adequate to respond to anticipated housing construction needs in 1989 and in subsequent years.

Gross receipts from the harvest of timber are estimated to be approximately \$1.0 billion in 1989. Under current law, 25 percent of these receipts are paid to States for schools and roads in the counties of origin.

The administration proposes to reduce budget authority for contributions to State and private forestry programs from \$76 million in 1988 to \$35 million in 1989. Funding will be retained to provide for pest suppression on Federal and closely associated lands, and for the collection and dissemination of data dealing with national problems. General financial assistance to States for pest suppression, fire protection, and for forestry technical assistance on non-Federal lands is not proposed in 1989.

Management of Public Lands.—The Bureau of Land Management (BLM) administers 310 million surface acres of public lands for multiple use, and 370 million acres of federally owned subsur-

face mineral rights. The BLM will continue to emphasize mineral leasing, realty management, data support systems, and renewable resource activities that affect water, range, timber, or wildlife. Hazardous waste assessment will also continue to be emphasized.

Mining Reclamation and Enforcement.—A 1989 budget authority request decrease of \$47 million from the 1988 level of the abandoned mine reclamation fund reflects maturation of the abandoned mined land reclamation grant program. This decrease balances annual obligations at a rate that can be absorbed by States and sustained each year until program completion in 1992. For 1989, approximately 225 projects to reclaim abandoned mined lands in 22 States will be financed by the \$159 million of proposed budget authority.

Conservation of Agricultural Lands.—The Federal conservation reserve program, authorized by the Food Security Act of 1985, will continue in 1989. Under this program, the Secretary of Agriculture enters into contracts with owners of erodible lands to remove those lands from active crop production. In return, the landowners receive assistance in establishing appropriate conservation cover on the land, and rental payments for each acre put into reserve status. Savings will result from termination of a number of existing conservation programs. The 1989 budget strengthens the conservation program of this administration by emphasizing the conservation reserve program and technical assistance.

Recreational Resources.—Overall proposed budget authority for recreation decreases from \$1.7 billion in 1988 to \$1.4 billion in 1989. However, proposed funding for operation of the national park system is increased. The overall reduction is due to postponing or forgoing various construction and land acquisition projects. Proposed budget authority for Federal land acquisition is reduced from the \$232 million appropriated in 1988 to \$51 million in 1989. The administration is proposing that discretionary acquisitions for park and refuge purposes be postponed through 1993 except for wetlands to be acquired with revenue from the sale of duck stamps, refuge entrance fee collections, and other dedicated receipts. Grants to States for acquisition and development of outdoor recreation lands, and for the support of State historic preservation staffs are proposed for elimination in 1989. These needs can be met through State, local, and private resources and the positive effect of Federal tax incentives on private investment in historic buildings.

The Department of the Interior is pursuing private market approaches to the supply, rehabilitation, and construction of employee housing in areas, such as parks, where there are problems in existing supply. Homeownership alternatives are included.

The budget fully utilizes entrance fees to national parks and service charges for the recreational use of national parks, forests,

and other Federal recreation facilities as authorized by the Omnibus Budget Reconciliation Act of 1987. Legislation will be proposed to broaden the type of recreation fees to be retained by the Forest Service to augment funding for National Forest system recreation programs. This will increase the total fees available for use by \$23 million. For 1989, recreation receipts available to the agency are estimated to be about \$32 million.

Total 1989 budget authority of \$734 million, an increase of \$13 million over 1988, is proposed to operate and maintain the national park system's 341 units and 79 million acres. This includes \$52 million to be financed by entrance and user fees collected in 1988.

In addition, legislation will be proposed to charge entrance fees at recreation units administered by the Army Corps of Engineers beginning in 1990. This will increase receipts by \$20 million in 1990 and provide funding for the Corps of Engineers' recreation program.

Other Natural Resources.—These activities focus on the understanding, conservation, and careful husbandry of the Earth's resources, structure, and environment through research and development and through information dissemination programs. They comprise elements of the Geological Survey (USGS), the Bureau of Mines (BOM), and the National Oceanic and Atmospheric Administration (NOAA).

The USGS 1989 budget authority request totals \$425 million and reflects reductions for numerous lower priority program activities.

Budget authority of \$128 million is requested for the Bureau of Mines in 1989. No funds have been requested for the Mineral Institutes program. BOM research activities will reflect long-term basic research projects with high potential benefit. The 1989 budget proposal also includes the privatization of Federal helium operations. Current Federal helium activities are indistinguishable from commercial operations and transfer to the private market can efficiently meet future Federal helium needs. All helium operation assets are proposed for sale. However, BOM will retain the crude helium inventory assuring future supplies for Federal agency use.

For the NOAA programs, the 1989 budget authority request of \$1,151 million in this subfunction reflects a reduction of \$32 million from the 1988 level. Increased funding is included for the procurement of the next generation of polar-orbiting and geostationary weather satellites, doppler weather radars, and commercialization of the Land Remote Sensing Satellite (Landsat) program. Increased funding is also included for an integrated NOAA program in Earth system science that will support research to improve predictions of global climate change. Reductions are proposed for State and industry financial assistance, and for research and service programs. Funding for other life safety, resource man-

agement and development programs, and for atmospheric and oceanic research and services is maintained.

Offsetting Receipts.—Offsetting receipts for the entire natural resources and environment function—primarily from user fees, sales of products, and rents and royalties—are expected to increase from \$3.0 billion in 1988 to \$3.1 billion in 1989. More than half of these collections are rents and royalties.

Arctic National Wildlife Refuge.—During 1988, Congress will also consider opening the Arctic National Wildlife refuge for the exploration and development of potentially vast oil reserves. Such development could greatly increase expected offsetting receipts. Congress should move quickly to harness this energy resource in order to enhance United States energy security, yet do so in a manner that ensures that environmental safeguards are carefully maintained. Because these resources belong to the Nation as a whole, to the maximum extent feasible, these receipts must be used to benefit all the people by being returned to the Treasury in order to reduce the deficit.

Credit Programs.—The administration will sell Bureau of Reclamation loans with a face value of about \$530 million in 1988 (with net proceeds from the sale estimated at \$130 million). Four ongoing Bureau loans are funded in 1989. These direct loans are made to local government project sponsors, generally for construction and rehabilitation of irrigation systems and for storage of municipal or industrial water supplies.

CREDIT PROGRAMS—NATURAL RESOURCES AND ENVIRONMENT

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Water resources and other:					
New obligations	72	49	18	11	2
Change in outstandings.....	32	-304	38	2	-10
Outstandings	574	270	308	309	300
Total, new obligations.....	72	49	18	11	2

Tax Expenditures.—As an incentive to encourage production, certain capital costs associated with exploration and development of nonfuel minerals may be recovered at preferentially rapid rates. In addition, most nonfuel mineral extractors are permitted to use percentage depletion, rather than cost depletion. Percentage depletion is more generous than cost depletion in that total deductions are not limited to the cost of the investment. The estimates for

these two provisions are \$40 million and \$315 million, respectively, in 1989.

The Tax Reform Act of 1986 eliminated the use of State and local government debt to finance privately owned pollution control facilities and capped the use of such debt to fund waste disposal facilities of private firms. Previously, investment for all of these purposes could be financed at below market interest rates because the interest was excluded from income subject to Federal income tax. The estimated cost for 1989 is \$2.2 billion.

Prior to 1987, a special 25 percent tax credit was available for expenditures made to restore certain historic structures. The Tax Reform Act of 1986 reduced the credit to 20 percent. The 1989 cost estimate is \$170 million.

Special benefits are provided to the timber industry to encourage production. The gains from the sale of cut timber had been taxed as capital gains. Because of the special capital gains exclusion, the effective capital gains rates were lower than rates on ordinary income before the exclusion was repealed by the Tax Reform Act of 1986. The Act, however, did exempt timber growers from the newly codified rules for capitalizing production and holding costs for all producers of goods beginning in 1987. This tax expenditure will cost an estimated \$300 million in 1989. Private forestry is also encouraged because a limited amount of reforestation expenditures are eligible for special tax credits and writeoffs that will cost \$210 million in 1989.

Tax expenditures for natural resources and environment total an estimated \$3.2 billion in 1989.

AGRICULTURE

Federal agricultural programs help meet domestic and international trade demands for food and fiber while mitigating the adverse effects of price fluctuations on farmers. To improve U.S. agriculture's competitive position in world markets and strengthen the farm credit system, the administration will act under two major recently enacted laws: the Food Security Act of 1985, as amended (known as the farm bill); and the Agricultural Credit Act of 1987. The farm bill permits a greater market orientation in the Federal Government's farm price support programs. The Farm Credit Act provides the needed authority and Federal assistance for the farm credit system to deal effectively with its financial problems.

In 1988, the administration will prepare new legislation to modify the current domestic sugar program to implement fair treatment for taxpayers, consumers, and farmers. In addition, the administration is proposing to reduce the appropriated limit of the export guarantee loan program by \$2 billion. This reduction would bring the program level in line with the actual demand that exists in the market place.

A total of \$23.8 billion in budget authority is proposed for this function in 1989, an increase of \$1.3 billion from 1988. Total outlays are expected to decrease from \$22.4 billion in 1988 to \$21.7 billion in 1989. The \$620 million reduction is the result of the continuing shift away from direct loans to private loans that are federally guaranteed and the success of the administration's policies aimed at developing more market-oriented price levels and enhancing the United States' competitiveness.

The administration is requesting over \$5 billion in budget authority for agricultural credit in 1989 to help ensure that viable but high risk farmers have operating credit available to continue operations. Within this level of credit authority direct Government lending is reduced and guarantees of private loans are increased to provide a total loan level of \$4.2 billion.

Farm Income Stabilization.—Outlays for farm income stabilization programs are estimated to drop from \$20.3 billion in 1988 to \$19.8 billion in 1989.

Commodity Price Support and Related Programs.—These programs were created to stabilize, support, and protect farm income and prices, and to provide consumers with a dependable supply of agricultural products at affordable prices. Price and income support activities currently constitute the largest portion of Federal Government expenditures in the agricultural sector of the economy and include deficiency payments and loans to farmers.

NATIONAL NEED: IMPROVED AGRICULTURE

(Functional code 350; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Farm income stabilization:					
Commodity Credit Corporation:					
Existing law	20,115	16,344	15,658	15,947	15,455
Proposed legislation			7	-63	-126
Proposed credit reform.....			565	346	141
Crop insurance:					
Existing law	345	429	330	354	383
Proposed legislation				-99	-172
Agricultural credit:					
Existing law	2,933	3,615	5,795	4,153	3,352
Proposed credit reform.....			-524	66	50
Other programs and unallocated overhead.....	1	*			
Subtotal, Farm income stabilization.....	23,394	20,388	21,832	20,704	19,084
Agricultural research and services:					
Research programs.....	902	910	834	823	823
Extension programs.....	339	358	300	300	300
Marketing programs	138	141	142	141	141
Animal and plant health programs.....	319	336	302	297	268
Economic intelligence	188	204	205	205	205
Other programs and unallocated overhead.....	219	224	240	230	230
Offsetting receipts.....	-98	-103	-103	-103	-103
Subtotal, Agricultural research and services.....	2,007	2,070	1,920	1,893	1,864
Total, budget authority.....	25,401	22,458	23,752	22,597	20,948

*\$500 thousand or less.

Deficiency payments are made to farmers based on the difference between target prices that are set by law and the higher of either the market price or loan level. Through these payments, the Government guarantees farmers a certain level of income. Using their crops as collateral, farmers also have access to price-support loans that enable them to hold their crop for later sale. If market prices are below the price-support loan rate determined by law, the producer can default on the loan without penalty, forfeiting the loan collateral as settlement of the loan.

Agricultural price support outlays were \$22.5 billion in 1987, down from the record level of \$25.8 billion in 1986. Outlays are projected to decline to \$17.7 billion in 1988 and \$17.1 billion in 1989. The administration's goal of developing more market-oriented agricultural programs that would enhance the United States' competitiveness is working. There has been major improvement in export markets, farm income reached record levels in 1987, and farm debt is projected to decline again for the fifth straight year.

The administration plans to utilize fully the discretion provided in the 1985 farm bill to set price supports closer to market clearing levels. The reduction in artificially high price supports should in-

NATIONAL NEED: IMPROVED AGRICULTURE

(Functional code 350; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Farm income stabilization:					
Commodity Credit Corporation:					
Existing law.....	22,454	17,707	17,149	15,951	15,455
Proposed legislation.....			7	-63	-126
Proposed credit reform.....			565	346	141
Crop insurance:					
Existing law.....	454	491	541	547	534
Proposed legislation.....				-98	-172
Agricultural credit:					
Existing law.....	2,564	2,124	1,999	1,281	1,110
Proposed credit reform.....			-497	-392	-354
Other programs and unallocated overhead.....	20	12		2	
Subtotal, Farm income stabilization.....	25,492	20,334	19,763	17,573	16,588
Agricultural research and services:					
Research programs.....	808	885	867	852	840
Extension programs.....	319	353	312	294	300
Marketing programs.....	103	134	143	141	141
Animal and plant health programs.....	324	338	306	297	268
Economic intelligence.....	183	191	204	205	205
Other programs and unallocated overhead.....	225	220	239	231	230
Offsetting receipts.....	-98	-103	-103	-103	-103
Subtotal, Agricultural research and services.....	1,864	2,018	1,969	1,918	1,880
Total, outlays.....	27,356	22,352	21,732	19,491	18,468

crease U.S. exports, thereby reducing the need for export subsidies. The value of agricultural exports in 1987 was \$27.9 billion, while imports totaled \$20.6 billion, resulting in a positive agricultural trade balance of \$7.3 billion. The importance of agricultural trade to the economic health of the farm sector and the nation as a whole mandates an increased reliance on free markets for farm products.

The current price support program for the sugar industry poses significant problems in the areas of trade policy, foreign policy, and agricultural policy. The administration will seek to make deficit-neutral changes in this counterproductive program to make it more market-oriented and reduce Government interference in trade. The most important aspect of the 1985 farm bill was a move to a more market-oriented agriculture sector. Domestic sugar policy is in direct conflict with this and other policy objectives for the following reasons: the quota system runs counter to a free trade policy; international trade tensions are fostered by reducing the quota; and there is a loss of foreign exchange in countries that are economically weak but vital to U.S. interests.

Crop Insurance.—Since 1938, the Federal Crop Insurance Corporation (FCIC) has offered insurance to producers against crop losses

from natural hazards such as excessive rainfall or drought. In 1980, legislation was enacted to develop a market for self-sustaining private crop insurance. Today, all-risk crop insurance is available in more than 3,000 agricultural counties and more than 90 percent is delivered by private companies. The insurance in force is projected to reach \$7.6 billion in 1989, an increase of \$400 million over the 1988 estimate.

Agricultural Credit.—The Nation relies primarily on private credit for agriculture, as in other sectors of the national economy. However, the Farmers Home Administration (FmHA) currently holds about 20 percent of total farm debt outstanding, primarily for family farmers with limited resources. At the end of 1987, outstanding FmHA agricultural credit insurance fund direct loans totaled \$27.6 billion. The FmHA has lent over 50 percent of this amount during the last 10 years. In 1987, new direct lending totaled \$1.1 billion.

Farm operating and ownership direct and guaranteed loan activity in 1988 is estimated to be \$3.8 billion. The 1989 budget proposes \$4.0 billion in direct and guaranteed farm operating lending, continuing to shift gradually away from direct Federal lending to Federal guarantees of private loans, as provided for in the farm bill. Disaster loan programs are proposed to be funded at anticipated demand levels, or \$100 million in 1989, versus the estimated level of \$114 million in 1988. An additional \$100 million will be available in 1989 for interest rate buy-downs on guaranteed loans and \$100 million will be available for guarantees of farm ownership loans.

Agricultural Research and Services.—The proposed funding level for agricultural research and services is \$1.9 billion in 1989, a \$0.2 billion decrease from the estimated level in 1988.

Research Programs.—The proposed 1989 research program includes \$834 million of budget authority, a \$75 million decrease from the 1988 level due to reduced funding for research, buildings and facilities, and special grants to States. The proposed program level gives priority to genetic and biotechnology research. Research in the areas of water quality, protection of the stratospheric ozone, conservation, food safety, and human nutrition will be emphasized. The 1989 program emphasizes long-term, basic research rather than applied research and product development, which are more appropriately financed by private industry.

Extension Programs.—The Federal Extension Service, States, and localities finance the Cooperative Extension System. This system provides social and economic services in agriculture, home economics, community development, and 4-H youth programs. Federal support, which accounts for up to one-third of the resources available to the system, is proposed to decrease from \$358 million in

CREDIT PROGRAMS—AGRICULTURE

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Agricultural credit insurance fund subsidies:					
New obligations			600	500	400
Change in outstandings.....			570	452	299
Outstandings			570	1,022	1,321
Agricultural credit insurance fund:					
New obligations	1,493	1,137			
Change in outstandings.....	-1,471	-2,270	-2,742	-2,554	-2,241
Outstandings	27,600	25,329	22,587	20,033	17,792
CCC export subsidies:					
Change in outstandings.....			19	234	438
Outstandings			19	252	690
Commodity price support and related loans:					
New obligations	16,566	15,024	10,746	10,923	10,330
Change in outstandings.....	-3,031	-4,184	-717	-1,230	-288
Outstandings	18,578	14,393	13,676	12,446	12,158
Total, direct loans:					
New obligations	18,060	16,161	11,346	11,423	10,730
Change in outstandings.....	-4,501	-6,455	-2,871	-3,098	-1,793
Outstandings	46,177	39,722	36,852	33,754	31,960
Guaranteed loans:					
Agricultural credit insurance fund subsidies:					
New commitments			3,600	3,675	3,750
Change in outstandings.....			1,615	2,969	2,398
Outstandings			1,615	4,584	6,982
Agricultural credit insurance fund:					
New commitments	1,565	2,793			
Change in outstandings.....	700	1,345	357	-757	-354
Outstandings	2,488	3,834	4,191	3,433	3,079
CCC export subsidies:					
New commitments			3,500	3,500	3,500
Change in outstandings.....			3,500	2,450	1,400
Outstandings			3,500	5,950	7,350
CCC export guarantee loans:					
New commitments	2,998	5,500			
Change in outstandings.....	123	3,492	-2,879	-2,240	-1,729
Outstandings	3,732	7,224	4,346	2,106	377
Total, guaranteed loans:					
New commitments	4,564	8,293	7,100	7,175	7,250
Change in outstandings.....	823	4,838	2,593	2,422	1,715
Outstandings	6,220	11,058	13,651	16,074	17,789
Total, new obligations and new commitments.....	22,623	24,454	18,446	18,598	17,980

budget authority for 1988 to \$300 million in 1989. The administration proposes to reduce funding for the Extension Service by terminating categorical grants to States that are used for such programs as urban gardening, pest management, support for rural development centers, and financial management; and by reducing grant assistance for food and nutrition education. These programs can be funded out of the formula grant program, which is proposed to have \$228 million in budget authority in 1989.

Marketing Programs.—The Federal Government provides unbiased, time-sensitive marketing information on most major agricultural commodities in international, national, and regional segments of the agricultural marketing chain. Marketing transaction data are compiled into market reports that are released to users through radio, television, telephone answering devices, and through printed media. These data aid in the orderly marketing of farm products and services. Most of these sources are offered on a user fee basis.

Animal and Plant Health.—The Federal Government carries out a number of programs to prevent the introduction and spread of plant and animal pests and diseases that can cause severe losses in crop yields or livestock. Budget authority in 1989, proposed to be \$306 million, includes funds to support the eradication of brucellosis infection in domestic livestock through a Federal-State-industry cooperative program. The goal is to eradicate brucellosis by 1991, after which time the Federal role will be reduced to surveillance only.

Tax Expenditures.—Agriculture is promoted by several tax expenditures. Farmers are permitted to deduct the costs of soil and water conservation projects on their land. In addition, the Tax Reform Act of 1986 permits farmers and timber growers to deduct the costs of producing products that have multi-year growing seasons. In contrast, non-agricultural entities are required to capitalize the costs of multi-year production processes. The tax expenditures for these two agricultural deductions are estimated to be \$545 million and \$5 million, respectively, in 1989.

The 1986 tax legislation repealed the capital gains benefit farmers could derive from the sale of such products as livestock, which had been treated as capital assets. However, farmers were accorded a new tax expenditure that provides for preferential treatment when collateralized loans are settled for less than the principal owed. This preferential treatment will cost \$10 million in 1989.

Altogether, the estimated 1989 cost of tax expenditures in support of agriculture is \$520 million.

COMMERCE AND HOUSING CREDIT

The Federal Government needs to ensure a stable supply of credit to all sectors of the economy. Commerce and housing credit programs supplement private sector financing of business and housing by providing assistance for mortgage credit, deposit insurance and other subsidies for business. This function also includes non-credit programs for the advancement of commerce.

The budget proposals reflect the administration's goals of maintaining low-inflation, growth-oriented monetary and fiscal policies, reducing Federal intervention in private markets, and making existing programs more efficient. These policies have brought about the lowest interest rates in nearly a decade. These low rates contributed to over 700,000 new business incorporations last year and the strongest levels of housing starts and home sales since the 1970's. Because of the booming private sector activity in this area, the budget proposes to reduce, terminate, or privatize programs in which the beneficiaries can be better served by the private sector.

The budget proposes \$14.8 billion in budget authority in 1989 and \$7.9 billion in estimated outlays for commerce and housing credit. Mortgage credit and deposit insurance programs and activities are a major portion of the assistance, with \$10.0 billion in proposed budget authority in 1989. In addition, the budget proposes \$677 million in direct loan obligations and \$66 billion in guaranteed loan commitments in 1989.

Mortgage Credit and Deposit Insurance.—In support of both the housing and financial markets, the Federal Government's primary goals are fiscal and monetary policies that result in non-inflationary economic growth and a stable, sound financial system. Additionally, the Government has long provided direct support—in the form of grants, and direct and guaranteed loans—to those areas of the economy that the private sector may not adequately serve.

Mortgage-Backed Securities.—The Government National Mortgage Association (GNMA) supports the mortgage market through guarantees of mortgage-backed securities issued by private lenders and backed by mortgages that are insured by the Federal Housing Administration (FHA) or guaranteed by the Veterans Administration. The GNMA guarantee enhances the saleability of these securities in the capital markets. In 1988, guarantees are expected to be issued on \$83.4 billion in securities. For 1989, the administration proposes a new commitment limitation of \$100 billion. Of that amount, new guarantees are estimated to be issued on \$83.6 billion in securities.

The administration is proposing to deregulate the fee GNMA mortgage-backed issuers earn servicing FHA and VA mortgages underlying GNMA's securities. Currently, GNMA sets the servicing

NATIONAL NEED: COMMERCE AND HOUSING CREDIT

(Functional code 370; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Mortgage credit and deposit insurance:					
Mortgage-backed securities (GNMA):					
Proposed credit reform.....			1,900	1,900	1,900
Mortgage purchase activities (GNMA).....	1	14	270		
Mortgage credit (FHA):					
Existing law.....					
Proposed credit reform.....	480	825	957	1,040	1,017
Housing for the elderly or handicapped:					
Existing law.....					
Proposed credit reform.....	533	584	289	310	327
Rural housing programs (FmHA):					
Existing law.....					
Proposed legislation.....	2,434	6,339	3,864	2,862	3,716
Federal Deposit Insurance Corporation.....	1,099	903	27		
Federal Savings and Loan Insurance Corporation and other.....	1,600	3,986	2,000	1,000	750
Subtotal, Mortgage credit and deposit insurance.....	6,148	12,652	9,994	7,761	8,248
Postal service:					
Existing law.....					
Proposed legislation.....	2,944	1,699	2,764	2,731	2,807
Subtotal, Postal service.....	2,944	1,699	2,412	2,537	2,818
Other advancement of commerce:					
Small and minority business assistance:					
Existing law.....					
Proposed credit reform.....	644	515	404	496	547
Science and technology.....	317	362	378	387	373
Economic and demographic statistics.....	298	473	704	1,529	421
International trade and other:					
Existing law.....					
Proposed legislation.....	535	562	597	572	570
Subtotal, Other advancement of commerce.....	1,792	1,912	2,419	3,265	2,066
Total, budget authority.....	10,885	16,262	14,825	13,562	13,133

fee paid to issuers at 44 basis points per annum (44/100 of one percent) of the outstanding mortgage amount. This minimum fee was originally established to assure that lenders could profitably service the GNMA mortgage pools. However, the fee may be in excess of that needed to protect the Government's interests and may in fact lead to higher mortgage rates for borrowers. The administration proposes to deregulate the fee, thereby letting the market establish the rate, and to increase minimum capital requirements for issuers to protect the Government against issuers defaulting on their mortgage pools.

Mortgage Credit.—The FHA provides mortgage insurance on single-family homes, apartments, manufactured housing, and health care facilities. This insurance protects lenders from loss in

the event of default on loans. The single-family mortgage insurance program (the largest of the FHA programs) is currently available to all qualified applicants regardless of income level. The program has underwriting and downpayment requirements intended to assist low- and moderate-income families who otherwise would not be able to afford to buy a home. However, some families using the FHA program may qualify for private mortgage insurance. The administration will continue to study the extent to which FHA activity duplicates private mortgage insurance activity. As part of this effort, HUD is planning to conduct a study to compare its mortgage insurance premium to the premium private mortgage insurers would have to charge to provide comparable guarantees.

NATIONAL NEED: COMMERCE AND HOUSING CREDIT

(Functional code 370; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Mortgage credit and deposit insurance:					
Mortgage-backed securities (GNMA):					
Existing law.....	-234	-100	-278	-318	-369
Proposed credit reform.....			1,007	1,053	1,107
Mortgage purchase activities (GNMA).....	-481	27	-7	-4	-4
Mortgage credit (FHA):					
Existing law.....	-555	281	36	-262	-535
Proposed credit reform.....			1,586	2,056	1,746
Housing for the elderly or handicapped:					
Existing law.....	404	545	530	532	518
Proposed credit reform.....					-60
Rural housing programs (FmHA):					
Existing law.....	799	3,248	1,411	1,407	1,090
Proposed legislation.....			-89		
Federal Deposit Insurance Corporation.....	-1,438	2,268	502	-1,016	-1,067
Federal Savings and Loan Insurance Corporation and other.....	4,755	2,189	951	1,120	915
National Credit Union Administration.....	-188	-253	-295	-320	-326
Subtotal, Mortgage credit and deposit insurance.....	3,062	8,205	5,355	4,247	3,016
Postal service:					
Existing law.....	1,593	2,223	1,183	1,591	1,663
Proposed legislation.....			-508	-46	11
Subtotal, Postal service.....	1,593	2,223	675	1,545	1,674
Other advancement of commerce:					
Small and minority business assistance:					
Existing law.....	342	471	74	-26	553
Proposed credit reform.....			173	283	163
Science and technology.....	370	411	373	386	379
Economic and demographic statistics.....	246	480	624	1,616	427
International trade and other:					
Existing law.....	569	575	589	561	555
Proposed legislation.....			-1		
Subtotal, Other advancement of commerce.....	1,527	1,936	1,832	2,821	2,078
Total, outlays.....	6,182	12,364	7,862	8,613	6,768

Housing for the Elderly or Handicapped.—The section 202 housing program for elderly and handicapped households provides direct loans at subsidized rates to non-profit organizations for the construction of housing for the very-low-income elderly and the handicapped. Projects are also subsidized by the Section 8 rental assistance program in HUD, described in the income security function.

The administration proposes to address the needs of elderly and handicapped households primarily through the rental housing voucher program rather than housing construction programs. Vouchers allow low-income households to shop for their own housing in the existing rental market. For 1989, the budget proposes a section 202 construction program of 7,000 units with \$350 million in loan funds. To address the special needs of the mentally handicapped, the budget proposes a 25 percent set-aside of program funds for the handicapped, with special priority given to the mentally handicapped homeless. By emphasizing these special needs, the budget assumes that approximately \$50 million in section 202 loan authority will be used to develop projects equipped to assist the mentally handicapped homeless population.

Rural Housing Programs.—As discussed in the income security function, the administration proposes to expand the rural voucher program established in the 1987 Housing and Community Development Act, to replace lending from the rural housing insurance fund direct loan program of the Farmers Home Administration (FmHA). As evidenced in metropolitan areas where vouchers are already in use, vouchers increase household choices and permit more efficient use of private market housing. The administration proposes to terminate those traditional lending programs that have not been cost-effective in helping low-income families move to standard housing units.

Credit and Banking.—A number of programs enhance the safety and soundness of the banking system and affect its responsiveness to the needs of both savers and borrowers. The *Federal Deposit Insurance Corporation (FDIC)* insures the deposits of all federally chartered and many State-chartered commercial and savings banks. A record number of FDIC-insured banks failed in 1987. A significant portion of the failed banks suffered unsustainable losses caused by weaknesses in the economies of states dependent on the agriculture and oil industries. The net loss incurred by the fund in 1987 was \$201 million, resulting in an equity balance of \$18.3 billion. Despite continued high rates of bank closing activity projected for 1988 and 1989, the FDIC will have sufficient resources to handle this historically heavy workload. FDIC equity is projected to increase to \$19.5 billion by the end of 1989.

CREDIT PROGRAMS—COMMERCE AND HOUSING CREDIT

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Mortgage-backed securities (GNMA):					
Change in outstandings.....	92	2	-28	-22	-10
Outstandings.....	102	104	75	53	44
Mortgage-backed securities subsidies (GNMA):					
Change in outstandings.....				*	*
Outstandings.....				*	1
Mortgage insurance (FHA):					
New obligations.....		41			
Change in outstandings.....	399	-203	42	280	338
Outstandings.....	4,645	4,442	4,484	4,764	5,102
Mortgage purchase activity (GNMA):					
Change in outstandings.....	-427	-55	-393	*	*
Outstandings.....	457	402	9	9	8
FHA fund subsidies:					
New obligations.....			103	168	168
Change in outstandings.....			41	107	166
Outstandings.....			41	148	314
Housing for the elderly or handicapped:					
New obligations.....	574	566	17	9	
Change in outstandings.....	377	505	490	491	391
Outstandings.....	6,566	7,071	7,560	8,051	8,442
Housing for the elderly or handicapped subsidies:					
New obligations.....			333	350	368
Change in outstandings.....					79
Outstandings.....					79
Rural housing (FmHA):					
New obligations.....	1,716	1,715			
Change in outstandings.....	-3,219	301	-2,434	-1,196	-1,228
Outstandings.....	26,511	26,812	24,378	23,182	21,954
Central liquidity facility (NCUA):					
New obligations.....	106	127	144	150	150
Change in outstandings.....	6	25	25	25	25
Outstandings.....	112	137	162	187	212
Small Business Administration:					
New obligations.....	86	85			
Change in outstandings.....	-302	-278	-910	-943	-187
Outstandings.....	4,514	4,236	3,326	2,383	2,196
FDIC:					
Change in outstandings.....	-334	-1	-216	-50	-50
Outstandings.....	3,089	3,088	2,872	2,822	2,772
FSLIC:					
New obligations.....	96	100	74	25	25
Change in outstandings.....	83	-12	-35	15	15
Outstandings.....	1,769	1,757	1,722	1,737	1,752
Other:					
New obligations.....	3	20	5		
Change in outstandings.....	-21	5	-3	-7	-7
Outstandings.....	42	47	44	37	30
Total, direct loans:					
New obligations.....	2,581	2,654	677	702	711
Change in outstandings.....	-3,347	290	-3,422	-1,301	-468
Outstandings.....	47,806	48,097	44,674	43,374	42,906
Guaranteed loans:					
Mortgage-backed securities (GNMA) 1-:					
New commitments.....	139,976	83,355			
Change in outstandings.....	67,767	32,522	-22,690	-36,771	-35,984
Outstandings.....	308,997	341,519	318,829	282,058	246,074

CREDIT PROGRAMS—COMMERCE AND HOUSING CREDIT—Continued

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Mortgage-backed securities subsidies (GNMA):					
New commitments			83,609	84,462	85,409
Change in outstandings.....			50,422	62,128	60,893
Outstandings			50,422	112,550	173,443
Mortgage insurance (FHA):					
New commitments	79,995	59,850			
Change in outstandings.....	51,897	7,685	-27,174	-42,048	-41,153
Outstandings	275,417	283,102	255,928	213,880	172,727
FHA fund subsidies:					
New commitments			61,790	63,918	66,309
Change in outstandings.....			34,801	51,141	51,519
Outstandings			34,801	85,942	137,460
Rural housing (FmHA):					
Change in outstandings.....	-5	-140	-1	-2	-5
Outstandings	177	37	35	33	28
Small Business Administration:					
New commitments	3,387	3,791	3,597	3,596	3,596
Change in outstandings.....	586	435	310	205	95
Outstandings	9,291	9,726	10,036	10,241	10,336
FSLIC:					
New commitments	1,260	623	325	100	100
Change in outstandings.....	1,110	-367	218	50	50
Outstandings	4,063	3,696	3,913	3,963	4,013
Other:					
New commitments	142	90	4		
Change in outstandings.....	54	45	-22	-20	-18
Outstandings	274	319	297	277	259
Less guaranteed loans held as direct loans by GNMA²:					
Change in outstandings.....	427	55	393	*	*
Outstandings	-457	-402	-9	-9	-8
Total, guaranteed loans:					
New commitments	84,785	64,354	65,715	67,614	70,005
Change in outstandings.....	54,068	7,713	8,525	9,325	10,488
Outstandings	288,765	296,478	305,002	314,328	324,816
Total, new obligations and new commitments.....	87,366	67,008	66,392	68,316	70,716

* \$500,000 or less.
¹ GNMA guarantees securities that are backed by pools of loans previously insured by FHA, VA, or FmHA. These secondary guarantees of loans are not included in the guaranteed loan totals on this table.
² When guaranteed loans are acquired by another budget account, they are counted as direct loans in the credit budget. This deduction for GNMA eliminates double counting.

The *Federal Savings and Loan Insurance Corporation (FSLIC)*, under the direction of the Federal Home Loan Bank Board, insures deposits of member savings and loan associations and savings banks. While healthy thrifts (holding over 80 percent of industry assets) improved their combined net worth by almost 25 percent in 1987, troubled thrifts as a group experienced heavy losses. Estimated outlays of \$2.2 billion in 1988 and \$1.0 billion in 1989 reflect the mounting caseload of troubled institutions to be handled by FSLIC. The Competitive Equality Banking Act (CEBA) of 1987 recapitalized the FSLIC fund by creating the Financing Corporation (FICO), a new financing facility (FICO) capitalized from earnings of the

Federal Home Loan Banks. Funds are raised by FICO in the long-term credit markets and invested in FSLIC stock. FSLIC will use the proceeds, in addition to its premium and investment income, to accelerate its efforts to close unprofitable and insolvent institutions.

The CEBA also directed that the special insurance assessment (one-eighth of 1 percent) on deposits of FSLIC insured thrifts be gradually eliminated unless the FHLBB determined that FSLIC's financial conditions would not warrant a reduction. Although the FHLBB has not made a final policy determination to continue the special assessment, the budget projections assume continuation at the current rate. Even with recapitalization and the projected continuation of the special assessment, FSLIC expenditures are anticipated to exceed receipts during the next few years. FSLIC fund equity remains negative through 1989 due to recognition of FSLIC's contingent liability for the eventual closing of many insolvent thrifts.

The National Credit Union Administration regulates credit unions, provides liquidity assistance to member credit unions, and insures depositors' accounts. The equity of the National Credit Union share insurance fund climbed from \$1.4 billion in 1986 to \$1.6 billion at the end of 1987. In 1988 and 1989, insurance fund equity is expected to grow to \$1.9 billion and \$2.2 billion, respectively. Collections are expected to exceed gross outlays for the insurance fund by \$277 million in 1988 and \$320 million in 1989.

Postal Service.—The U.S. Postal Service (USPS) is an independent federal corporation within the executive branch. There are two components of Postal Service outlays: the subsidy for religious and charitable mailings (the Revenue Forgone Appropriation) and the difference between total USPS receipts (e.g., stamp sales receipts) and expenditures. Total outlays for 1988 are estimated to be \$2.2 billion with a drop in 1989 to \$0.7 billion. This is largely due to increased postage receipts resulting from a projected 16 percent average rate increase in April 1988.

Consistent with the June 1986 Postal Rate Commission study of subsidized postal mailings, the 1989 budget proposes to eliminate virtually all taxpayer subsidies while shifting the cost of reduced rates for most religious and charitable mailings to commercial mailers. This would reduce the 1989 appropriation \$498 million below the 1988 level of \$517 million. The budget continues a small appropriation (\$19 million) to subsidize free mail for the blind and for overseas voters.

The recently enacted Omnibus Budget Reconciliation Act of 1987 (OBRA) requires the Postal Service to achieve operating cost reductions of \$160 million for 1988 and \$270 million for 1989. These congressionally-mandated savings represent 0.43 and 0.68 percent

of the total estimated USPS expenditures for 1988 and 1989, respectively. To help the Postal Service achieve these modest operating cost reductions without reducing service, the budget proposes implementation of pilot projects (1) permitting private companies to provide certain postal services directly, and (2) expanding current efforts to contract with the private sector to supply goods and services to the Postal Service at lower cost. Recent experience in implementing the "urgent letter" rule and broadening international mail competition has proved that the Postal Service and private enterprise can coexist profitably in the same markets, better serving the American public with more services and more explicit price information for choosing among these services.

A recent GAO report recommended strengthening the Postal Inspection Service (PIS) by requiring the PIS to submit reports, similar to those prepared by Statutory Inspector Generals, directly to the Postal Board of Governors for action. The budget recommends that the Governors meet this GAO objective by taking direct control over the PIS. Additionally, to strengthen further the Presidentially-appointed Governors, the budget proposes providing them with independent counsel and a small program analysis and evaluation staff. The Postal Service Fund would fully finance the proposed staff increases for the Board of Governors. No taxpayer costs would be incurred.

For several years the administration has sought to require the Postal Service to pay its full share of the costs of retirement and health insurance benefits for Postal retirees. OBRA required the Postal Service to make partial payments in 1988 of \$350 million toward retirement costs and \$160 million toward annuitant health benefit costs. The Act required another partial payment of \$270 million for health benefit costs in 1989. Following up on this policy, the administration will propose legislation requiring the Postal Service to make payments to the civil service retirement fund to cover the full cost of providing cost-of-living adjustments (COLAs) to Postal Service annuitants. The Postal Service will be liable for its annuitant COLA costs in 1989, but its initial payment will be deferred until 1990 when a payment will be made for both 1989 and 1990.

Other Advancement of Commerce.—Federal programs attempt to support an environment for fair and equitable business opportunities and increase international competitiveness by providing technical assistance, developing and distributing scientific standards, collecting and disseminating information on the economy and population, administering U.S. trade laws, and providing export promotion assistance to small and medium-sized businesses.

Small and Minority Business Assistance.—The administration proposes to continue Federal credit assistance to small and minori-

ty businesses in the form of guaranteed loans rather than direct loans. Guaranteed loans of \$3.6 billion are proposed in 1989 for the Small Business Administration (SBA) general business program, small and minority enterprise business investment company programs, and development company programs. An estimated \$520 million in direct loans will be made to repurchase defaulted guaranteed loans in 1989. To improve the Federal Government's efforts to assist minority business enterprises, the administration proposes to consolidate the minority business development assistance program, currently in the Department of Commerce, into the minority business assistance programs within the SBA.

As part of the administration's effort to improve Federal credit management, administrative increases in guarantee fees for SBA's programs are proposed, which would result in \$7.5 million in receipts. In addition, measures will be proposed to reduce the Federal Government's contingent liability. By increasing both the borrowers' and the lenders' share of default costs, these proposals encourage sounder credit origination decisions and should result in lower default rates. The budget also proposes to sell \$1 billion in loans during 1989.

Other.—The U.S. Travel and Tourism Administration's (USTTA) international marketing program encourages foreign travel to the United States by providing technical assistance to private, State, and local tourism organizations. In 1989, the administration proposes budget authority of \$11 million for USTTA programs. The administration will continue to pursue legislation, introduced last year, to establish a charge of \$1 per ticket for international travel to and from the United States, its possessions, and its territories. The charge would be collected through airline and cruise ship carriers, which are the primary beneficiaries of the program, and would be used to fund USTTA programs in 1990 and beyond.

The Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) are responsible for ensuring that the Nation's financial markets are kept efficient and fair. The securities, futures and options markets perform important roles in the economy. The administration proposes to increase budget authority in 1989 for the SEC by 19 percent and the CFTC by 8 percent to permit these agencies to keep pace with major changes in these markets and corresponding increased workloads.

Tax Expenditures.—There are numerous tax expenditure programs designed to increase the supply of savings, to encourage homeownership, and to reduce the cost of acquiring or financing the purchase of assets used in commerce. These are listed in the table. Some of the programs, such as the dividend exclusion to encourage stock ownership, expired before 1987; others, such as the depreciation and bank bad debt reserve provisions, have been modi-

TAX EXPENDITURES FOR COMMERCE AND HOUSING CREDIT

(Outlay equivalents; in millions of dollars)

Description	Estimates		
	1987	1988	1989
Commerce and housing credit:			
Dividend exclusion	470		
Exclusion of interest on State and local industrial development bonds	3,420	3,435	3,475
Exemption of credit union income	265	240	220
Excess bad debt reserves of financial institutions	575	120	65
Exclusion of interest on life insurance savings	7,475	7,200	7,235
Exemption of RIC expenses from the miscellaneous deductions floor		240	*
Deductibility of interest on consumer credit	11,845	6,530	3,280
Deductibility of mortgage interest on owner-occupied homes	34,745	33,675	32,185
Deductibility of property tax on owner-occupied homes	10,285	10,100	10,410
Exclusion of interest on State and local housing bonds for owner-occupied housing	2,420	2,375	2,360
Exclusion of interest on State and local debt for rental housing	1,730	1,650	1,630
Deferral of income from post-1987 installment sales		260	670
Capital gains (other than agriculture, timber, iron ore and coal)	98,180	265	
Deferral of capital gains on homes sales	2,970	4,435	4,690
Exclusion of capital gains on home sales for persons age 55 and over	2,935	3,730	3,910
Carryover basis of capital gains at death	9,210	16,030	17,310
Investment credit (other than employee stock ownership plans, rehabilitation of structures, energy property, and reforestation expenditures)	17,745	11,295	4,030
Special investment credit carryback rules for steel companies		565	-25
Accelerated depreciation of rental housing	210	290	350
Accelerated depreciation of buildings other than rental housing	260	340	390
Accelerated depreciation of machinery and equipment	13,280	21,920	27,520
Safe harbor leasing rules	975	660	535
Amortization of start-up costs	300	245	230
Reduced rates on the first \$100,000 of corporate income	6,340	4,720	4,550
Deductions for special percentage of taxable income for life insurance companies	480		
Exception from passive loss rules for \$25,000 of rental losses	580	1,580	1,255
Total (after interactions), commerce and housing credit ¹	221,450	129,300	123,610

*\$500 thousand or less.

¹ The estimate of total tax expenditures for this function reflects interactive effects among the individual items. Therefore, the estimates cannot simply be added.

fied by the Tax Reform Act of 1986; and still others, such as capital gains and investment tax credit, were repealed. Individuals may deduct miscellaneous expenses only to the extent that they exceed 2 percent of adjusted gross income (AGI). Regulated investment company (RIC), i.e., mutual fund, shareholder expenses are subject to this floor from which they had been exempt for the tax year 1987. Taxpayers are thus again required to include in the taxable income amounts greater than actually received from mutual funds. The administration proposes that the exemption of RIC expenses from the 2 percent miscellaneous deduction floor be made permanent at a cost of \$410 million in 1989. Altogether, the estimated 1989 budget cost of these tax subsidies to commerce and housing credit is \$123.6 billion, 4.4 percent less than the \$129.3 billion total for 1988. A detailed description of these tax expenditure programs

and the way they have been affected by the Tax Reform Act will be found in Special Analysis G.

TRANSPORTATION

The Federal Government seeks to facilitate a safe, efficient and cost-effective national transportation system that contributes to the national economy, advances interstate commerce, and supports the national defense.

An integrated and efficient national, State, and local transportation network requires the combined and cooperative efforts of the Federal Government, States, localities, and the private sector. Each level of Government should promote and maintain those transportation services and facilities for which it is appropriately responsible, with the Federal Government concentrating its efforts and limited resources on improving the interstate transportation system and on ensuring compliance with needed safety standards. The private sector, when freed of unnecessary governmental restrictions and allowed to compete freely in the transportation market, is an invaluable partner with all levels of Government in the effort to ensure appropriate and cost-effective levels of transportation services at the lowest reasonable cost.

The administration requests \$27.0 billion of budget authority in 1989 for national ground, air, and water transportation systems, about \$1.1 billion less than for 1988. This funding request will implement the highway and air programs recently authorized in 1987. Obligations for highway, highway safety, and transit programs supported by the highway trust fund are targeted to the level of anticipated user fee receipts over the authorization period, 1987 through 1991. Requested funding for air transportation increases by \$0.9 billion, or 13 percent, between 1988 and 1989, with the largest increase associated with the modernization of the air traffic control system.

The administration continues to stress the importance of requiring transportation users to pay the full cost of their transportation benefits. The administration proposes to finance 78 percent of transportation costs by user fees in 1989, compared to 45 percent of these costs funded by user fees in 1981. Subsidizing certain transportation services at the expense of all taxpayers results in a misallocation of society's resources and provides an unfair disadvantage to unsubsidized, but socially and economically useful, transportation services.

Ground Transportation.—Proposed budget authority in 1989 is \$15.7 billion for highway, highway safety, mass transit, and railroad programs, a \$2.6 billion decrease from 1988. The budget continues the administration's commitment to maintaining the quality of the Federal-aid highway system within available user fee resources, promoting highway safety, eliminating general taxpayer subsidies for Amtrak and mass transit, providing equitable distri-

NATIONAL NEED: EFFICIENT TRANSPORTATION SYSTEMS

(Functional code 400; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Ground transportation:					
Highways.....	13,581	13,806	13,701	13,850	13,850
Highway safety.....	298	402	315	317	320
Mass transit:					
Existing law.....	3,598	3,334	1,430	1,394	1,490
Proposed legislation.....			144	94	-6
Railroads.....	720	671	57	56	55
Regulation:					
Existing law.....	47	44	44	45	46
Proposed legislation.....			-13	-28	-29
Subtotal, Ground transportation.....	18,244	18,258	15,678	15,728	15,726
Air transportation:					
Airports and airways (FAA).....	4,761	6,147	6,937	7,116	7,265
Aeronautical research and technology.....	727	723	872	917	926
Air carrier subsidies.....	30	24			
Subtotal, Air transportation.....	5,518	6,895	7,809	8,033	8,191
Water transportation:					
Marine safety and transportation.....	2,588	2,526	2,968	3,259	3,141
Ocean shipping:					
Existing law.....	531	332	163	182	220
Proposed legislation.....			206	59	56
Proposed credit reform.....			*	*	*
Reimbursement to Treasury from Panama Canal Commission.....		-86			
Subtotal, Water transportation.....	3,120	2,772	3,338	3,500	3,417
Other transportation.....	115	108	138	138	140
Total, budget authority.....	26,996	28,032	26,963	27,399	27,474

*\$500 thousand or less.

bution of user fee revenues, and requiring State and local cost sharing on all projects.

Highways.—The administration proposes to implement the provisions of the Surface Transportation and Uniform Relocation Assistance Act (STURAA) within the level of anticipated user fee receipts deposited in the highway account of the highway trust fund. Proposed budget authority for the Federal Highway Administration is \$13.7 billion in 1989. As in previous budgets, the administration proposes to set annual obligations so that spending from the highway account of the highway trust fund does not exceed user fee receipts during the 1987–1991 authorization period. (During the last highway authorization, 1982–86, spending exceeded user fee receipts by \$5.1 billion.) Therefore, obligations for the Federal-aid highways program are planned at \$12.3 billion in 1989, compared to \$13.0 billion projected for 1988. To ensure judicious use of user fee revenue, the administration also plans to require a non-Federal cost sharing of at least 20 percent of project costs for all so-called

NATIONAL NEED: EFFICIENT TRANSPORTATION SYSTEMS

(Functional code 400; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Ground transportation:					
Highways.....	12,687	13,336	13,388	12,880	12,724
Highway safety.....	269	302	317	331	332
Mass transit:					
Existing law.....	3,351	3,589	3,104	3,272	2,848
Proposed legislation.....			309	407	379
Railroads.....	808	527	26	123	88
Regulation:					
Existing law.....	42	43	44	45	46
Proposed legislation.....			-16	-28	-28
Subtotal, Ground transportation.....	17,157	17,797	17,172	17,030	16,389
Air transportation:					
Airports and airways (FAA).....	4,858	5,311	5,801	6,042	6,344
Aeronautical research and technology.....	635	679	797	893	918
Air carrier subsidies.....	26	24	5		
Subtotal, Air transportation.....	5,520	6,014	6,603	6,935	7,262
Water transportation:					
Marine safety and transportation.....	2,575	2,775	2,961	2,901	3,074
Ocean shipping:					
Existing law.....	886	604	401	432	462
Proposed legislation.....			8	2	-27
Proposed credit reform.....			-5	-5	-5
Reimbursement to Treasury from Panama Canal Commission.....		-86			
Subtotal, Water transportation.....	3,461	3,293	3,365	3,330	3,504
Other transportation.....	91	133	141	136	137
Total, outlays.....	26,228	27,237	27,280	27,431	27,292

"demonstration" and special interest projects, that are not 100 percent federally funded.

Highway Safety.—The proposed funding level of \$315 million in 1989 for Federal highway safety programs is 2 percent higher than the 1988 level of \$308 million (excluding a \$94 million reappropriation in 1988). The proposed 1989 funds would maintain current support for Federal vehicle safety research and development and for promulgation and enforcement of Federal safety standards.

The administration continues to support State and local efforts to develop awareness of the benefits of protecting the occupants of motor vehicles. In 1989, \$6.4 million in Federal funds would be used to encourage the use of seat belts and passive restraints in vehicles. Particular emphasis will be placed on reducing the level of alcohol-related traffic accidents, which are again on the rise. Approximately \$51.3 million, including grant funds of \$46.5 million, is planned for alcohol research and to support State drunk-driving abatement programs.

Mass Transit.—Total transit ridership in the United States is now at a point slightly below where it was in 1965, accounting for

only 5 percent of passenger-miles traveled by residents of urbanized areas. The current program is also contrary to the administration's view that support of essentially local activities is not an appropriate Federal role, especially when financed from the general fund in excess of user fee receipts.

In an effort to address these trends and to use Federal dollars as wisely as possible, in 1989 the administration will propose legislation to target mass transit funding (except for Washington Metro) to the level of receipts provided by the one cent per gallon of the motor fuel tax dedicated to mass transit. Proposed 1989 mass transit budget authority is \$1.4 billion. Most of the funds would be distributed by formula to States and large urban areas. States and localities could use their formula grant funds on public transportation capital projects, provided they make matching contributions of at least 50 percent.

The administration also proposes an immediate end to transit discretionary grant funding. These grants have promoted the construction of local transit systems that often have been too costly and underutilized. For example, in 1973, Detroit estimated that its automated people mover would cost \$30 million to build; it actually cost \$200 million and attracts no more than 10,000 daily riders, far less than the 71,000 originally projected. In Miami, a \$1 billion transit investment carries only one-sixth the ridership originally estimated to justify the project. The bus riders of Miami have endured higher fares and reduced service because current transit funds have been diverted to the rail system. Funding for these grants comes from the one cent of the fuel tax dedicated to transit. The administration believes it is inequitable to continue subsidizing the projects of less than 20 cities by fuel taxes paid throughout the country. The fuel tax receipts should be distributed more equitably by formula to States and localities.

The administration is also proposing to terminate operating subsidies to large and medium-sized cities, but not small urban and rural areas. Federal operating subsidies, provided in response to the energy crisis to increase transit ridership and decrease fuel consumption, have generally financed inefficiency. Most of the operating subsidies finance increased wages and declining labor productivity in the mass transit industry. Absenteeism in the transit industry is estimated at three times the national average, yet transit operators and mechanics in large publicly operated systems earn an average of 31 to 95 percent more than their counterparts in the private sector.

The administration proposes a \$128 million construction grant for the Washington, D.C. Metrorail which will complete construction of 89.5 miles, the Federal commitment made in the 1986 full funding agreement. Through 1989, the Federal Government will

have made available a total of \$7.4 billion for the Washington Metro system, far more than what has been provided for any other new subway system in the country.

Railroads.—In keeping with the administration's policy of reducing Federal responsibility for rail activities unrelated to safety, proposed budget authority for railroads in 1989 is reduced to \$57 million, \$614 million less than in 1988. The decrease is attributable to the proposed elimination of subsidies for Amtrak as well as elimination of the Northeast corridor improvement and local rail service assistance programs.

Since 1970, the Federal Government has provided Amtrak with more than \$13 billion in direct and indirect subsidies. Despite a virtual monopoly on intercity rail passenger service and a subsidy averaging about \$30 per passenger in 1987, Amtrak serves less than 0.5 percent of all intercity travel. The administration is proposing to terminate all Amtrak subsidies in 1989. The President's Privatization Commission is currently studying options for the privatization of Amtrak.

Regulation.—The administration will continue its efforts to eliminate unnecessary Federal transportation regulations and to remove nonessential constraints on the competitive operation of the private transportation sector, especially the motor freight transportation industry. Legislation will again be proposed to deregulate completely the motor carrier, household goods freight forwarder, bus and inland water transportation industries, and to abolish the Interstate Commerce Commission (ICC) as an independent agency by October 1, 1988. Although most ICC rail activities would transfer to the Department of Transportation, rail antitrust matters would be policed by the Department of Justice. Handling of consumer protection complaints regarding household goods movers would be administered by the Federal Trade Commission.

Air Transportation.—Budget authority of \$7.8 billion is requested for air transportation in 1989, an increase of \$0.9 billion from the 1988 level. Federal spending for air transportation is for the improvement, operation, and maintenance of the national airspace system, airport grants, and aeronautical research.

Airports and Airways.—The Federal Aviation Administration (FAA) operates and maintains the national airspace system and provides funds to the Nation's airports to ensure the safe and efficient movement of the Nation's air traffic.

Budget authority of \$6.9 billion is proposed for 1989, a 13 percent increase from that provided in 1988. Tax receipts, primarily from passenger ticket and freight waybill taxes, are estimated to be \$3.7 billion in 1989, an increase of 8 percent over estimated 1988 receipts of \$3.4 billion.

Most of the requested 1989 funding increase is due to a proposed 44 percent increase in funding for the FAA's program to modernize our Nation's airspace system. In 1989, the administration is requesting \$1.6 billion in budget authority to continue the FAA's airspace modernization program; this is \$492 million more than the \$1.1 billion appropriated in 1988. This increase in funding reflects the administration's continued strong commitment to improving the reliability, capacity, and safety of the current air traffic control system. The funds will be used for a variety of important activities and improvements, including the advanced automation system, surveillance radar, communications equipment, and terminal doppler weather radar systems designed to detect deadly wind shears. In addition, funding will be requested to provide interim support to existing facilities in order to improve the operation and reliability of these facilities while we await final acquisition and implementation of the new equipment.

Proposed obligation limitation for the airport improvement program is \$1.2 billion in 1989, slightly less than the \$1.3 billion made available for obligation in 1988. A high level priority of the administration will be to direct these funds toward improvements that will enhance national airway system capacity.

The administration also proposes a 9.4 percent increase in funding for FAA operations—from \$3.1 billion in 1988 to \$3.4 billion in 1989. This funding increase will permit increases in the air traffic controller workforce from 15,900 in 1988 to 16,800 in 1989 and in the safety inspector and security workforce from 3,209 in 1988 to 3,659 in 1989 commensurate with anticipated increases in aviation activity. Substantial increases are also requested for facility maintenance, leased telecommunications, and human resource management, including improvements to the air traffic controller selection and training process.

Aeronautical Research and Technology.—The National Aeronautics and Space Administration (NASA) conducts research in aeronautical sciences and operates unique research and testing facilities to help maintain U.S. leadership in aeronautics. In 1989, the budget reflects a strong program of fundamental research, including augmented support for key areas such as advanced propulsion concepts and advanced composite materials. The budget also continues the joint NASA/Department of Defense program of research and advanced technology development in hypersonic flight. The administration requests \$872 million in 1989 budget authority for aeronautical research and technology, an increase of 21 percent from 1988.

Air Carrier Subsidies.—In conjunction with airline deregulation, the air carrier subsidy program was designed to guarantee essential air services to small communities. Consistent with the termina-

tion of the Civil Aeronautics Board on January 1, 1985 and the airline industry's adaptation to a deregulated environment, the air carrier subsidy program is proposed to end in 1988. This program was originally scheduled to terminate 10 years after deregulation in 1978, but was recently extended. In some communities, subsidies are as high as \$500 per passenger, while 72 percent of the subsidized communities serve 10 or fewer passengers per day.

Water Transportation.—To meet its Federal responsibility in water transportation, the administration requests \$3.3 billion in budget authority for 1989, an increase of \$0.6 billion from the 1988 level.

Marine Safety and Transportation.—Coast Guard services include search and rescue, maintenance of navigation aids, enforcement of maritime laws, and other activities. The administration will propose a redistribution of 1988 funds within the Department of Transportation to ensure the continuation of critical Coast Guard services, which were cut by Congress in 1988.

The administration's request of \$3.0 billion in 1989 budget authority for the Coast Guard represents a significant increase of 17.4 percent over Coast Guard's 1988 appropriation. The majority of these funds will support Coast Guard operations, including search and rescue and law enforcement activities. Funding for the Coast Guard's acquisition, construction, and improvements account, which supports all Coast Guard programs, is also being increased in 1989 by \$101 million over the 1988 appropriation of \$247 million.

In 1989, drug law enforcement will continue to receive major emphasis with 23 percent of the Coast Guard's operating budget supporting interdiction of drug smuggling. At the same time, Coast Guard's other missions (e.g., search and rescue) will continue at current or increased operating levels. The Coast Guard's search and rescue operations will benefit from replacement short-range recovery helicopters, renovated and modernized vessels, and new patrol boats that will be put into service during 1989. These assets will also provide the Coast Guard with expanded law enforcement and defense preparedness capabilities.

Ocean Shipping.—Programs in ocean shipping are administered by the Department of Transportation's Maritime Administration and Saint Lawrence Seaway Development Corporation, the Panama Canal Commission, and the Federal Maritime Commission. Proposed budget authority for ocean shipping in 1989 is \$369 million, an increase of \$123 million from 1988. The increase reflects additional budget authority associated with the proposed reform of the maritime operating subsidy program, and a reimbursement in 1988 to Treasury from the Panama Canal Commission.

The Maritime Administration has traditionally provided subsidies to assist the U.S. merchant marine and shipbuilding industries in competing with foreign maritime industries.

In 1989 the administration will continue to provide operating subsidies to offset the higher costs of operating U.S.-flag vessels. The 1989 cost to meet the Federal Government's obligations on existing operating subsidy contracts is estimated to be \$249 million. The administration is pursuing legislation that would reform the operating subsidy program by expanding carriers' operating flexibility, reducing the cost of subsidy per ship, and allowing additional carriers to participate in the program. In addition, the legislation contains several reforms that would reduce the cost of administering the cargo preference program.

In maritime operations and training, the administration requests funding for technical and policy studies and proposes funding increases for the U.S. Merchant Marine Academy and the National Defense Reserve Fleet in 1989. The administration also proposes that the State maritime schools share federally-supplied training vessels, rather than the Federal Government supplying each school with its own ship. As a condition of Federal assistance, the State maritime schools will have to require their graduates to accept a Naval Reserve commitment.

Consistent with its proposal to appropriate 1989 Ready Reserve Force (RRF) funding to the Maritime Administration, the administration will consult with Congress about changing the functional classification of funding for the RRF from defense-related activities (054) to water transportation (403) in the future.

The administration has proposed legislation to return the Saint Lawrence Seaway Development Corporation to direct financing from toll and other revenues, consistent with its organization and mission. This proposal would result in the Corporation's operation and maintenance being funded from toll revenues, as was the case prior to April 1, 1987.

With regard to the Panama Canal Commission, the 1989 budget reflects the conversion of its financing structure from a special fund to a revolving fund, pursuant to the Omnibus Budget Reconciliation Act of 1987. The revolving fund simplifies the Commission's financial structure and gives it needed operating flexibility, without any increased cost to the U.S. taxpayer.

Credit Programs.—The Department of Transportation provides direct loans and guaranteed loans for water and ground transportation projects. The largest loan and guarantee program is part of the Maritime Administration. It guarantees construction mortgage loans to build U.S.-flag vessels in the United States and makes direct loans in the form of advances to operators to avoid defaults on federally guaranteed loans. The administration is proposing no

CREDIT PROGRAMS—TRANSPORTATION

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Highway programs:					
New obligations	48	45	48	48	48
Change in outstandings	-65	-18	-21		
Outstandings	143	125	104	104	104
Aid to railroads:					
Change in outstandings	-936	-352	-151	-29	-105
Outstandings	638	285	134	105	
Aircraft purchase guarantee defaults:					
Change in outstandings	-4	12	*	*	*
Outstandings	41	53	53	53	53
MarAd ship financing fund subsidies:					
New obligations			5	5	5
Change in outstandings			5	5	5
Outstandings			5	10	15
MarAd ship financing fund:					
New obligations	1	5			
Change in outstandings	137	244	91	93	93
Outstandings	1,612	1,856	1,946	2,039	2,133
Other transportation:					
Outstandings	11	11	11	11	11
Total, direct loans:					
New obligations	49	50	53	53	53
Change in outstandings	-869	-114	-76	68	-7
Outstandings	2,444	2,330	2,254	2,322	2,315
Guaranteed loans:					
Mass transit programs:					
Outstandings	997	997	997	997	997
Aircraft purchase:					
Change in outstandings	-77	-68	-38	-21	-18
Outstandings	199	131	93	72	54
Assistance to ocean shipping:					
Change in outstandings	-716	-464	-291	-276	-262
Outstandings	4,279	3,815	3,524	3,248	2,986
Other transportation:					
Change in outstandings	-2	-1			
Outstandings	1				
Total, guaranteed loans:					
Change in outstandings	-796	-533	-329	-297	-281
Outstandings	5,476	4,943	4,614	4,317	4,037
Total, new obligations	49	50	53	53	53

* \$500,000 or less.

new loan guarantee commitments after 1987. The maritime industry should be encouraged to rely on the private credit market, without Federal intervention, as the source of capital. The administration will continue its policy of not providing loans to private freight railroad companies, in light of the health of the railroad industry. The administration is also proposing the sale of its direct railroad loan portfolio; these direct loans were made to private railroad companies from 1977 to 1985.

Tax Expenditures.—In addition to direct Federal funding, tax expenditures provide assistance to shipping concerns and mass transit systems. Prior to 1987, certain companies that operate U.S.-flag vessels were able to defer taxes indefinitely on income invested in construction, repair and modernization of ships. The Tax Reform Act of 1986 limits the deferral to 25 years, which results in a tax expenditure of \$120 million in 1989. State and local governments could issue tax-exempt bonds for mass transit vehicles until December 31, 1984, which results in a tax expenditure estimated to be \$40 million in 1989. Total tax expenditures for transportation are estimated to be \$160 million in 1989.

COMMUNITY AND REGIONAL DEVELOPMENT

The Nation requires healthy and thriving communities to maintain the economic vitality and general well-being of society. Federal programs for community and regional development supplement State and local government efforts to sustain economic and social growth in urban and rural neighborhoods, communities, and regions. Specific programs assist particular regions, provide disaster relief, and accomplish the major goals of Federal Indian policy. Most of this assistance takes the form of grants, but direct and guaranteed loan programs exist as well.

In 1989 the administration will continue its effort to concentrate Federal resources on national priorities and provide maximum opportunity for State and local governments to meet their own local community and economic development needs. Shifting responsibility for economic development programs to the State and local levels brings both economic development funding and priority decisions closer to the people who benefit directly. To achieve this, the administration proposes to eliminate a number of Federal categorical programs currently providing support for specific local community and economic projects. The comprehensive and more flexible community development block grants (CDBG) program will be the principal vehicle for Federal support.

The administration is requesting budget authority of \$6.2 billion in 1989 for community and regional development. Outlays are estimated to total \$5.9 billion in 1989, a reduction of 7 percent from 1988. The lower outlay estimates reflect reduced outlays attributable to lower expected budget authority and increased offsetting receipts in the area of disaster relief and insurance.

Community Development.—The principal Federal program in this category is the community development block grant program, which is administered by the Department of Housing and Urban Development (HUD).

Community Development Block Grants (CDBG).—The community development block grant program provides Federal support for cities, counties, Indian tribes, and U.S. territories, to help them meet their community and economic development needs. After certain funds are set aside for the Secretary's discretionary fund, which provides grants for Indians, insular areas, technical assistance, and special projects in support of CDBG activities, CDBG funds are allocated by formula to States, large cities, and urban counties. Seventy percent of the funds allocated by formula go to the large city/urban county program. The remaining 30 percent is allocated by formula to the State-administered small cities program; the States receive these funds to distribute to smaller communities and rural areas in their jurisdictions.

NATIONAL NEED: COMMUNITY AND REGIONAL DEVELOPMENT

(Functional code 450; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Community development:					
Community development block grants	3,000	2,880	2,480	2,625	2,625
Urban development action grants	225	216	- 50		
Rental rehabilitation	208	200	150	150	150
Rental development	105	6			
Pennsylvania Avenue Development Corpora- tion	8	6	5	18	5
Other	273	245	262	245	243
Subtotal, Community development	3,819	3,552	2,847	3,038	3,023
Area and regional development:					
Rural development:					
Existing law	1,447	4,468	2,234	2,184	1,764
Proposed legislation			- 51	- 390	- 110
Proposed credit reform			- 10	- 16	- 19
Economic development assistance	217	205	40		
Indian programs:					
Existing law	990	1,100	1,021	1,032	1,026
Proposed credit reform			14	8	5
Regional commissions	108	111	1		
Tennessee Valley Authority	100	103	76	79	81
Offsetting receipts	- 242	- 251	- 250	- 256	- 258
Subtotal, Area and regional develop- ment	2,620	5,736	3,073	2,641	2,490
Disaster relief and insurance:					
Small business disaster loans:					
Proposed credit reform			38	38	38
Other	210	202	278	287	295
Subtotal, Disaster relief and insurance ..	210	202	316	324	332
Total, budget authority	6,649	9,490	6,236	6,003	5,845

The administration proposes to establish the CDBG program level at \$2.6 billion for 1989, slightly below the 1988 program level of \$2.9 billion. The 1989 program level includes \$2.5 billion of new budget authority and a transfer of \$145 million from the rehabilitation loan fund upon its proposed termination at the end of 1988. Although this will reduce the total resources available for the CDBG program, recently enacted legislation increases the percentage of funds used to benefit persons of low and moderate income from 51 percent to 60 percent.

Urban Development Action Grants (UDAG).—The administration proposes to terminate the UDAG program at the end of 1989. No funding is proposed for 1989. This measure is part of the administration's effort to cut back categorical local economic development subsidy programs that distort economic investment choices and impose Federal priorities on State and local governments. These grant programs siphon productive resources from private invest-

NATIONAL NEED: COMMUNITY AND REGIONAL DEVELOPMENT

(Functional code 450; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Community development:					
Community development block grants	2,991	2,980	2,959	2,915	2,796
Urban development action grants	354	400	366	310	168
Rental rehabilitation	99	180	238	223	150
Rental development	66	144	109	116	.....
Pennsylvania Avenue Development Corpora- tion	11	9	13	36	9
Other	157	55	233	180	169
Subtotal, Community development	3,680	3,768	3,920	3,777	3,291
Area and regional development:					
Rural development:					
Existing law	300	1,181	1,128	1,316	1,183
Proposed legislation .....	.....	.....	-118	-46	-42
Proposed credit reform .....	.....	.....	-18	-111	-202
Economic development assistance	341	268	226	144	91
Indian programs:					
Existing law	950	1,088	1,044	1,054	1,015
Proposed credit reform .....	.....	.....	1	-5	-6
Regional commissions	152	134	116	87	49
Tennessee Valley Authority	112	85	89	82	81
Other	-14	-6	-7	-7	-7
Offsetting receipts	-242	-251	-250	-256	-258
Subtotal, Area and regional develop- ment	1,599	2,500	2,210	2,259	1,905
Disaster relief and insurance:					
Small business disaster loans:					
Existing law	-362	-150	-484	-269	-178
Proposed credit reform .....	.....	.....	-90	-163	-140
National flood insurance fund	-219	-107	-70	-70	-67
Other	352	310	393	347	350
Subtotal, Disaster relief and insurance ..	-229	53	-251	-155	-35
Total, outlays	5,051	6,321	5,879	5,880	5,161

ment projects to Government-subsidized projects that may provide local benefits, but are less efficient for the national economy as a whole. By approving awards to assist successful companies, major hotel chains, and large commercial banks, the UDAG program is misusing government dollars and diverting scarce capital from its best possible use. Cities may, at their discretion, continue to use CDBG resources to assist economic development projects. The \$366 million in outlays estimated for this program in 1989 reflects the continued spendout of funds for projects approved in prior years.

The administration continues to support the enterprise zone concept as a more economically efficient approach for assisting structurally depressed local economies. The 1987 housing bill authorized Federal enterprise zones under title VII. The Administration will work with State and local governments to determine the most

effective ways Federal enterprise zones can support and expand business development most efficiently.

Rental Rehabilitation Grants (RRG).—In 1983, the administration proposed, and the Congress enacted, a new housing rehabilitation program to support the voucher program in communities with an insufficient supply of standard quality low- and moderate-income housing. The administration is proposing \$150 million for the program in 1989 as compared with \$200 million in 1988. Outlays in 1989 are estimated to be \$238 million. The RRG program seeks to provide financial incentives to building owners to rehabilitate rental property for low-income families. Under current law, rent controls cannot be applied to buildings rehabilitated with RRG funds unless such controls existed prior to 1983. To this extent, Congress has already recognized that this program cannot work effectively where rent controls are in effect. In order to maximize the cost effectiveness of Federal assistance, therefore, the administration proposes to target funds to localities that do not have rent controls. The proposal does not seek to supercede or otherwise waive a local decision to impose rent controls, but merely seeks to avoid Federal expenditures that are unlikely to have the intended effect on low-income housing markets.

Rental Development Grants.—In the Housing Urban-Rural Recovery Act of 1983, the Congress created a new rental development grant program to subsidize the construction or substantial rehabilitation of rental housing in low- and moderate-income neighborhoods experiencing a severe shortage of rental housing. The 1987 Housing and Community Development Act calls for termination of this program at the end of 1989. The 1988 Continuing Resolution provided no funding for the program in 1988; the Administration proposes no funding in 1989 as well. It has proven to be a costly subsidy supporting the construction of new rental units at a time of historically high vacancy rates, and, thus, cannot be justified. Furthermore, the program is not well targeted to low-income people—those who are most in need of housing assistance. Outlays in 1989 are estimated to be \$109 million from grants awarded in previous years.

Pennsylvania Avenue Development Corporation (PADC).—PADC was created in 1972 to develop and implement a plan for the physical rejuvenation of the blocks and public areas of Pennsylvania Avenue between the White House and the Capitol, an area which had experienced economic and physical decline up to that time. Approval of the development plan by the Executive Branch and the Congress in 1975 was followed by plan implementation with 1978 funding. Since then, nearly \$100 million in appropriations has been obligated by PADC for land acquisition and extensive improvement of the public areas, including the creation of new

parks and plazas, a Federal investment that has directly contributed to attracting \$1 billion in private investment on the project area's blocks. The \$5 million in budget authority requested for 1989, combined with projected 1990-1992 budget authority of \$27 million, will enable PADC to complete the plan in 1992 and go out of business.

Area and Regional Development.—Programs in this category support rural development, development programs of American Indian tribal governments, and multi-State regional development.

Rural Development.—The Administration, as part of its Rural Development Initiative, proposes to continue its program of grants, and direct and guaranteed loans through the Farmer's Home Administration. Direct loans and grants will be made to small rural communities to assist in financing water and waste treatment systems. A small portion of direct loans are also made for construction of community health care facilities. Guaranteed loans are made to businesses and industries which establish operations in rural areas with high unemployment rates. The amounts requested for 1989, \$75 million in grants, \$300 million in direct loans and \$96 million in guaranteed loans, are to be targeted to very-low income rural communities.

Economic Development Assistance.—The Department of Commerce's Economic Development Administration (EDA) provides public works grants to States and communities, and loan guarantees to businesses. The administration proposes to terminate the EDA in 1989.

EDA programs do not target assistance to those in need, but instead serve narrow and specialized local and regional political interests at the public's expense. Furthermore, there is no evidence that these programs create new jobs nationwide. Rather, they shift jobs between localities. Similarly, the Government does not create net new jobs in the economy by moving productive resources from the private sector to the public sector.

Indian Programs.—The three major objectives of Federal Indian policy are to fulfill the trusteeship responsibilities of the Federal Government, to increase self-determination for American Indian tribal governments, and to encourage economic development on Indian reservations.

Budget authority requested for regional development, provided through the Indian programs and Indian trust funds administered by the Bureau of Indian Affairs is \$1.1 billion in 1988 and \$1.0 billion in 1989. The Department of Housing and Urban Development also provides community development support specifically for Indians through a set-aside in the community development block grant program described above. Total discretionary budget authority requested for special Indian programs Government-wide, includ-

ing programs in other functions such as income security and education, is expected to be \$3.1 billion in 1989. Corresponding outlays are estimated to be \$3.4 billion. These amounts do not include payments received by Indians from trust funds established for their benefit or from programs serving all qualified U.S. citizens.

Appalachian Regional Commission (ARC).—The ARC was established in 1965 to provide economic development assistance to the 13-State Appalachian region. Since 1965, more than \$5 billion in Federal funds has supported highway construction and financed community development-related facilities. The administration proposes to terminate ARC in 1989. ARC highway funds unnecessarily duplicate the Department of Transportation's Federal Highway program. ARC development programs target resources to rural districts that are no worse off economically than rural communities in other parts of the country, and therefore not deserving of special injections of Federal resources.

Tennessee Valley Authority (TVA).—The administration would terminate direct support for TVA's regional economic and community development programs, which are more appropriately private or State and local government responsibilities. These programs include activities such as technical assistance to cities and towns, promotion of tourism, and the development of commercial resources. To the extent that Federal assistance is needed, it is better allocated through programs administered nationally by other Federal agencies. TVA's basic responsibilities for water resources systems management and fertilizer research continue. Outlays for TVA's activities in this function are estimated at \$89 million in 1989, up from \$85 million in 1988. The TVA power program, financed through the sale of electricity, is discussed in the energy function.

Rural Telephone Bank (RTB).—The RTB, in the Department of Agriculture, provides subsidized direct loans for the construction and operation of rural telephone systems. Total RTB loans outstanding were \$1.4 billion at the end of 1987. Most RTB borrowers are financially healthy and the administration proposes that they increase their reliance on private financing through phased privatization of the RTB. The RTB would take the necessary steps to achieve privatization by 1995 including accumulation of reserves to repurchase the \$506 million of two percent dividend class A stock that has been purchased by Treasury. Consistent with this approach, the administration proposes that direct loan obligations be maintained at the 1988 enacted level of \$177 million annually; that interest rates charged on loans be sufficient to cover borrowing and administrative costs; and other necessary steps be taken to achieve privatization.

Disaster Relief and Insurance.—Providing insurance against losses from floods, hurricanes, tornadoes, and other natural disasters is primarily the responsibility of private insurers. State and local governments aid recovery when necessary, and Federal insurance and disaster relief programs are available to supplement State and local resources when those resources are insufficient.

Small Business Disaster Loans.—The Small Business Administration (SBA) provides loans to homeowners and businesses for uninsured losses suffered as a result of physical disasters. In order to be eligible for the loans, recipients must be able to demonstrate the financial ability to repay the loans. These loans are currently available to borrowers at an interest rate of 4 percent if credit cannot be obtained elsewhere (i.e., if the borrower is not likely to satisfy commercial credit requirements) and no more than 8 percent if credit can be obtained from private sources. The administration will propose legislation to limit this program to those homeowners and businesses unable to obtain credit elsewhere and to raise the interest rate to a rate comparable to the Treasury rate for existing loans of equal maturity, plus 1 percent. These changes, expected to save \$35 million per year, are designed to encourage those homeowners and businesses who can afford to obtain and maintain adequate insurance coverage against disaster-related losses to rely upon those alternatives instead of relying on direct Federal loans at preferential interest rates. The General Accounting Office has found that insurance is a better form of disaster protection than direct Federal loans. The administration also proposes to sell the disaster loan portfolio over a period of 6 years beginning in 1989.

Disaster Relief.—The Federal Emergency Management Agency administers this nationwide program, which provides supplemental assistance to individuals and State and local governments in the event of a Presidentially-declared emergency or disaster. In addition, States or Federal agencies may be reimbursed for disaster relief work performed under this authority. Outlays are estimated at \$260 million in 1989.

National Flood Insurance Fund.—The Federal Emergency Management Agency operates a national program of direct Federal flood insurance at subsidized rates. Since the program began in 1968, losses have amounted to \$1.0 billion. The Congress has authorized premium increases that will eliminate this costly subsidy by 1989, thereby recovering clearly allocable costs of flood insurance from beneficiaries of this program. Receipts for this program are estimated to exceed outlays by \$70 million in 1989.

CREDIT PROGRAMS—COMMUNITY AND REGIONAL DEVELOPMENT

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Rural development insurance fund:					
New obligations	426	426			
Change in outstandings.....	-1,796	-1,044	-810	70	14
Outstandings	6,431	5,386	4,576	4,646	4,660
Rural development subsidies: :					
New obligations			300	200	100
Change in outstandings.....			12	74	147
Outstandings			12	86	233
Rural development loan fund:					
Change in outstandings.....	-1	*	2	-2	-2
Outstandings	33	33	35	33	31
Economic development assistance:					
Change in outstandings.....	-13	-114	-47	-13	-12
Outstandings	556	441	394	381	370
Disaster loan subsidies:					
New obligations			265	265	265
Change in outstandings.....			112	205	172
Outstandings			112	317	489
Small business disaster loans:					
New obligations	208	350			
Change in outstandings.....	-503	-394	-942	-754	-607
Outstandings	3,719	3,325	2,383	1,629	1,022
Rural telephone bank subsidies:					
New obligations			177	177	177
Change in outstandings.....			11	50	85
Outstandings			11	60	145
Rural telephone bank:					
New obligations	185	177			
Change in outstandings.....	13	-145	53	32	9
Outstandings	1,447	1,302	1,355	1,387	1,396
Other:					
New obligations	71	98	13	13	13
Change in outstandings.....	-95	-397	-104	-668	-59
Outstandings	1,631	1,234	1,130	462	403
Total, direct loans:					
New obligations	890	1,051	755	655	555
Change in outstandings.....	-2,396	-2,095	-1,713	-1,008	-252
Outstandings	13,817	11,722	10,009	9,001	8,749
Guaranteed loans:					
Rural development insurance fund:					
New commitments	115	96			
Change in outstandings.....	-438	-265	-189	-213	-234
Outstandings	1,918	1,653	1,464	1,251	1,017
Rural development subsidies:					
New commitments			96	196	296
Change in outstandings.....			19	54	101
Outstandings			19	73	175
Economic development assistance:					
New commitments		20			
Change in outstandings.....	-191	8	-24	-23	-19
Outstandings	95	103	79	56	37
Small business disaster loans:					
Change in outstandings.....	-1	*	*	*	*
Outstandings	2	1	1	1	*
Other:					
New commitments	69	178	45	45	45
Change in outstandings.....	89	141	56	-14	-22
Outstandings	292	433	489	474	452

CREDIT PROGRAMS—COMMUNITY AND REGIONAL DEVELOPMENT—Continued

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Total, new obligations and new commitments.....	1,074	1,344	896	896	896

* \$500,000 or less.

Tax Expenditures.—Direct Federal funding for community and regional development is supplemented by several existing tax expenditures. The provision that allowed certain taxpayers to amortize rehabilitation expenditures for low- and moderate-income rental housing over a 5-year period expired at the end of 1986. It has been replaced by a tax credit structured to have a present value equal to 70 percent of construction or rehabilitation costs. The credit is reduced to 30 percent for federally subsidized projects. The 1989 tax expenditure for this provision is \$620 million. Development is also assisted by the exclusion of interest on State and local industrial development bonds for airports and docks. The estimate for this provision is \$1 billion for 1989. Special tax credits are also available for rehabilitation of older nonresidential buildings. For 1989, the estimated tax expenditure for this program is \$150 million. Total tax expenditures for community and regional development for 1989 are estimated to be \$1.9 billion.

EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Federal programs for education, training, employment, and social services are intended to: (1) assist parents, States, and localities in providing education, especially for educationally disadvantaged, low-income, and handicapped persons; (2) assist economically disadvantaged or dislocated workers in gaining job skills and finding permanent, unsubsidized employment opportunities; (3) help employers and employees maintain stable and productive relations; and (4) help provide social services for needy children, families, the elderly, and other persons. Historically, the responsibility for meeting most of these needs has rested with State and local governments and the private sector. Excluding the financing effects of the proposed credit reform legislation, total outlays for this function are estimated to be \$34.9 billion for 1989, \$1.2 billion above the 1988 level.

EDUCATION

Funding proposed for education activities in 1989 is intended to provide substantial support at all levels for supplementary education and other assistance for the handicapped and the educationally and economically disadvantaged. Funding also supports national-level research, statistics gathering, and analysis.

Excluding the financing effects of the proposed credit reform legislation, budget authority requested for education programs in 1989 is \$20.8 billion, \$904 million or 4.5 percent above the level enacted for 1988.

Elementary, Secondary and Vocational Education.—The administration requests \$9.8 billion in budget authority in 1989 for elementary, secondary, and vocational education programs, \$312 million above the level enacted for 1988.

School Improvement Programs.—This activity includes a number of programs that provide assistance to States, school districts, and others to use, with varying degrees of Federal oversight, to design and implement new projects, improve drug education activity, upgrade teaching of mathematics and science, and demonstrate new approaches to school improvement. The largest of these programs is the education block grant, for which the administration is proposing budget authority of \$540 million in 1989, \$62 million above the 1988 level. The administration is seeking \$250 million in budget authority for the drug-free schools program in 1989, an increase of \$20 million over the level enacted for 1988. The budget includes funds to support demonstrations of alternative teacher certification systems.

NATIONAL NEED: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(Functional code 500; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Education:					
Elementary, secondary, and vocational education:					
School improvement programs:					
Existing law	939	1,040	30	29	29
Proposed legislation.....			1,101	1,101	1,101
Compensatory education:					
Existing law	3,952	4,337			
Proposed legislation.....			4,566	4,566	4,566
Education for the handicapped.....	1,742	1,869	1,917	1,941	2,012
Impact aid	718	708	592	592	592
Vocational and adult education:					
Existing law	995	1,013	888	888	888
Proposed legislation.....			150	170	180
Other:					
Existing law	656	541	392	392	392
Proposed legislation.....			185	185	185
Subtotal, Elementary, secondary, and vocational education	9,001	9,508	9,820	9,864	9,945
Higher education:					
Student financial assistance:					
Existing law	5,483	5,545	6,021	6,021	6,021
Proposed legislation.....			79	79	79
Guaranteed student loan program:					
Existing law	2,717	2,565	2,740	2,635	2,388
Proposed legislation.....			-5	-6	-20
Proposed credit reform.....			3,094	2,632	2,233
Other:					
Existing law	852	902	779	757	754
Proposed legislation.....			6	3	3
Subtotal, Higher education	9,052	9,012	12,714	12,122	11,458
Research and general education aids:					
Existing law.....	1,308	1,352	1,260	1,285	1,294
Proposed legislation.....			76	76	76
Subtotal, Research and general education aids	1,308	1,352	1,336	1,361	1,370
Subtotal, Education	19,361	19,872	23,870	23,347	22,773
Training, employment, and other labor services:					
Training and employment:					
Block grants to States.....	1,840	1,809	1,809	1,809	1,809
Summer youth employment.....	750	718	718	718	718
Assistance to dislocated workers:					
Existing law	250	335			
Proposed legislation.....			948	980	980
Job Corps.....	656	716	711	732	751
Older Americans employment.....	336	331	336	336	336
Work incentive program.....	126	93			
Other training programs.....	277	298	265	266	267
Federal-State employment service.....	990	982	926	948	970
Subtotal, Training and employment	5,226	5,282	5,713	5,790	5,832
Other labor services	730	778	806	821	839

NATIONAL NEED: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES—Continued

(Functional code 500; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
Subtotal, Training, employment, and other labor services	5,955	6,061	6,519	6,611	6,671
Social services:					
Social services block grant	2,700	2,700	2,700	2,700	2,700
Community services block grant	405	382	310	245	160
Rehabilitation services	1,485	1,590	1,616	1,616	1,616
Payments to states for foster care and adoption assistance	1,061	811	1,075	1,035	1,094
Human development services	2,100	2,456	2,457	2,505	2,546
Domestic volunteer programs	156	163	166	170	173
Other social services	24	957	670	769	758
Subtotal, Social services	7,932	9,059	8,994	9,039	9,047
Total, budget authority	33,249	34,992	39,383	38,997	38,491

Under current law, Federal funding is available for magnet schools in desegregating school districts. In general, magnet schools result in less segregation, greater commitment by students and parents, and, thus, better quality schooling. For 1989, the administration is proposing legislation to expand eligibility of school systems for Federal grant funds to implement magnet school strategies. Budget authority of \$115 million is proposed for magnet schools in 1989, an increase of \$43 million over the 1988 level of \$72 million.

The 1989 budget continues the administration's long-standing support for increased parental choice in education. Study after study has found that when parents have a say and are involved in their children's education, the children do better in school. The Congress has taken a beginning step in the Senate version of the pending elementary and secondary education legislation by creating a program to support demonstrations to promote choice in public education. The 1989 Education Department budget includes \$5 million that will be requested for the Parental Choice Open Enrollment Demonstration program, upon its enactment. In addition, some States have already begun to experiment with more broadly based programs supporting choice among schools, including private schools. To assist in this effort, the Secretary of Education will develop model legislation for use by State legislatures, at their discretion, to promote the use of vouchers to expand choice to all types of elementary and secondary schools.

NATIONAL NEED: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(Functional code 500; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Education:					
Elementary, secondary, and vocational education:					
School improvement programs:					
Existing law	889	733	934	298	50
Proposed legislation.....			133	883	1,079
Compensatory education:					
Existing law	3,210	3,841	3,810	866	87
Proposed legislation.....			548	3,653	4,475
Education for the handicapped.....	1,339	1,801	1,864	1,910	1,944
Impact aid	704	756	632	621	606
Vocational and adult education:					
Existing law	1,231	979	895	916	891
Proposed legislation.....			18	122	164
Other:					
Existing law	537	505	523	447	412
Proposed legislation.....			22	148	182
Subtotal, Elementary, secondary, and vocational education	7,911	8,614	9,380	9,864	9,889
Higher education:					
Student financial assistance:					
Existing law	4,780	5,319	5,774	6,011	6,021
Proposed legislation.....			16	77	79
Guaranteed student loan program:					
Existing law	2,548	2,630	2,743	2,631	2,407
Proposed legislation.....		-2	-3	-5	-17
Proposed credit reform.....			2,476	2,725	2,313
Other:					
Existing law	78	518	839	832	746
Proposed legislation.....			-220	9	6
Subtotal, Higher education	7,406	8,465	11,625	12,279	11,554
Research and general education aids:					
Existing law.....	1,255	1,407	1,357	1,330	1,296
Proposed legislation.....			30	59	76
Subtotal, Research and general education aids	1,255	1,407	1,388	1,388	1,372
Subtotal, Education	16,571	18,487	22,392	23,531	22,815
Training, employment, and other labor services:					
Training and employment:					
Block grants to States.....	1,854	1,890	1,893	1,810	1,810
Summer youth employment.....	723	724	727	718	718
Assistance to dislocated workers:					
Existing law	212	251	292	97	14
Proposed legislation.....			29	795	957
Job Corps.....	628	641	674	721	760
Older Americans employment.....	312	329	333	336	336
Work incentive program.....	137	95	6		
Other training programs.....	250	283	296	271	267
Federal-State employment service.....	968	1,008	961	937	959
Subtotal, Training and employment	5,084	5,221	5,211	5,685	5,821
Other labor services	675	768	808	813	829

NATIONAL NEED: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES—Continued

(Functional code 500; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
Subtotal, Training, employment, and other labor services	5,759	5,989	6,018	6,497	6,650
Social services:					
Social services block grant.....	2,688	2,685	2,700	2,700	2,700
Community services block grant.....	361	406	349	263	188
Rehabilitation services.....	1,405	1,585	1,600	1,615	1,616
Payments to states for foster care and adoption assistance.....	802	996	1,014	1,034	1,074
Human development services.....	1,959	2,389	2,451	2,486	2,528
Domestic volunteer programs.....	159	160	165	168	172
Other social services.....	21	957	672	769	757
Subtotal, Social services.....	7,394	9,176	8,951	9,036	9,035
Total, outlays	29,724	33,652	37,362	39,065	38,500

Compensatory Education for the Disadvantaged.—Programs in this activity include those currently authorized under Chapter 1 of the Education Consolidation and Improvement Act, plus two small discretionary grant programs for migrant education. The Chapter 1 programs include the major Federal support for remedial education services for the educationally disadvantaged. For 1989, the administration is proposing \$4.6 billion in budget authority, an increase of \$238 million over the 1988 enacted level for Chapter 1 programs. Legislation is pending in Congress for reauthorization of these programs. No funding is requested in 1989 for the two small, duplicative migrant education programs.

Education for the Handicapped.—The administration is requesting \$1.9 billion in budget authority for the education of handicapped children in 1989, an increase of \$48 million over the 1988 enacted level for these programs.

Impact Aid.—The Government compensates school districts whose enrollments and available revenues are deemed to have been adversely affected by Federal activities, such as the presence of a military base. The administration proposes aid only for those school districts that provide services to children who live on Federal property and whose parents work on Federal property—so-called “a” children. A 2 percent increase in funding over the enacted 1988 level is being requested for these districts in 1989. The administration requests no funds in 1989 for school districts with children who either live on Federal property or whose parents work on Federal property—so-called “b” children. This change in the impact aid program would ensure that funds go only to those districts in which federally connected children pose a demonstrable burden.

Vocational and Adult Education.—The administration requests total 1989 funding for vocational education equal to the 1988 enacted level of \$888 million. Funds would be reallocated in 1989 from lower priority activities to State grants. Legislation to improve accountability in the State grant program will also be proposed. The administration is requesting budget authority of \$150 million for adult education, \$26 million more than the 1988 enacted level. Funds are proposed to be used in accord with legislation now pending in Congress. Adult education programs are a key part of the administration's efforts to combat adult illiteracy. They help States and localities improve or expand their adult education programs. The request includes \$2 million for Federal research and data collection activities in 1989. The budget includes additional increases in adult education budget authority each year for a total proposed level of \$200 million by 1993.

Other Elementary and Secondary Education.—The administration is requesting increased budget authority in 1989 for bilingual, immigrant, and refugee education. The bilingual request is based on legislation pending in Congress that takes another step toward elimination of inappropriate statutory restrictions on school flexibility to use bilingual education funds for whatever teaching methods work best for children. In addition, funding is requested for both the Interior and Education Departments' Indian education programs, for an elementary and a secondary school for deaf children operated by Gallaudet University, and for the American Printing House for the Blind.

Higher Education.—Excluding the financing effects of the proposed credit reform legislation, the administration requests \$9.6 billion in budget authority for higher education in 1989, \$608 million above the 1988 enacted level of \$9.0 billion.

Student Financial Assistance and Guaranteed Student Loans.—The budget continues the Federal Government's longstanding commitment to ensuring access to higher education for lower income persons. Under the budget proposals, total aid available to students under the programs in these accounts would be higher than ever before. Budget authority for student financial assistance for 1989 is requested at \$6.1 billion, an increase of \$555 million or 10 percent over the 1988 enacted level. Budget authority for guaranteed student loans is requested at \$2.7 billion, excluding the financing effects of the proposed credit reform legislation. Major proposals include:

- Expansion of the recently begun income contingent loan program from \$4.3 million in 1988 to \$50 million in 1989. Under this program, borrowing is less burdensome because repayments are adjusted annually to fit within the income the student earns after leaving school.

- Budget authority of over \$5 billion in 1989 for the Pell grant program for low-income students. Within that total, the administration will propose legislation to (a) suspend, on a temporary basis, the requirement that parents contribute a part of the value of non-liquid assets (e.g., home equity) to the cost of education, which adds \$266 million to program costs; and (b) limit eligibility for aid to those with a high school diploma or equivalent, which saves \$187 million.
- A broad range of regulatory and administrative initiatives designed to address the mushrooming cost of student loan defaults, estimated at over \$1.6 billion in 1988. The initiatives include proposed legislation to share the cost of financing defaults with lenders and guarantee agencies. Increased risk-sharing will provide greater incentives to lenders and agencies to prevent defaults and increase debt collection. Regulatory proposals will seek to enlist the aid of schools in limiting defaults and hold them accountable for unreasonably high default rates.
- Legislation to foster incentives for improved educational quality and institutional accountability in the work-study and supplemental educational opportunity grant programs. Funding would be linked to institutions meeting performance objectives.
- No funds in 1989 for new capital grants to schools for Perkins loans (formerly National direct student loans) or for State student incentive grants, funded in total at \$258 million in 1988. The Perkins program provides unnecessarily high loan subsidies and is not as cost-effective as the income contingent loan program. The State student incentive grant program has long since fulfilled its objective of stimulating State need-based aid programs.
- Reforming education credit programs, which is part of the administration's proposed Government-wide credit reform initiative. The budget authority and outlays shown as proposed credit reform reflect the estimated subsidies implicit in the Federal loan programs and do not affect the volume of loans guaranteed. The administration's proposed credit reform initiative is discussed in Part 6b of this volume.

In 1988, Congress appropriated \$4.26 billion for the Pell grant program for the 1988-89 school year. This amount is \$259 million less than is estimated to be needed to fund the program fully under the requirements of the authorizing statute and the \$2,200 maximum grant imposed by the appropriations act. In this situation, the law requires a "linear reduction" of awards: 206,000 students will lose awards and 1.2 million will have their awards reduced significantly. To prevent these effects and eliminate the \$259 mil-

lion shortfall, two steps are proposed. First, \$160 million in otherwise unneeded prior-year funds will be added to the appropriated amount. Second, in place of the linear reduction, the administration proposes appropriations language to allow the Secretary to reduce all awards by a fixed amount, now estimated to be \$31. To avoid severe program disruption, the alternative language must be enacted or assured of enactment by April 30, 1988.

Other Aid to Higher Education.—For the two programs for historically black colleges and universities, budget authority of \$80 million is requested for 1989, a 10 percent increase over the 1988 level. No funding is sought in 1989 for a few small, low-priority programs or for those that duplicate other programs or are no longer necessary. Funds requested in 1989 for the operations of Gallaudet University and the National Technical Institute for the Deaf are increased to 2 percent above the 1988 enacted level; increased funding is also requested for their endowment programs. Increased funding in 1989 is requested for Howard University, including a substantial increase for endowment matching grants (proposed for later transmittal upon reauthorization of the endowment program) to help Howard move more rapidly toward reduced dependency on Federal funds.

Loan Asset Sales.—The budget reflects the continuation of Education Department sales of college housing and higher education facilities loan assets. About \$483 million of college housing and higher education facilities loans are planned for sale in 1989, with proceeds estimated at about \$230 million.

Research and General Education Aids.—The administration proposes to increase budget authority in 1989 for Education Department research and statistics to \$81 million, \$13 million over the 1988 enacted level. Funding is sought for selected library programs along with legislative improvements. Funding is proposed at the 1988 level for the National Endowments for the Arts and for the Humanities and the Institute of Museum Services. The administration is proposing that funding for the Corporation for Public Broadcasting (which receives 2-year advance appropriations) should be held at the 1988 level, which is sufficient to meet programming and capital requirements while providing incentives for development of non-Federal support.

Tax Expenditures.—A variety of exclusions, exemptions, and deductions provide assistance for education. Student loans are subsidized through the exclusion of interest on State and local student loan bonds. Students receive additional benefits because scholarship and fellowship awards are not subject to tax to the extent that they pay for tuition, books, and related fees. These two tax expenditures are estimated at \$390 million and \$685 million, respectively,

CREDIT PROGRAMS—EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Guaranteed student loans:					
Change in outstandings.....	615	603	531	319	43
Outstandings.....	4,792	5,394	5,925	6,244	6,287
Student financial assistance:					
Change in outstandings.....	-4,615	-17	-19	-18	-12
Outstandings.....	657	639	620	602	590
College housing and other:					
New obligations.....	60	62			
Change in outstandings.....	-1,165	-706	-459	59	12
Outstandings.....	1,463	758	298	357	369
SLMA obligations:					
Change in outstandings.....	-30	-30		-30	-30
Outstandings.....	4,940	4,910	4,910	4,880	4,850
Total, direct loans:					
New obligations.....	60	62			
Change in outstandings.....	-5,195	-150	52	330	13
Outstandings.....	11,852	11,701	11,753	12,083	12,095
Guaranteed loans:					
Guaranteed student loans:					
New commitments.....	9,730	9,576	10,039	10,521	11,027
Change in outstandings.....	2,585	1,190	1,049	860	813
Outstandings.....	40,067	41,256	42,306	43,166	43,979
Total, new obligations and new commitments.....	9,790	9,639	10,039	10,521	11,027

in 1989. Other assistance is provided through a special tax exemption available to parents of students age 19 or over who do not claim an exemption on their own tax return and by the deductibility of charitable contributions for education. Tax expenditures for these items are estimated at \$450 million and \$1.6 billion, respectively, in 1989. The exclusion of interest on State and local debt for private nonprofit educational facilities results in a tax expenditure estimated at \$315 million in 1989. Current tax expenditures for education are estimated to total \$2.8 billion in 1989.

A legislative proposal will be submitted to create a college savings bond program to help lower- and middle-income families save for the rising cost of a college education. Tax expenditures in 1989 would be \$10 million.

TRAINING, EMPLOYMENT, AND OTHER LABOR SERVICES

Federal training and employment programs are designed to improve individuals' abilities to obtain and retain jobs and to facili-

tate the operation of the labor market by ensuring the development of a labor force that has the skills and flexibility required to meet the needs of a rapidly changing economy over the next decade. Those who have difficulty getting and keeping jobs may receive skill training or information on the location of suitable jobs and how to seek them. Other labor services include the compilation of labor statistics and the regulation of employer-employee relations. In 1989, outlays for these activities are expected to be \$6.0 billion, an increase of \$29 million over the estimate for 1988.

Training and Employment.—The major Federal activities for training and employment are financed through grants to States for training those having greatest difficulties in the job market; helping experienced workers displaced from their jobs find new employment; providing subsidized jobs, remediation, and training for youth in the summer; and operating the Employment Service. In addition, the Federal Government contracts for the operation of other job training programs, including the Job Corps. Under the Job Training Partnership Act (JTPA), States have major control over the use of amounts granted them. In each State and locality, the private sector is heavily involved in planning and carrying out the programs. The primary JTPA program is a block grant that provides States and localities program discretion within broad Federal guidelines. To provide lead time for adequate planning, the budget authority enacted for a fiscal year for JTPA and the Employment Service finances a 12-month program year beginning on July 1 of that year.

Block Grants to States.—Under JTPA, each State designs its program in close cooperation with private sector employers to meet the needs of its population and the opportunities in its job market. These programs are intended to prepare low-income and unskilled youth and adults for entry into the labor force and to provide job training to those who are in special need of such training in order to obtain productive employment. Activities are designed in conjunction with the Employment Service, educational institutions, and other service providers to prepare individuals for jobs in the area. Although few restrictions are placed on the States and localities, JTPA requires that 70 percent of the grant amount must be used for training and 90 percent of the participants must be economically disadvantaged. At least 40 percent of the resources must be spent for youth, and welfare recipients must be served on an equitable basis. Estimated outlays of \$1.9 billion in 1989 reflect the budget authority proposed to serve over 1 million people in both program years 1988 and 1989.

Summer Youth Employment.—Under the summer youth employment program, grants are made to States in the spring of each year to subsidize minimum-wage public sector jobs during the following

summer for youth between the ages of 14 and 21. The 1988 budget authority provides jobs in the summer of 1989 and the 1989 budget authority provides jobs in the summer of 1990. While the program usually has been successful in providing summer jobs for youth, there is no evidence that simply providing such jobs has benefitted those low-income youth with the fewest skills and most at risk of not finding a productive role in the economy, nor is it clear that using these resources only for jobs is the most effective use of tax dollars. Under current law, local areas have limited flexibility to use these resources in new and innovative programs mixing jobs and longer term comprehensive training. The administration, therefore, proposes amending the current summer jobs program.

Legislation will be proposed to change the JTPA by amending the existing summer youth employment program to allow States and local areas to establish a comprehensive program of services for low-income youth. This change would enable States and localities to operate a year-round program of remedial education, basic skills training, and related support; a subsidized summer jobs program as they do now; or a mixture of both programs. The mix of services between training and jobs will be up to States and local areas. This proposal is intended to allow local areas to put together the best combination of services for their jurisdiction to help youth who suffer from illiteracy, lack job skills, and are the most seriously at risk of failing to participate fully in our society. Budget authority of \$718 million in 1989 is proposed for this program, the same level as enacted for 1988.

Assistance to Dislocated Workers.—Two programs have been available to help workers whose jobs have disappeared because of changes in the economy. Trade adjustment assistance (TAA) provides unemployment benefit payments for a period beyond that available from unemployment insurance. It also pays for retraining workers whose skills are obsolete or for the cost of searching for and moving to jobs in new locations. This aid is available only to workers who are determined to have been displaced from their jobs by increased imports. Experience under the program has demonstrated that the additional weeks of unemployment benefits encourage workers to delay efforts to seek new opportunities in the hope that somehow their old jobs will reappear. Congress provided \$48 million for retraining and relocation assistance and resources to finance \$138 million in benefits under TAA in 1988.

JTPA authorizes the second readjustment program, providing grants to States to help dislocated workers find new occupations that use their skills, get training in new skills for which there is a demand, or meet the costs of looking for jobs or moving to new locations where they have found long-term jobs. JTPA provides for 75 percent of amounts appropriated for this program to be distrib-

uted to States by formula and for 25 percent to be granted to States at the discretion of the Secretary of Labor based on applications describing special needs. An appropriation of \$287 million was enacted to be distributed in this manner in 1988.

These separate worker assistance programs have not operated efficiently to help workers adjust. In addition, the separate TAA program targeting one group of unemployed workers raises serious questions about equity of treatment. The administration proposes to replace these two programs with an entirely new program. This new Worker Readjustment Program (WRAP) would be available to all dislocated workers, whether they are unemployed due to increased imports, have been permanently laid off, have lost their farms, or are long-term unemployment insurance recipients. Services such as counseling, job search assistance, basic education, and job skill training would be provided in a two-tiered approach, with services leading to quick adjustment being provided first. States would apply to the Secretary of Labor for grants and would be responsible for the program and linking it to the unemployment insurance system. The private industry councils set up under JTPA would have oversight responsibilities at the local level. These changes would allow States and local areas to use a variety of new approaches to encourage workers to recognize when their old jobs are gone and to provide them the help they need to move on more quickly to new careers.

The budget requests that the \$287 million appropriated in 1988 for dislocated worker assistance under JTPA be made available for transition purposes in addition to the normal program of assistance until WRAP is fully implemented. No separate resources are requested for serving new enrollees in the TAA program in 1989. These workers would be served by the new program during 1989. Existing TAA recipients would continue to receive their benefits and complete their training.

Total budget authority proposed for 1989 to serve dislocated workers is \$980 million, of which \$32 million is for residual TAA benefits classified in the income security function. About 700,000 workers are expected to enroll in the new program each year when it is fully operational. The new approach would provide readjustment services faster than has been possible under the current programs.

Job Corps.—The Job Corps provides disadvantaged youth remedial education and job skills training in 106 residential centers that also provide meals, room, recreation, medical care, and living and readjustment allowances. Because the Job Corps continues to be the most costly domestic job training program financed by the Federal Government, the program is constantly seeking ways to help keep program costs under control and improve program effi-

ciency while maintaining service levels. For 1989, some savings would be achieved through implementation of the results of several pilot and demonstration projects that tested ways to reduce costs or improve positive outcomes. The 1989 budget authority request of \$711 million would be sufficient to support 40,500 training slots, the same level as in previous years.

Older Americans Employment.—Part-time public service employment for older workers is provided under Title V of the Older Americans Act through contracts with seven national service organizations and the U.S. Forest Service and through grants to States. Budget authority of \$336 million is requested for 1989, \$5 million more than provided in 1988. Some 65,700 job opportunities would be provided for older workers in 1989. Outlays are estimated to be \$333 million in 1989.

Work Incentive Program.—This separate categorical program has for years provided job services, training, and public service employment to recipients of aid to families with dependent children (AFDC). Although its aim is to help curb welfare dependency, it has not proved successful or cost-effective. Other programs, such as JTPA, provide services to AFDC families in a program better designed to train adults and youth in the skills needed for private sector jobs. The Congress appropriated \$93 million in 1988 for the work incentive (WIN) program. The administration is requesting no new budget authority for WIN in 1989, seeking to phase out the program in favor of a new work and training program described in the income security function.

Other Training Programs.—Outlays of \$296 million are estimated in 1989 for other national training programs, including research and demonstration projects and special programs for veterans, native Americans, and migrant and seasonal farm workers.

Federal-State Employment Services.—Grants are made for State employment service agencies under a formula based on each State's share of the civilian labor force and of unemployed individuals. These grants support the total cost of job search and placement services to job seekers and of recruitment and special technical services for employers. Certain employment services designed to meet national needs are financed with grants under specific agreements with the State agencies. These national activities include special services to veterans, collection of general purpose labor market statistics, and determinations of labor needs under immigration laws. The consultative process with all interested groups started in 1988 on the role, structure, and responsibility for administering the State employment service and unemployment insurance programs will continue in 1989.

Beginning in 1989, States would receive special grants under the proposed new program of assistance for dislocated workers de-

scribed earlier. States would be able to use these resources to provide adjustment services tailored to the needs of dislocated workers in their jurisdiction.

Tax Expenditures.—Training and employment is subsidized through a diverse group of tax expenditures. The Economic Recovery Tax Act of 1981 (ERTA) expanded the credit for child and dependent care and created a special exclusion for employer payments for child care. These provisions for child and dependent care, designed to provide work incentives for families with children, are estimated to cost \$5.3 billion and \$155 million, respectively, in 1989.

The targeted jobs tax credit, intended to provide incentives for employers to hire disadvantaged individuals from certain target groups and recipients of certain welfare payments, will be allowed to expire on December 31, 1988. The preponderance of evidence shows that this tax credit is a windfall to employers and subsidizes hiring that would have occurred in the absence of the tax. Special tax credits for employee stock ownership plans (ESOPs), designed to encourage employee ownership of their employer's stock, were allowed to expire at the end of 1986. The tax expenditures for these provisions are estimated at \$275 million and \$195 million, respectively, in 1989. Total tax expenditures for training and employment are estimated to be \$6.8 billion in 1989.

SOCIAL SERVICES

The Federal Government makes grants to States and to local public and private institutions to defray the cost of social services. Beneficiaries are low-income persons, the elderly, the disabled, children, youth, and Native Americans. Federal outlays for social services are expected to be \$9.2 billion in 1988 and \$9.0 billion in 1989.

Social Services Block Grant.—Block grant funding of social services gives States discretion to determine which social services will be offered and who will be eligible to receive them. Child day care, foster care, child protective services, preparation and delivery of meals, and legal services are some examples of social services offered by the States. Block grant funds may also be used by State and local governments for administrative costs and are distributed among the States on the basis of population. States may transfer up to 10 percent of their social services block grant allotment to other block grants that support health services, health promotion and disease prevention, and low-income home energy assistance.

Budget authority of \$2.7 billion is requested for the social services block grant in 1989, the same level as enacted for 1988.

Community Services Block Grant.—The administration proposes to begin phasing out Federal funding for the community services

block grant (CSBG). The administration is requesting \$310 million in 1989 budget authority, \$72 million less than the 1988 level. Community action agencies—the primary recipients of these funds—derive less than 13 percent of their funding from this block grant. A phased reduction in Federal CSBG funding will provide these agencies time to solicit funding from other sources.

Rehabilitation Services.—A 2 percent increase in budget authority over the 1988 level is proposed for four vocational rehabilitation State formula grant programs in 1989. Most other activities are proposed to be funded in 1989 at their 1988 enacted levels.

Foster Care and Adoption Assistance.—In 1989, budget authority of \$1.1 billion is requested for foster care and adoption assistance. Funds support State programs to reunite children with their families or, when this is not possible, to place them promptly in adoptive homes.

Human Development Services.—In 1989, budget authority of \$2.5 billion is requested to support social services for children, victims of family violence, the elderly, persons with developmental disabilities, and Native Americans.

Domestic Volunteer Programs.—The ACTION agency operates programs to help citizens age 60 and older provide various social services, pays stipends and other support costs of the volunteers in service to America program (VISTA), and provides small grants to stimulate other volunteer services. In 1989, the foster grandparents program will support approximately 27,000 older volunteers to work with about 68,500 children with special needs. The senior companions program will provide support for approximately 10,000 volunteers to work with 32,000 older people confined to their homes. The retired senior volunteer program (RSVP) will support about 417,000 part-time volunteers in 1989 who work on a great variety of community needs. Funds requested for the VISTA program will provide 2,600 volunteer service years in 1989, compared to 2,500 volunteer service years in 1988.

Other Social Services.—Funding is provided for certain administrative functions of the Education Department and for the interim assistance to States for legalization programs of the Department of Health and Human Services.

Tax Expenditures.—The provision of social services by a wide variety of private charitable and religious institutions is encouraged by the tax deductibility of contributions to those institutions. The tax expenditure estimate for charitable contributions, other than to educational and health institutions, is \$10.3 billion in 1989. Parsonage housing allowances are excluded from ministers' taxable incomes. This allows them to accept lower cash remuneration from their congregations. The tax expenditure for parsonage allowances is estimated at \$200 million in 1989. The adoption of children with

special needs was encouraged by a limited itemized deduction for expenses incurred. Effective January 1, 1987, the Tax Reform Act of 1986 repealed this deduction and explicitly replaced it with a direct expenditure program. For social services, tax expenditures are estimated to total \$10.5 billion in 1989.

Total tax expenditures for education, training, employment, and social services are estimated at \$20.1 billion in 1989.

HEALTH

The Federal Government helps to meet the Nation's health needs by financing and providing health care services, promoting disease prevention, and supporting research, training, and consumer and occupational health and safety. Since 1960, Americans' per capita spending on health care has increased rapidly—more than twice the rate of inflation. Americans now spend 10.9 percent of GNP on medical care, more than any other industrialized nation. Federal health spending has also continued to grow rapidly, despite major policy reforms enacted since 1981. This spending is growing even faster than medical spending generally and will more than double within a decade unless present trends are reversed.

Health Care Services.—Four-fifths of Federal outlays for health in this function are devoted to financing or providing health care services directly to individuals. Federal outlays for health care services, excluding medicare, military, and veterans medical programs, are estimated to increase from \$36.3 billion in 1988 to \$38.6 billion in 1989.

Medicaid Grants.—Under current law, the Federal Government is expected to finance 56 percent of the cost of the joint State-Federal medicaid program; the State and local share is projected to be \$25.7 billion, with the Federal share at \$32.7 billion in 1989, a spending increase of 7 percent over 1988. The medicaid program will finance health care for 25 million Americans. Steep growth in the cost of medical care, and expanded eligibility and coverage will contribute to rapidly rising Federal outlays, projected to increase by an average of 10 percent per year in the period between 1989 and 1993.

Consistent with the Bipartisan Budget Agreement, medicaid legislative savings are not being proposed for 1989. Medicaid outlays will be affected by a medicare Part B proposal beginning in 1990, and by changes in regulatory and administrative policies beginning in 1989.

Federal Employees Health Benefits (FEHB).—The FEHB program is the world's largest multiple-choice employee health program, the cost of which is shared by the Government and its employees. The President's budget implements changes legislated in 1987 that require the Postal Service to make payments toward the Government's share of health insurance premiums for Postal Service retirees. Federal outlays in 1989 for Federal employees health benefits are estimated to be \$1.9 billion.

Other Health Care Services.—Budget authority of \$1.3 billion is requested for health block grants in 1989, \$0.2 billion more than the 1988 level. This increase reflects proposed legislation for a family planning block grant to give States greater latitude in deliv-

NATIONAL NEED: HEALTH

(Functional code 550; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Health care services:					
Medicaid grants:					
Existing law	27,612	30,657	32,733	35,815	39,032
Proposed legislation				20	50
Federal employees' health benefits	1,459	1,789	2,374	2,733	3,696
Other health care services:					
Existing law	3,814	4,156	4,129	4,109	4,155
Proposed credit reform			—*	—*	—*
Subtotal, Health care services	32,886	36,601	39,235	42,676	46,932
Health research:					
National Institutes of Health research	5,894	6,368	6,233	6,351	6,450
Other research programs	766	689	1,620	1,678	1,722
Subtotal, Health research	6,660	7,057	7,853	8,029	8,172
Education and training of health care work force:					
Research training	289	299	302	306	311
Clinical training:					
Existing law	202	209	43	59	49
Proposed legislation			—3		
Proposed credit reform			17	10	10
Other	39	41	35	32	29
Subtotal, Education and training of health care work force	530	548	394	408	399
Consumer and occupational health and safety:					
Consumer safety	858	902	907	907	906
Occupational safety and health	392	405	420	427	436
Subtotal, Consumer and occupational health and safety	1,250	1,308	1,327	1,334	1,342
Total, budget authority	41,325	45,514	48,810	52,447	56,845

*\$500 thousand or less.

ering voluntary family planning services. Block grants allow States flexibility in coordinating and improving the effectiveness of services for their citizens. Under such grants, States are able to streamline program administration and devote more resources to services, because unnecessary Federal regulatory, legal, and reporting requirements previously imposed on grantees no longer apply.

Budget authority of \$987 million is requested for the Indian Health Service (IHS) for fiscal year 1989. In addition, the IHS will collect an estimated \$74 million in third-party reimbursements for health services provided to American Indians and Alaska Natives. In 1989, the IHS will increase its support for tribal health administration as it advances toward its ten-year goal of entrusting 75 percent of IHS hospitals and clinics to Indian organizations. The IHS will continue to gather health status data and other informa-

NATIONAL NEED: HEALTH

(Functional code 550; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Health care services:					
Medicaid grants:					
Existing law	27,435	30,664	32,733	35,815	39,032
Proposed legislation				20	50
Federal employees' health benefits	1,799	1,835	1,914	2,843	3,260
Other health care services:					
Existing law	3,382	3,811	3,991	4,140	4,149
Proposed credit reform			—*	—*	—*
Subtotal, Health care services	32,616	36,309	38,637	42,817	46,491
Health research:					
National Institutes of Health research	4,971	5,682	6,214	6,336	6,442
Other research programs	628	795	1,155	1,464	1,699
Subtotal, Health research	5,599	6,477	7,369	7,800	8,140
Education and training of health care work force:					
Research training					
	251	218	253	297	306
Clinical training:					
Existing law	250	156	162	95	64
Proposed legislation			—4	—2	2
Proposed credit reform			18	10	10
Other	56	41	36	32	30
Subtotal, Education and training of health care work force	556	415	465	432	412
Consumer and occupational health and safety:					
Consumer safety	827	879	891	897	900
Occupational safety and health	370	398	409	417	432
Subtotal, Consumer and occupational health and safety	1,197	1,278	1,300	1,314	1,332
Total, outlays	39,968	44,479	47,771	52,363	56,375

*\$500 thousand or less.

tion necessary to efficiently and equitably distribute resources among its service areas.

Budget authority of \$584 million is requested for drug abuse treatment, research, prevention, and deterrence programs in the Public Health Service (PHS), an 18 percent increase above 1988. These funds will support the President's initiative to combat drug abuse.

For 1989, \$24 million in budget authority is requested for the direct Federal subsidy for the care of District of Columbia residents at Saint Elizabeths Hospital. This represents the eighth year of a 10-year phasedown of this subsidy. On October 1, 1987, ownership of Saint Elizabeths Hospital was transferred to the District of Columbia. An additional transition subsidy is also requested as part of the Federal payment to the District of Columbia govern-

ment. This payment is classified in the general government function.

Health Research.—In 1989, the Federal Government will provide an estimated 85 percent of the Nation's expenditures on basic health-related research, with the bulk of Federal support channeled through the National Institutes of Health (NIH). Budget authority of \$7.9 billion is requested for Department of Health and Human Services' health research in 1989, \$0.8 billion more than the 1988 level. The 1989 request represents a 5.1 percent increase above the 1988 appropriations, excluding funding for Acquired Immune Deficiency Syndrome (AIDS) research. This level should permit 20,600 to 21,000 new and continuing research grant awards. Complementing the NIH effort, funding requested for the Alcohol, Drug Abuse, and Mental Health Administration would support between 1,650 and 1,725 research project grants.

Addressing the Acquired Immune Deficiency Syndrome epidemic is the highest public health priority of the administration. Supplementing State and local programs, the Federal effort encompasses health education and risk prevention as well as research on the causes of and potential treatments for AIDS. Budget authority of \$1.3 billion is requested for AIDS research and education in 1989, an increase of \$369 million, or almost 40 percent, above the 1988 enacted level. Recognizing the continuing congressional interest in consolidated AIDS funding, all 1989 PHS AIDS funds will be requested under a single heading in the Office of the Assistant Secretary for Health to improve coordination. Transfer authority is proposed to expedite mid-year adjustments to AIDS spending plans within 1989 aggregate levels for newly identified research and education opportunities.

Education and Training of the Health Care Workforce.—In 1989, \$394 million in budget authority is requested for these programs, compared to \$548 million appropriated in 1988. Between 1965, when Federal subsidies for health professions training began, and 1986, the supply of physicians per capita grew by 54 percent, and surpluses are projected for most health care disciplines in the 1990's. Since the supply of health care professionals is now adequate, direct Federal subsidies for most clinical health professions training are no longer essential. For this reason, the administration proposes to eliminate the Federal subsidies for most health professions in 1989. Federal emphasis will be on training in family medicine and geriatric health care through consolidated grants to States and other entities.

In 1989, an estimated 17,600 students in health professions training programs—medical and allied health professionals—will be supported by \$176 million in guaranteed loan commitments under

CREDIT PROGRAMS—HEALTH

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Health resources, education, and facilities:					
New obligations	1	1	*	*	*
Change in outstandings.....	-57	-32	-131	33	31
Outstandings	716	684	553	587	617
Total, direct loans:					
New obligations	1	1	*	*	*
Change in outstandings.....	-57	-32	-131	33	31
Outstandings	716	684	553	587	617
Guaranteed loans:					
Health profession graduate student loans:					
New commitments	221	350	77		
Change in outstandings.....	199	319	35	-39	-40
Outstandings	1,305	1,623	1,659	1,620	1,580
Health education assistance loan subsidies:					
New commitments			100	100	100
Change in outstandings.....			100	100	100
Outstandings			100	200	300
Health resources, education, and facilities:					
Change in outstandings.....	-86	-107	-103	-116	-128
Outstandings	836	729	626	510	383
Total, guaranteed loans:					
New commitments	221	350	177	100	100
Change in outstandings.....	113	212	32	-55	-68
Outstandings	2,140	2,353	2,384	2,330	2,263
Total, new obligations and new commitments.....	222	351	177	100	100

* \$500,000 or less.

the health education assistance loan program. An additional 44,760 nursing and health professions students will continue to receive assistance through revolving fund loans. Direct support will continue for about 12,100 students pursuing careers in health-related research. Research training is projected to have outlays of \$253 million in 1989.

Consumer and Occupational Health and Safety.—Budget authority of \$1.3 billion in 1989 is requested to protect consumers from unsafe and defective products and to protect workers from occupational hazards.

Consumer Safety.—Budget authority for consumer safety activities is proposed to be \$907 million in 1989. This funding would support research, consumer education, and the development of both voluntary and regulatory measures to protect consumers from unreasonable risks. Inspections would be continued to ensure the safety and efficacy of drugs, medical devices, and foods.

Occupational Safety and Health.—The budget includes \$420 million in budget authority to improve occupational safety and health in 1989. The Occupational Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA) in the Department of Labor issue and enforce standards to eliminate workplace hazards causing injury, illness, or death. During 1988 and 1989, both OSHA and MSHA will continue efforts to revise or eliminate standards that burden employers without enhancing protection of workers. Resources will be focused on those activities most likely to ensure safe and healthful working conditions. Cooperative and voluntary efforts of employers and employees to increase workplace safety and health will be encouraged. All mine inspections required by the Mine Safety and Health Act in 1988 and 1989 are expected to be accomplished.

Tax Expenditures.—Federal tax laws help finance health insurance by allowing employees to exclude from their taxable income the insurance premiums paid by their employers. The estimated tax expenditure for this provision is \$34.8 billion for 1989. Individuals also are permitted to itemize as deductions certain expenses for health care. In 1989, the estimate for this health-related tax expenditure is \$2.2 billion. In addition, health-related charitable contributions result in a tax expenditure estimated at \$1.4 billion for 1989, and the exclusion of interest on State and local hospital bonds results in an estimated 1989 tax expenditure of \$2.9 billion. Estimated tax expenditures for existing health provisions total \$41.3 billion in 1989.

Related Programs.—The Federal Government supports health-related expenditures that are reported in other functions. Among the most important are medicare, discussed in the next function, and medical care for veterans and military personnel, discussed in both the veterans benefits and services and national defense functions. Agency contributions to Federal employees health benefits are described under health care services but are included in individual agency budgets in virtually all functions.

MEDICARE

The Federal Government contributes to the health of aged and disabled Americans through medicare. In 1989, medicare will provide health insurance for an estimated 33 million persons who are aged, disabled, or suffer from end-stage renal (i.e., kidney) disease. In addition, the administration supports the enactment of catastrophic health insurance legislation consistent with the principles embodied in the Senate-passed Medicare Catastrophic Protection Act (H.R. 2470).

Medicare consists of two parts under current law. Hospital insurance (Part A), funded primarily by social security payroll taxes, pays for care provided by hospitals, skilled nursing facilities, home health agencies, and hospices. Supplementary medical insurance (Part B), the optional part of medicare, pays for physician services, hospital outpatient and laboratory services, treatment for end-stage renal disease, and durable medical equipment. Enrollees pay about 25 percent (or \$24.80 per month per enrollee in calendar year 1988) of Part B costs through premiums. A \$26 billion subsidy from general revenue, an average of \$67 per month per enrollee, completes the program financing for 1988.

Under current law, medicare outlays are expected to increase 11 percent annually, an increase of \$55 billion from 1988 to 1993. Medicare's spending on physician services, one of the fastest growing parts of the budget, is expected to increase 12 percent annually over the 5-year period.

The Bipartisan Budget Agreement established specific deficit reduction targets for medicare—\$2.0 billion in 1988 and \$3.5 billion in 1989. The administration estimates that the reductions achieved through the enactment of the Omnibus Budget Reconciliation Act of 1987 (OBRA) fall \$1.2 billion short of the 2-year savings agreed to. The 1989 budget proposes further reductions in 1989 of \$980 million in Part A and nearly \$240 in Part B to implement the agreement.

Even with the administration's savings proposals, medicare outlays are projected to increase from \$79 billion in 1988 to \$128 billion in 1993. This increase significantly exceeds general inflation and the increase in the beneficiary population. In the budget, spending per medicare beneficiary would increase from \$2,500 in 1988 to \$3,700 in 1993.

Hospital Insurance (HI).—OBRA included several changes to hospital spending. In 1988, the annual update in average hospital payments under the prospective payment system (PPS) was increased from 2.7 percent to 3.0 percent for rural hospitals, reduced from 2.7 percent to 1.5 percent for urban hospitals in large metropolitan areas (over one million people) and reduced from 2.7 per-

NATIONAL NEED: MEDICARE

(Functional code 570; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Medicare:					
Hospital insurance (HI):					
Existing law	62,735	67,858	72,794	78,560	84,422
Proposed legislation			1,660	2,302	2,642
Supplementary medical insurance (SMI):					
Existing law	27,797	34,871	42,855	46,952	53,457
Proposed legislation			-285	-624	-725
Medicare premiums and collections:					
Existing law	-6,520	-8,800	-10,563	-11,425	-12,102
Proposed legislation			87	-355	-1,213
Interfund transactions.....	-14				
Total, budget authority.....	83,998	93,928	106,548	115,410	126,481
OUTLAYS					
Medicare:					
Hospital insurance (HI):					
Existing law	50,803	52,484	55,782	61,985	67,989
Proposed legislation			-980	-1,231	-1,521
Supplementary medical insurance (SMI):					
Existing law	30,837	35,173	40,026	45,298	51,535
Proposed legislation			-337	-617	-727
Medicare premiums and collections:					
Existing law	-6,520	-8,800	-10,563	-11,425	-12,102
Proposed legislation			87	-355	-1,213
Interfund transactions.....					
Total, outlays.....	75,120	78,857	84,015	93,655	103,961

cent to 1.0 percent for urban hospitals in small metropolitan areas. In 1989, the update factors will be set at market-basket (hospital cost) inflation, minus 1.5 percent for rural hospitals, 2.0 percent for urban hospitals in large metropolitan areas and 2.5 percent for other urban hospitals.

OBRA made changes to hospital payments including reducing payments for hospital capital costs and slowing payments of some hospital bills. The Act increased the disproportionate share PPS adjustment for certain hospitals and expanded eligibility to additional hospitals. To offset these costs, the payment adjustment for indirect medical education (IME) costs to teaching hospitals was reduced from 8.1 percent to about 7.7 percent.

To implement the Bipartisan Budget Agreement, the budget proposes to reduce further indirect medical education payments and limit graduate medical education payments. The indirect medical education adjustment would be reduced from 7.7 percent to 4.05 percent—the best estimate of the added costs teaching hospitals historically incurred.

Supplementary Medical Insurance (SMI).—OBRA included a series of reforms that limits payments for physician and diagnostic

clinical laboratory services, for durable medical equipment, and to hospital outpatient departments for radiology. The Act also expanded medicare's mental health benefit. The bulk of the savings were achieved by:

- freezing payments for most physicians at calendar year 1987 levels;
- reducing the annual payment update;
- reducing payments for new physicians; and
- reducing payments for specific overpriced procedures.

In total, the Act reduced growth in physician spending about \$330 million in 1988 and \$700 million in 1989. Two provisions of the Act increase beneficiary cost-sharing: a one-year extension of the current law 25 percent of program cost Part B premium, and an extension of beneficiary cost sharing to ambulatory surgical center and outpatient department physician services. To implement fully the Bipartisan Budget Agreement, the budget proposes to limit payments for durable medical equipment, reduce payments for radiology and anesthesiology services, and to close a loophole in payments for home dialysis treatment for end-stage renal disease.

The administration aims to begin reducing excessive growth in physician spending by intensifying screening of physician claims by program contractors, and by pursuing a variety of physician payment reform options including research on procedures definitions, payment system options, and physician services volume and intensity issues. In addition to taking these actions to address program cost increases, the administration is also proposing to set permanently the Part B premium at 25 percent of program costs effective in 1990.

Catastrophic Health Insurance (CHI).—The administration remains committed to the enactment of legislation providing affordable, acute-care catastrophic illness protection and outpatient prescription drug coverage for our Nation's elderly and disabled. Such legislation must be deficit neutral, with benefits paid from newly created trust funds, which are soundly and fully financed from beneficiary premiums.

The Senate-passed version of H.R. 2470, the Medicare Catastrophic Protection Act, is consistent with the administration's principles for an acceptable catastrophic health insurance bill. The administration's continued support for the Senate-passed bill assumes modifications in effective dates, necessary because of the delay in conference action.

INCOME SECURITY

Federal programs in the income security function help meet the needs of individuals by insuring against loss of income resulting from retirement, disability, death, or unemployment of a wage earner, and by assisting the truly needy who are unable to provide for themselves. The income security function includes retirement and disability programs for Federal civilian and military personnel, railroad employees, and coal miners. Retirement and disability benefits are financed by a combination of employer and employee contributions and direct Federal payments. This function also includes unemployment compensation programs and a wide range of housing, food, and cash assistance programs. Outlays for these programs are estimated at \$130 billion in 1988 and \$136 billion in 1989.

General Retirement and Disability Insurance (Excluding Social Security).—This subfunction includes programs that provide retirement and disability benefits for railroad workers and coal miners.

Railroad Retirement.—The Railroad Retirement Board (RRB) will administer retirement and disability benefits to an estimated 895,000 former railroad employees, their dependents, and survivors in 1989. RRB payments include benefits equivalent to social security retirement and disability benefits, as well as rail industry pensions and federally subsidized windfall payments. Benefits are financed through railroad employee payroll deductions and railroad employer contributions, payments from social security trust funds, and direct subsidies from taxpayers. Estimated 1989 outlays of \$4.3 billion include \$330 million for the Federal windfall subsidy component, which represents an annual subsidy of more than \$1,000 per active railroad employee.

The budget proposes to restore rail industry pensions, the amounts above social security equivalent levels, to the private sector. Rail pensions are the only private industry pensions embedded in Federal law subsidized by taxpayers and administered by a Federal agency. Privatization of rail pensions would: (1) fully cover the rail sector under social security, (2) free rail labor and management to bargain collectively for new benefit levels and mechanisms for a new funding arrangement, and (3) require sound financing of pensions for new rail workers by placing rail pensions under the Employee Retirement Income Security Act (ERISA). Rail unemployment insurance (UI) would merge with the Federal/State UI system as part of the privatization initiative.

NATIONAL NEED: PROVIDING INCOME SECURITY

(Functional code 600; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
General retirement and disability insurance (excluding social security):					
Railroad retirement.....	4,627	4,734	4,354	4,259	4,136
Special benefits for disabled coal miners.....	1,136	1,584	1,558	1,530	1,498
Other.....	75	80	87	94	100
Subtotal, General retirement and disability insurance (excluding social security).....	5,838	6,397	5,999	5,882	5,734
Federal employee retirement and disability:					
Civilian retirement and disability programs:					
Existing law.....	44,145	46,528	48,770	50,864	53,042
Proposed legislation.....			4	545	668
Military retirement.....	31,919	33,563	35,060	36,916	39,142
Federal employees workers' compensation (FECA).....	226	205	253	279	301
Subtotal, Federal employee retirement and disability.....	76,290	80,296	84,087	88,603	93,154
Unemployment compensation:					
Existing law.....	24,037	24,479	24,110	22,740	21,915
Proposed legislation.....			-102	-92	-94
Subtotal, Unemployment compensation..	24,037	24,479	24,008	22,648	21,821
Housing assistance:					
Subsidized housing.....					
Rural housing voucher program.....	6,903	7,368	6,533	6,682	15,340
Public housing operating subsidies.....			382	382	382
Low-rent public housing loans.....	1,350	1,450	1,518	1,522	1,579
Other housing assistance:					
Existing law.....	1,300	1,436	956	716	270
Proposed credit reform.....	311	229	*	*	183
Subtotal, Housing assistance.....	9,864	10,483	9,578	9,486	17,753
Food and nutrition assistance:					
Food stamps and aid to Puerto Rico.....	12,646	13,518	13,428	13,559	13,935
Child nutrition and other programs.....	6,922	7,132	7,330	7,810	8,269
Subtotal, Food and nutrition assistance.....	19,568	20,650	20,758	21,369	22,205
Other income security:					
Supplemental security income (SSI).....	10,797	12,571	12,474	12,300	14,078
Family support payments:					
Existing law.....	10,461	11,125	10,355	10,574	10,905
Proposed legislation.....			368	183	-5
Earned income tax credit (EITC).....	1,410	2,893	3,897	3,901	3,895
Refugee assistance.....	340	347	279	279	279
Other.....	2,078	1,720	1,386	1,385	1,386
Subtotal, Other income security.....	25,086	28,656	28,759	28,623	30,538
Total, budget authority.....	160,682	170,962	173,188	176,611	191,205

*\$500 thousand or less.

specified medical criteria are entitled to monthly cash payments and medical benefits. Cash payments are also made to their dependents and survivors. The basic monthly cash payment is based on the GS-2 Federal salary level. Total outlays are estimated to be \$1.6 billion in 1989. Beneficiaries receive payments from either general revenues or the black lung disability trust fund. The black lung disability trust fund, which is financed by a fee on coal production, is projected to have a deficit of \$3.1 billion at the end of 1989. The excise tax paid by coal operators is insufficient to cover the cost of medical and income replacement benefits for miners disabled by the black lung disease for which these operators are legally responsible. This is true even though the Government has assumed full responsibility for paying income benefits to two-thirds of those disabled by black lung disease. Legislation passed in 1988 will retain the current excise taxes beyond their previously proposed expiration date in order to slowly restore the trust fund to solvency by the year 2014.

Pension Benefit Guaranty Corporation (PBGC).—This Government corporation insures payment of pension benefits promised to workers by their private employers that sponsor defined benefit pension plans. When a bankrupt or financially distressed employer can no longer support a pension plan, the PBGC takes over the plan and pays monthly retirement benefits up to a legal maximum. PBGC may also lend money to an insolvent multi-employer plan to prevent termination, thereby forestalling the need for the government to take over the plan. The Corporation's revenues include variable rate premiums charged to sponsors of single employer plans and flat rate premiums charged to sponsors of multi-employer plans, earnings on investments, and collections from sponsors that terminate plans. Premiums were increased and a variable rate structure started in 1988 for single employer pension plans.

Federal Employee Retirement and Disability.—Of the several employee retirement and disability programs in the legislative, judicial, and executive branches of the Federal Government, the largest are civil service retirement and disability and military retirement.

Special Benefits for Disabled Coal Miners.—Miners who suffer from chronic dust disease of the lungs—black lung—and who meet

NATIONAL NEED: PROVIDING INCOME SECURITY

(Functional code 600; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
General retirement and disability insurance (excluding social security):					
Railroad retirement.....	3,963	3,889	4,005	4,116	4,228
Special benefits for disabled coal miners.....	1,602	1,502	1,619	1,534	1,502
Pension Benefit Guaranty Corporation	- 72	- 571	- 504	- 518	- 532
Other	72	74	81	88	94
Subtotal, General retirement and disability insurance (excluding social security)	5,565	4,894	5,200	5,220	5,292
Federal employee retirement and disability:					
Civilian retirement and disability programs....	26,161	27,552	29,532	32,106	33,226
Military retirement.....	18,080	19,128	20,324	21,522	22,723
Federal employees workers' compensation (FECA)	206	205	253	279	301
Federal employees life insurance fund:					
Existing law	- 702	- 722	- 769	- 808	- 816
Proposed legislation			18	23	29
Subtotal, Federal employee retirement and disability	43,745	46,163	49,357	53,123	55,463
Unemployment compensation:					
Existing law.....	17,080	15,764	16,477	16,551	17,126
Proposed legislation.....			- 102	- 92	- 94
Subtotal, Unemployment compensation..	17,080	15,764	16,375	16,459	17,032
Housing assistance:					
Subsidized housing	9,786	10,630	12,069	13,283	13,718
Rural housing voucher program.....	14	19	24	79	150
Public housing operating subsidies	1,388	1,486	1,515	1,520	1,548
Low-rent public housing loans	1,356	1,492	1,022	784	344
Other housing assistance:					
Existing law	112	208	218	182	174
Proposed credit reform.....				- *	- *
Subtotal, Housing assistance.....	12,656	13,833	14,847	15,848	15,934
Food and nutrition assistance:					
Food stamps and aid to Puerto Rico	12,407	13,426	13,412	13,554	13,928
Child nutrition and other programs.....	6,533	7,103	7,354	7,760	8,193
Subtotal, Food and nutrition assistance.....	18,940	20,530	20,765	21,314	22,121
Other income security:					
Supplemental security income (SSI)	10,909	12,636	12,474	12,300	14,078
Family support payments:					
Existing law	10,540	10,785	10,772	10,574	10,905
Proposed legislation			168	147	50
Earned income tax credit (EITC)	1,410	2,893	3,897	3,901	3,895
Refugee assistance.....	387	305	295	284	279
Other	2,017	1,757	1,421	1,397	1,386
Subtotal, Other income security	25,264	28,376	29,028	28,603	30,593
Total, outlays	123,250	129,560	135,573	140,567	146,436

* \$500 thousand or less.

Civilian Retirement and Disability Programs.—Nearly all of the Federal Government's civilian employees are covered by either the civil service retirement system (CSRS) or the Federal employees' retirement system (FERS). Under existing law, approximately 2.1 million retirees and survivors will receive payments in 1989 totaling an estimated \$29.3 billion in outlays for these two retirement systems. Benefits are paid to former employees who meet eligibility requirements based on age and length of service and to their survivors. Currently, full retirement benefits can begin at age 55 for employees with 30 years of service under the CSRS; however, under the new FERS, that retirement age will gradually increase to age 57. Benefit levels under CSRS and FERS are based on the employee's three highest salary years. CSRS benefit levels are indexed to the Consumer Price Index (CPI), while FERS benefit levels are indexed to a modified CPI.

The FERS retirement plan consists of social security, a basic retirement benefit, and a thrift savings plan. Currently, there are approximately 600,000 active employees covered by FERS, and that number will grow rapidly each year, since all new employees entering the federal government must now join FERS. The number of annuitants under FERS is very small, because few FERS participants currently meet retirement eligibility requirements. It is expected that the number of FERS annuitants will grow to approximately 15,000 through 1995.

Part of the new retirement system (FERS), the thrift savings fund, is a tax-deferred, voluntary savings plan to which FERS employees may contribute up to 10 percent of their salary and receive matching government contributions of up to 5 percent of their salary. Employees covered by CSRS may also contribute up to 5 percent of their salary to the thrift plan and receive tax deferral benefits, but they receive no matching contributions.

Funds invested in the thrift savings fund are no longer included in the budget because these funds belong to the investors and are administered by the Government in a purely fiduciary capacity. A more detailed explanation of this change is in Part 6e.

Consistent with the administration's efforts to scale back overgenerous features of the civilian retirement program, the Omnibus Budget Reconciliation Act of 1987 included a provision to change the payment of the lump-sum annuity to Federal employees who retire between January 3, 1988 and December 31, 1989. The payment is now limited to 60 percent in the first year of retirement, with the remaining 40 percent plus interest paid out in the second year of retirement.

The administration has sought for several years to have the U.S. Postal Service pay its full share of costs for Postal retirees. The administration will propose legislation that, beginning in 1990, re-

quires the Postal Service to make an annual cost-of-living adjustment payment for all Postal annuitants, including survivors. The proposal is discussed in greater detail in the section on commerce and housing credit function.

Military Retirement.—Approximately 1.6 million military retirees and survivors will receive an estimated \$20.3 billion in outlays under existing law in 1989. Normal retirement eligibility is attained at 20 years of service. The initial benefit is 2.5 percent of final basic pay for each year of service. For personnel entering after September 1980, the average of the member's highest 3 years of basic pay will be used, as specified by current law, instead of final basic pay. Benefits are indexed to the CPI. Under legislation enacted in 1986, persons entering the military after August 1, 1986 will be subject to a reduction in their initial annuity for retirement with less than 30 years of service. Their initial annuity at 20 years will be reduced to 40 percent of the average of the member's highest 3 years of basic pay, with the annuity rising 3.5 percentage points for each additional year of service to the full 75 percent for retirement at 30 years. These reduced annuities will be restored to their former levels when the retiree reaches age 62. This new class of beneficiaries will also receive a COLA equal to the CPI minus 1 percent for life, subject to a one-time restoral of purchasing power at age 62. Disability retirees and survivor benefits will not be affected by the reduction in initial annuities, but will be subject to the revised COLA formula. The budget provides for full cost-of-living adjustments for military retirees in 1989. Also, military personnel will continue to make contributions to and be eligible for social security.

Federal Employees Workers' Compensation.—The Department of Labor provides tax-free cash and medical benefits to Federal employees or their survivors for job-related injuries, illnesses, or deaths. About 50,000 workers with long-term disabilities, or their survivors, will receive monthly payments in 1988 and 1989.

Unemployment Compensation.—About 97 percent of wage and salaried employment in the United States is covered by unemployment compensation programs, which pay benefits to individuals who are temporarily out of work and are searching for jobs. Based on the economic assumptions described in Part 3, an average of 1.9 million workers per week will receive unemployment benefits during 1988 and 2.0 million workers in 1989. Outlays are estimated to increase from \$15.8 billion in 1988 to \$16.4 billion in 1989, as weekly benefit amounts also rise.

Regular benefits, usually paid for up to 26 weeks, are financed by a State tax on employers and vary according to benefit levels set by each State. Extended unemployment benefits, which increase by 50 percent the number of weeks an unemployed worker can receive

unemployment compensation, are payable in States with high rates of unemployment among covered individuals, as defined by statute. The total number of weeks of regular and extended benefits may not exceed 39. Extended benefits are financed in equal portions by State and Federal taxes on employers.

Benefits paid to former Federal civilian and military employees are financed by the Federal agency that employed them. Additional benefits are available to workers in specific circumstances, such as former Conrail employees. As part of the proposed changeover to a comprehensive dislocated worker assistance program, weekly benefits provided under the trade adjustment assistance program for workers affected by imports would be eliminated for new claimants beginning in 1989. Discussed in the education, training, employment, and social services function, the new program would be tied closely to the unemployment compensation program and would provide workers who have become unemployed because of imports or other causes with special help in finding new work. Under the proposed legislation, workers collecting trade adjustment assistance benefits at the end of 1988 would remain eligible to collect benefits in 1989.

Housing Assistance.—The Federal Government provides housing subsidies for low-income families and individuals through several programs administered by the Department of Housing and Urban Development (HUD) and the Department of Agriculture (USDA). Eligibility for HUD assistance generally is limited to households with annual incomes below 50 percent of median income in each community. Housing programs administered by the Agriculture Department's Farmers Home Administration (FmHA) serve households with incomes up to 80 percent of the median income, although this would change under the 1989 budget proposals.

The number of households receiving housing assistance through FmHA and HUD has increased substantially since 1980, when there were 4.2 million households receiving such help. By the end of 1987, the number had grown to 5.6 million. At the end of 1989, the number of assisted households will be an estimated 5.8 million. The 5.8 million households (4.4 million are HUD-assisted; 1.4 million are USDA-assisted) reflect an increase of more than 1.6 million households since 1980.

Under HUD's public and Indian housing program, the oldest form of federally subsidized housing, buildings are owned and maintained by local housing authorities. These units originally were built on the premise that the Federal Government would construct housing units to be owned locally and maintained and operated through tenant rents. This proved infeasible in the mid-to late-1960's, when Congress limited tenant rent payments. To help local housing authorities meet the resulting shortfalls, the Federal

CREDIT PROGRAMS—INCOME SECURITY

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Low-rent public housing:					
Change in outstandings.....	-37	-39	-42	-44	-47
Outstandings.....	2,074	2,035	1,993	1,949	1,901
Nonprofit sponsor assistance:					
New obligations.....	1	1			
Change in outstandings.....	*	*	*	*	*
Outstandings.....	2	2	2	1	1
Nonprofit sponsor assistance subsidies:					
New obligations.....			1	1	1
Change in outstandings.....				*	*
Outstandings.....					1
Other:					
New obligations.....	2	1	2	2	2
Change in outstandings.....	*	*	*	*	*
Outstandings.....	2	3	3	3	3
Total, direct loans:					
New obligations.....	3	2	2	3	3
Change in outstandings.....	-37	-39	-41	-44	-47
Outstandings.....	2,078	2,039	1,998	1,953	1,906
Guaranteed loans:					
Low-rent public housing:					
Change in outstandings.....	-249	-275	-300	-325	-350
Outstandings.....	6,252	5,977	5,677	5,352	5,002
Total, new obligations.....	3	2	2	2	2

* \$500,000 or less.

Government created additional funding for capital repair (modernization) and operating subsidies (the difference between operating costs and tenant rental contributions).

FmHA's housing programs rely on other subsidy approaches. In contrast to HUD's subsidized housing programs that focus on low-income renters, 60 percent of the households assisted under FmHA since 1980 have been homeowners. Under the Section 502 program, very low-interest mortgages are provided to households to encourage their owning homes; in many cases, these families would not be considered very low income. FmHA also provides rural renters with assistance by giving developers low-interest loans to build projects and by adding rental subsidies for some of the poorer tenants.

Housing assistance, in the form of housing vouchers, is the key to the administration's housing policy. At present, only HUD has an active voucher program; the 1987 Housing and Community Development Act (HCDA), however, authorized a voucher program in 1988 and 1989 for areas served by FmHA. Housing vouchers, which are targeted to very low-income households, provide tenants with more housing choice, including the opportunity to live in

better neighborhoods with access to available jobs and higher quality schools. They also cost less—about one-half of the cost of housing programs that involve additional kinds of subsidies. Finally, housing vouchers make more policy sense because the primary housing deficiency in metropolitan and rural areas is not a physical shortage of adequate units nor a failure of housing market financial institutions, but rather an income deficiency among poor families. This is a problem most efficiently addressed with vouchers.

The 1989 budget proposes to add 135,500 more subsidized households to those currently being served: 127,500 would be given vouchers to use in the private rental market; another 8,000 are subsidies for construction of new units for Indian (1,000) and elderly or handicapped households (7,000). Of the 127,500 vouchers, 100,000 will be funded through and administered by HUD. Between 20 and 25 percent of these vouchers will be issued to families living in non-metropolitan areas.

The budget proposes no new units under the existing FmHA programs that subsidize homeownership or construction of apartment buildings. Instead, 27,500 vouchers would be funded through FmHA and given to low-income families living in rural areas.

This amount includes 7,500 vouchers authorized in HCDA as well as a request for an appropriation for an additional 20,000. The proposed 1989 subsidized housing program requires an appropriation of \$6.5 billion in HUD budget authority and \$382 billion in FmHA budget authority. (The gross HUD budget authority request is actually \$6.9 billion; the \$6.5 billion figure nets out rescissions of prior-year budget authority.)

The administration will continue its commitment to the existing stock of public housing. The budget includes \$1 billion in budget authority for modernizing public housing and \$1.5 billion of operating subsidies for the almost 1.4 million public and Indian housing units. Finally, \$4.2 billion will be forgiven on public and Indian housing development and modernization construction loans, pursuant to 1986 legislation that forgave outstanding direct loans.

Building on the experiences and successes of HUD's homeownership demonstration, and consistent with relevant provisions of HCDA, the administration proposes to further expand homeownership among residents of the Nation's public housing. New initiatives will emphasize sale to tenant management corporations and other nonprofit organizations, as well as to individual tenants.

The administration proposes to pursue a similar course with FHA-acquired properties, adding a significant new facet to HUD's multifamily property disposition activities. Under the proposal, nonprofit sponsors and other competent housing providers would be able to negotiate with HUD a sale price low enough to assure

not only affordability by low-income households, but proper management and maintenance over the longer term as well.

Because these initiatives are targeted to prospective buyers who cannot accommodate private market terms and conditions but who nonetheless have a wide range in financial capacity and housing need, the administration hopes to be able to maintain a high degree of flexibility in structuring the terms of each sale. The proposal also recognizes that some sales may require deep Federal subsidies. Such subsidies will, however, be factored into the sale price; no on-going Federal subsidy after sale will be considered.

In addition to offering public housing tenants home ownership opportunities, the administration proposes to provide tenants in public housing with more housing choices by offering them vouchers so that they could continue living in public housing or else find private rental units. Likewise, households receiving vouchers who are currently not residing in public housing could use their vouchers to live in public housing. Public housing and its tenants would, therefore, be more integrated into a community's overall housing market.

Another proposal is designed to give local housing authorities (PHAs) more flexibility in setting rents for public housing tenants and to curtail the escalating costs of public housing operating subsidies. This reform would allow HUD to waive the requirement that public housing tenants pay 30 percent of their adjusted income for rent if PHAs agree to forego future operating subsidies. It is anticipated that only PHAs currently collecting enough rent to cover most or all of its operating expenses will take advantage of this proposal. These PHAs will be able to establish frozen or flexible flat rents and charge more or less for a given unit depending on the condition and location of the unit. As in the private market, public housing families will be able to pay more or less for housing, depending on its condition and location, without automatic rent increases when income their increases.

Another administration proposal would allow States to finance vouchers and increase the number of families receiving housing assistance. Under this proposal, to be tested through a HUD demonstration, States would cover 100 percent of voucher subsidy costs, while HUD would cover 100 percent of the administrative fee costs. States could administer their vouchers directly, or pass them on to PHAs in their jurisdiction. This proposal is designed to amplify and encourage States' involvement in low-income housing delivery by eliminating the costs of program start-up or on-going administrative costs.

Finally, HUD's budget will contain two proposals regarding the homeless. The policy approach emphasizes transitional and permanent housing for the homeless, rather than emergency shelter. The

budget proposes to fund the supportive housing demonstration for the homeless at \$75 million in 1989 with all funds going to transitional housing (i.e., where the homeless may live for up to 18 months). In addition, the Section 202/8 program that provides new housing for the elderly and the handicapped will place special emphasis on addressing the needs of the mentally ill homeless. The budget assumes that approximately \$50 million in new loan authority will be utilized for projects serving this population.

Food and Nutrition Assistance.—Low- and middle-income families and individuals receive food and nutrition assistance through a number of federal programs.

Food Stamps and Aid to Puerto Rico.—Food stamps help lower-income families maintain a nutritious diet. Eligible households receive monthly allotments of stamps based on income and household size to finance food purchases. Benefits are entirely federally funded; administrative costs are shared by the states and the Federal Government. Benefits are adjusted each year for changes in the cost-of-living, with the next adjustment scheduled for October 1988. During 1989, 18.8 million people will receive food stamps each month, with associated Federal outlays of \$12.5 billion under current law. Outlays for nutrition assistance for Puerto Rico are estimated to be \$907 million in 1989.

For the aid to families with dependent children (AFDC) and medicaid programs, the States are held liable for the full dollar value of their erroneous payments above a 3 percent tolerance level. For the food stamp program, States are held liable for only a fraction of erroneous payments above 5 percent. As a result, States will repay the Federal government *less than one-tenth* of the approximately \$900 million in food stamps they issue erroneously each year. Throughout 1989, USDA will continue efforts to collect outstanding State error liabilities; the budget assumes USDA will collect \$162 million from the States during the year.

States operate employment and training (E&T) programs for able-bodied food stamp recipients. Each State's E&T program must include one or more components, including job search, job search training, workfare, work experience/training, and/or other programs if approved by the Secretary of Agriculture. To encourage States to run the best E&T programs, the administration plans to make a standard amount available for each food stamp recipient enrolled in State programs. As States serve more food stamp recipients, Federal E&T funds flowing to the States would increase. States would have complete flexibility to allocate total funds to place hard to serve individuals in intensive E&T components, while placing the job-ready in inexpensive job search programs.

Child Nutrition and Other Programs.—The child nutrition programs subsidize institutions for meals served to students in schools,

child care facilities, and other institutions. Schools get cash and commodity subsidies for meals served to *all* students, regardless of income level. In 1988, schools and other institutions will get \$4.8 billion in cash and commodities to subsidize meals served to students. Of that amount, \$750 million will subsidize institutions for meals served to students from households with income levels above 185 percent of the poverty level.

The administration proposes to maintain current child nutrition payments in 1989. Administration initiatives will focus on improving program integrity, and ensuring efficient and effective use of Federal meal subsidies.

Low income women, infants, and children get monthly food supplements from the supplemental feeding programs: the special supplemental food program for women, infants, and children (WIC) and the commodity supplemental food program (CSFP). WIC provides monthly food assistance and nutrition education to over 3 million low income women, infants, and children determined to be at nutritional risk. WIC is designed to lessen health problems associated with inadequate diets during the critical early stages of child development, especially pre-natal. Federal funding for WIC has expanded rapidly in recent years, more than doubling since 1980. The administration's 1989 request of \$1.9 billion in budget authority for the supplemental feeding programs is \$71 million above the 1988 level, and would continue to support over 3 million participants monthly.

Related Food Assistance Programs in Other Functions.—The Commodity Credit Corporation (CCC) donates surplus food, such as cheese, butter, and nonfat dry milk, for distribution to food banks, charitable institutions, and schools. Acquired as part of the agricultural price support programs, CCC commodities valued at \$682 million are expected to be donated in 1989.

Other Income Security.—A number of other income security programs assist the poor. Estimated Federal outlays for these programs are \$29 billion in 1989.

Supplemental Security Income (SSI).—This program will make cash payments to an estimated four million needy aged, blind, or disabled persons in 1989. Benefits are to be automatically increased in January 1989 by the same percentage as social security benefits. Some States also finance supplements to the basic Federal grant, which may be administered by the Federal Government at no charge to the States. The administration proposes no changes to this program.

Family Support Payments to States.—Aid to families with dependent children (AFDC) helps State and local governments finance cash assistance to needy families. States administer the AFDC program, determining guidelines for eligibility and the level

of benefits within broad Federal rules. Including Emergency Assistance, families will receive about \$17.4 billion in 1989. The Federal Government reimburses States for, on average, slightly more than half of the benefit costs. Including incentive payments to States, child support enforcement (CSE) finances, on average, about 90 percent of State and local administrative expenses for establishing paternity and collecting support from legally liable absent parents. These collections offset some State and Federal AFDC costs. Under current law, Federal grants to States for AFDC and CSE are estimated to be \$10.8 billion in both 1988 and 1989. About 3.8 million families are expected to receive AFDC benefits in 1989. Child support collections on behalf of about 0.9 million of these families are also anticipated.

Welfare Reform.—The administration continues to support the AFDC Employment and Training Reorganization Act of 1987 (H.R. 3200 and S. 1655). This legislation will reform AFDC work and training programs, strengthen the Federal-State child support enforcement system and provide broad flexibility to States to carefully test innovative alternatives to current programs that support low-income families and individuals.

Under the comprehensive employment and training program, teenage recipients would be encouraged to remain in or return to school; and older recipients would participate in a variety of employment and training activities designed to improve their employment status. Participation standards phased in over nine years would ensure that the majority of welfare families have the opportunity to achieve self-sufficiency. The unsuccessful work incentive (WIN) program classified in the education, training, employment and social services function would no longer be funded. In addition to the employment and training reforms in AFDC, the budget also proposes that minor mothers be required to live in their parents' home in order to be eligible for AFDC.

Changes in child support enforcement would require States to establish mandatory child support guidelines and employers to automatically withhold from wages court ordered amounts to be paid as child support, to help ensure that children receive adequate and timely support from parents who are absent from the home. In addition, States would be required to improve their procedures for paternity establishment and for interstate enforcement of child support.

Under the proposed demonstration activity, States could receive waivers in a range of current programs for the low-income population to test new ways of helping families and individuals achieve financial independence. Demonstrations under these waivers could cost no more each year than the programs being modified, would

be designed to permit sound evaluation and could not adversely affect those in need.

These reforms would cost an estimated \$168 million in Federal outlays in 1989.

Earned Income Tax Credit (EITC).—Wage earners with children are eligible for tax credits if they earn less than \$17,000 beginning in 1988. When the credit exceeds a wage earner's income tax liability, the Treasury Department makes a cash payment. Credits can be received as additions to paychecks or as a lump sum at the end of the year. Total 1989 outlays for these payments are estimated to be \$3.9 billion. When the credit does not exceed the wage earner's tax liability, no direct Treasury payment is made and the credit is considered a tax expenditure rather than an outlay. In 1989, the EITC tax expenditure is estimated to be \$1.9 billion.

Refugee Assistance.—The Federal Government fully subsidizes States for initial costs associated with refugee and entrant resettlement, including preventive health activities, cash and medical assistance, employment, and English language training. Estimated 1989 outlays are \$295 million. Assistance is intended to help refugees become self-sufficient as soon as possible after they arrive in the United States. Aid to refugees while they are overseas is discussed in the international affairs function.

Low-Income Home Energy Assistance.—The Department of Health and Human Services gives States block grants to help pay the fuel bills of low-income families. States can make direct cash payments to eligible families, payments to fuel vendors, or payments to public housing building operators. The States may also finance weatherization of homes for some low-income families. For 1989, the administration requests low-income home energy assistance budget authority of \$1.2 billion, in recognition of the hundreds of millions of dollars in oil overcharge settlements available to States for these purposes. Related programs for low-income home weatherization and energy conservation for schools and hospitals are financed by the Department of Energy, and are discussed in the energy function.

Tax Expenditures.—Federal tax laws encourage provision for retirement income by excluding from employee taxable income their employer's contributions to pension plans and by allowing individuals to exclude their own contributions to individual retirement accounts (IRAs) and Keogh accounts. The maximum IRA contribution is limited to \$2,000 annually. Individuals, however, are allowed to make it a tax deductible contribution only if (1) they and their spouse, in the case of joint returns, are not active participants in an employer-maintained retirement plan, or (2) their adjusted gross income is below a specified amount. Those individuals who do not meet either restriction may still make nondeductible contributions

and defer taxes on the earnings until the funds are withdrawn. Married taxpayers whose spouses have no earnings may invest in a spousal IRA as well. The total invested in both accounts may not exceed \$2,250, with no more than \$2,000 in any single account. The deductibility of contributions and the deferral of taxes on the earnings result in tax expenditures.

TAX EXPENDITURES FOR INCOME SECURITY

(Outlay equivalents; in millions of dollars)

Description	Estimates		
	1987	1988	1989
Net exclusion of pension contribution earnings:			
Employer plans	64,120	56,150	58,670
Individual Retirement Accounts (IRAs)	19,345	11,995	12,015
Keogh plans	3,780	2,125	1,535
Exclusion of other employee benefits:			
Premiums on group term life insurance	2,425	2,395	2,550
Premiums on accident and disability insurance	160	160	165
Income of trust to finance supplementary unemployment benefits	30	30	30
Additional exemption for elderly	1,205		
Additional deduction for the elderly	1,630	1,535	1,155
Additional exemption for the blind	15		
Additional deduction for the blind	10	15	15
Tax credit for the elderly and disabled	205	225	240
Exclusion of military disability pensions	115	105	105
Exclusion of railroad retirement system benefits	400	380	365
Exclusion of special benefits for disabled coal miners	135	115	110
Exclusion of workmen's compensation benefits	2,740	2,660	2,600
Exclusion of untaxed unemployment insurance benefits	690		
Deductibility of casualty losses	285	265	265
Exclusion of public assistance benefits	530	390	350
Earned income credit ¹	590	1,090	1,850
Total (after interactions) income security ²	96,440	78,040	80,380

¹ The figures in the table indicate the tax subsidies provided by the earned income tax credit. The effect on outlays is: 1987, \$1,410 million; 1988, \$2,895 million; and 1989, \$3,895 million.

² The estimate of total tax expenditures for this function reflects interactive effects among the individual items. Therefore, the estimates cannot simply be added.

Many tax expenditures related to income security programs result from Government benefits not being included in the taxable income of recipients. For example, workers' compensation benefits, and other income security assistance for the needy are excluded from taxable income. Part of unemployment compensation benefits paid prior to January 1, 1987, were not taxed. In contrast, Federal employee retirement benefits are subject to tax and therefore, are not tax expenditures. The largest tax expenditure item in this function is the net exclusion of pension contributions and earnings, including contributions to IRAs and similar pension plans.

SOCIAL SECURITY

The Federal Government contributes to the income security of aged and disabled Americans through social security, which is comprised of old-age and survivors insurance (OASI) and disability insurance (DI) programs. Social security represents about one-fifth of estimated total Federal outlays in 1989 and provides benefits to one in every six Americans.

The administration proposes no changes in social security benefits. Social security affects most Americans, either through benefits received or through payroll taxes deducted from earnings. In almost all cases, beneficiaries paid into the system during their working years to help support these programs. The average benefit for a retired worker and spouse will be about \$10,500 in 1988, an increase of nearly \$3,700 over the 1981 level. Outlays for the combined OASDI programs are estimated to increase from \$220.5 billion in 1988 to \$234.5 billion in 1989, primarily because of benefit increases tied to the consumer price index and increases in the number of beneficiaries.

This function is composed not only of the two off-budget social security expenditure accounts, but also of a number of intragovernmental transactions (i.e., payments from accounts within the government to other accounts within the government). The principal intragovernmental transactions are the payments from the general fund to the social security trust funds, which in 1989 amount to an estimated \$6.3 billion of Federal fund outlays and trust fund offsetting collections.

Tax Expenditures.—The exclusion from income tax of a portion of social security benefits, including those for dependents and survivors, results in a 1989 estimated tax expenditure of \$17.5 billion. Up to one-half of social security benefits are, however, subject to tax. This provision affects single taxpayers whose incomes exceed \$25,000, and married taxpayers who file jointly and have incomes exceeding \$32,000. The threshold for married taxpayers filing separately is zero.

NATIONAL NEED: SOCIAL SECURITY

(Functional code 650; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Social security:					
Old-age and survivors insurance (OASI)	206,870	234,246	254,844	278,490	301,743
Disability insurance (DI)	20,052	22,244	24,064	28,272	31,547
Interfund transactions.....	1	*			
Total, budget authority.....	226,922	256,490	278,908	306,762	333,290
On-budget	(4,930)	(5,022)	(5,572)	(5,432)	(4,251)
Off-budget.....	(221,992)	(251,468)	(273,336)	(301,330)	(329,039)
OUTLAYS					
Social security:					
Old-age and survivors insurance (OASI)	186,124	197,528	210,615	224,332	238,062
Disability insurance (DI)	21,227	22,189	23,155	24,155	25,348
Interfund transactions.....	1				
Total, outlays.....	207,353	219,717	233,769	248,487	263,410
On-budget	(4,930)	(5,022)	(5,572)	(5,432)	(4,251)
Off-budget.....	(202,422)	(214,695)	(228,197)	(243,055)	(259,159)

*\$500 thousand or less.

VETERANS BENEFITS AND SERVICES

Federal benefits and services for veterans and their survivors recognize the sacrifices that wartime and peacetime veterans made in military service. Benefits compensate for presumed loss of earnings resulting from service-related disabilities, provide medical care for physical and psychological disabilities, and assist returning veterans to prepare themselves for reentry into civilian life. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors. Outlays for veterans benefits and services are estimated at \$27.7 billion in 1988 and \$29.6 billion in 1989.

The budget continues current administration policy in Veterans Administration (VA) medical care: to sustain quality care, and maintain medical care at no charge to veterans with service-connected disabilities and to other veterans with low and moderate incomes, with a copayment for higher income veterans. The administration also proposes to ensure full and timely increases in veterans compensation benefits by indexing the cost-of-living adjustment (COLA) to the annual change in the Consumer Price Index (CPI). The administration also supports legislation to make the VA a cabinet agency. This will provide veterans continued access to decision making at the highest levels of government and give them the recognition that they deserve.

Income Security for Veterans.—In addition to Federal income security programs for the general population, such as social security and unemployment insurance, several VA programs help certain veterans and their survivors maintain their income when the veteran is disabled, aged, or deceased. Outlays for this purpose are estimated to increase from \$14.9 billion in 1988 to \$15.7 billion in 1989.

Service-Connected Compensation.—Veterans with disabilities resulting from military service receive monthly compensation payments scaled to the degree of disability. The payment is made regardless of the veteran's income or age. The amount depends on the average reduction in earnings capacity that is presumed for different individuals with the same degree of disability. Survivors of veterans who die from service-connected injuries also receive payments in the form of death and indemnity compensation. In January 1988, benefits were increased by 4.2 percent.

The administration is proposing legislation to link the veterans compensation COLA to the annual change in the CPI. This legislation would ensure that veterans with service-connected disabilities and survivors of veterans who died from service-connected conditions would receive full and timely adjustments to their benefits, protecting them from the erosion of their benefits and the uncer-

tainties of an annually legislated COLA. For 1989, this adjustment is expected to be 4.2 percent. Allowances provided to compensate beneficiaries for dependents and clothing would be indexed similarly.

The number of veterans and survivors of deceased veterans receiving compensation benefits is expected to decline from 2.6 million in 1986 to 2.5 million by 1989. However, because of the proposed cost-of-living adjustment, outlays for compensation benefits are estimated to increase from \$10.4 billion in 1988 to \$11.0 billion in 1989.

Non-Service-Connected Pensions.—Pensions are provided to low-income wartime-service veterans—combat and non-combat veterans alike—who are 65 or older, or who have become permanently and totally disabled subsequent to their military service. Survivors of wartime-service veterans also may qualify for pension benefits based on financial need. A 4.2 percent cost-of-living increase became effective with the January 1988 payments. The next cost-of-living increase, effective with the January 1989 payments, is also estimated to be 4.2 percent.

Although the number of veterans aged 65 and over is expected to double during the 1980's, the number of pension recipients is expected to decline from 1.22 million in 1988 to 1.16 million in 1989, because veterans over age 65 increasingly have higher incomes. Outlays for veterans pensions are estimated to be \$3.8 billion in 1988 and \$3.9 billion in 1989.

Burial and Other Benefits.—Families of deceased veterans who received pension or compensation benefits and who are to be buried in private cemeteries may receive burial benefits to assist in defraying funeral expenses of the veteran. Legislation will be proposed, to take effect in 1990, that would similarly target existing allowances that apply toward the purchase of burial plots to families of these same veterans. Outlays in 1989 are estimated to be \$141 million.

Insurance Programs.—Life insurance programs that assist veterans and their survivors will continue to provide in excess of \$200 billion of coverage to nearly eight million veterans and active duty personnel in 1989. Policy loans, in which veterans borrow against their policy equity, are expected to increase slightly from \$57.4 million in 1988 to \$62.9 million in 1989. Capitalized interest from policy loans is expected to decrease from \$53.5 million to \$49.7 million.

Veterans Education, Training, and Rehabilitation.—Several Federal programs support job training and finance education for the general population including veterans, and several programs are run by the Department of Labor exclusively for veterans. In addition, four VA programs—the Vietnam-era GI bill, the post-Vietnam era education program, the all-volunteer force educational assist-

NATIONAL NEED: PROVIDING VETERANS BENEFITS AND SERVICES

(Functional code 700; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Income security for veterans:					
Service-connected compensation:					
Existing law	10,505	10,352	10,749	10,616	10,478
Proposed legislation			361	786	1,189
Non-service-connected pensions	3,794	3,841	3,865	3,883	3,901
Burial and other benefits:					
Existing law	123	142	145	149	152
Proposed legislation			-4	-41	-43
National service life insurance trust fund	1,391	1,421	1,426	1,416	1,393
All other insurance programs:					
Existing law	22	30	23	27	26
Proposed legislation			4	4	5
Insurance program receipts	-444	-434	-420	-406	-392
Subtotal, Income security for veterans ..	15,392	15,352	16,149	16,434	16,708
Veterans education, training, and rehabilitation:					
Readjustment benefits (GI Bill and related programs)	763	626	598	456	493
Post-Vietnam era education					
All-volunteer force educational assistance trust fund	-170	-169	-166	-168	-174
Veterans jobs program	30				
Other:					
Proposed credit reform			*	*	*
Subtotal, Veterans education, training, and rehabilitation	623	457	432	289	320
Veterans housing:					
Loan guaranty revolving fund:					
Existing law	100	756	658	582	649
Proposed credit reform			1,091	1,242	907
Direct loan revolving fund:					
Proposed credit reform			*	*	*
Subtotal, Veterans housing	100	756	1,749	1,824	1,556
Other veterans benefits and services:					
Cemeteries, administration of veterans benefits, and other	792	797	803	807	803
Non-VA support programs	78	68	76	73	57
Subtotal, Other veterans benefits and services	870	865	878	880	861
Hospital and medical care for veterans:					
Medical care and hospital services:					
Existing law	9,728	10,120	10,328	10,692	10,946
Proposed legislation			24	25	26
Construction	531	563	543	748	769
Medical administration, research, and other	255	240	253	252	252
Third-party reimbursement	-33	-113	-138	-144	-152
Subtotal, Hospital and medical care for veterans	10,481	10,810	11,009	11,572	11,841
Total, budget authority	27,466	28,239	30,217	30,999	31,285

*\$500 thousand or less.

NATIONAL NEED: PROVIDING VETERANS BENEFITS AND SERVICES

(Functional code 700; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Income security for veterans:					
Service-connected compensation:					
Existing law	10,500	10,366	10,671	10,596	10,459
Proposed legislation			325	750	1,153
Non-service-connected pensions	3,793	3,836	3,864	3,882	3,899
Burial and other benefits:					
Existing law	131	142	145	149	152
Proposed legislation			-4	-41	-43
National service life insurance trust fund	1,034	1,077	1,132	1,266	1,313
All other insurance programs:					
Existing law	-52	-44	-41	-7	9
Proposed legislation			4	4	5
Insurance program receipts	-444	-434	-420	-406	-392
Subtotal, Income security for veterans ..	14,962	14,943	15,675	16,192	16,556
Veterans education, training, and rehabilitation:					
Readjustment benefits (GI Bill and related programs)					
	776	654	606	468	495
Post-Vietnam era education	51	59	89	84	75
All-volunteer force educational assistance trust fund	-401	-309	-222	-161	-128
Veterans jobs program	38	32	5		
Other:					
Existing law	-10	-8	-6	-5	-4
Proposed legislation			*	*	
Proposed credit reform			*	*	*
Subtotal, Veterans education, training, and rehabilitation	454	428	472	386	439
Veterans housing:					
Loan guaranty revolving fund:					
Existing law	382	568	683	651	643
Proposed credit reform			881	1,256	921
Direct loan revolving fund:					
Existing law	-33	-67	-27	-3	-2
Proposed credit reform			-1	-1	*
Other (HUD participation sales trust fund)	-19	153			
Subtotal, Veterans housing	330	654	1,536	1,904	1,562
Other veterans benefits and services:					
Cemeteries, administration of veterans benefits, and other					
	715	825	799	790	788
Non-VA support programs:					
Existing law	54	71	80	84	74
Proposed legislation			-1	-1	-1
Subtotal, Other veterans benefits and services	769	896	877	874	860
Hospital and medical care for veterans:					
Medical care and hospital services:					
Existing law	9,500	10,083	10,296	10,557	10,809
Proposed legislation			24	25	26
Construction	563	604	580	709	697
Medical administration, research, and other	236	253	250	249	249
Third-party reimbursement	-33	-113	-138	-144	-152
Subtotal, Hospital and medical care for veterans	10,266	10,828	11,012	11,396	11,630
Total, outlays	26,782	27,748	29,573	30,751	31,047

*\$500 thousand or less.

ance program (the Montgomery GI bill), and the Vocational Rehabilitation program—provide education, training, and rehabilitation benefits to veterans and military personnel who meet specific eligibility criteria. Outlays for the readjustment benefits programs are estimated to decline from \$654 million in 1988 to \$606 million in 1989, because of a continued decline in the number of eligible beneficiaries.

Vietnam-era GI Bill.—The Vietnam-era GI bill provides education benefits—payments for college courses as well as for vocational and on-the-job training to veterans and active duty military personnel who served, at least in part, between February 1, 1955 and December 31, 1976. This program assists beneficiaries in making the transition from military to civilian life by helping them finance the education they might otherwise have received during the time they were in military service. These benefits are also available to active duty personnel and to spouses and children of veterans who were totally disabled in military service or died of service-connected conditions.

More than 80 percent of all eligible Vietnam era veterans who live in the United States or Puerto Rico have used GI bill benefits. In 1989, GI bill trainees (veterans, survivors and dependents) participating in the program are expected to total 200,000, compared with 240,550 in 1988. The number of GI bill trainees, including dependents, will continue to fall as the number of eligible veterans and military personnel becomes smaller.

Post-Vietnam Era Education.—Individuals who entered military service after 1976 and before July 1985 are eligible for the post-Vietnam era educational assistance program, which allows them to set aside \$25 to \$100 from their monthly pay to finance future education. These funds are matched by the Government on a two-for-one basis and are returned to the beneficiary as education payments after discharge from the military. The VA administers this program, but it is funded by the Department of Defense (DOD). Enrollment in this program was closed as of March 1987.

The Montgomery GI Bill.—This program was originally established as a test program with more generous benefits than the post-Vietnam era program in order to aid armed forces recruitment. The program was made permanent in 1987. Servicemen electing to enter the program have their pay reduced by \$100 a month during their first year of military service. Upon discharge, they receive basic education benefits equivalent to an eight-to-one match of their pay reduction. The VA administers the program and pays the costs of the basic benefits. DOD may provide additional benefits to aid in the recruitment of certain specialties and critical skills. Nearly 41,500 veterans and servicemen are expected to use benefits under this program in 1989.

The Montgomery GI bill also provides education benefits to reservists. DOD pays these benefits, and the VA administers the program. In 1989, 202,800 reservists are expected to use benefits under this program.

Veterans Housing.—In addition to mortgage assistance available to veterans through the Federal Housing Administration (FHA) insurance program, VA-guaranteed and direct loan programs are expected to assist 232,600 veterans in obtaining mortgages in 1989. Guaranteed loan commitments for mortgage loans in 1989 are estimated to be \$18 billion.

The administration will continue to seek enactment of its proposal to permit negotiated interest rates on VA-guaranteed mortgages. By allowing negotiated rates, veterans will have maximum flexibility to structure the financing of their home purchases to best meet their needs. The administration will also seek to continue the executive branch's discretion to sell loan assets without recourse to the Government after 1989 when the current authority expires. This will reduce the Loan Guaranty Revolving Fund's exposure to future default costs and promote improved credit management practices.

The budget authority and outlays shown as proposed credit reform reflect the estimated subsidies implicit in Federal loan programs. The administration's proposed credit reform initiative is discussed in Part 6b of this volume.

Other Veterans Benefits and Services.—Veterans benefits are provided through a network of 59 regional offices located throughout the Nation. The administration proposes that the VA continue to modernize its operations to improve the cost-effectiveness, accuracy, and timeliness of service delivery to veterans.

The budget includes several other initiatives to improve the management of delivering veteran's benefits. These include making greater use of contractor support to perform services that private business can provide more efficiently, and investments in automated data processing equipment which continue to yield productivity savings in the form of smaller administrative staff.

Management of the national cemetery system—for burial of eligible veterans, active duty military personnel, and their dependents—is also included in this subfunction. Over 100 national cemeteries are open throughout the Nation. The policy goal of providing one large national cemetery per Federal region has now been attained. In 1989, funding is requested to expand the Calverton National Cemetery.

Additional funding is requested to revitalize the State cemetery grant program to assist at least ten states in establishing, improving or expanding state-operated veterans cemeteries.

CREDIT PROGRAMS—VETERANS BENEFITS AND SERVICES

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Income security:					
New obligations			962	714	608
Change in outstandings.....	*		957	704	601
Outstandings	*	*	957	1,661	2,263
Education:					
New obligations	1	1			
Change in outstandings.....	-6	-6	-5	-3	-3
Outstandings	40	35	30	27	24
Housing:					
New obligations	1,010	1,063	16	7	5
Change in outstandings.....	-11	-342	-318	-194	-169
Outstandings	1,302	960	642	448	279
Total, direct loans:					
New obligations	1,010	1,064	978	721	613
Change in outstandings.....	-17	-347	634	507	429
Outstandings	1,342	995	1,629	2,136	2,565
Guaranteed loans:					
Housing:					
New commitments	34,900	18,287			
Change in outstandings.....	3,757	675	-13,780	-12,547	-10,244
Outstandings	146,319	146,994	133,214	120,668	110,424
Loan guarantee subsidies:					
New commitments			17,940	17,033	15,973
Change in outstandings.....			16,743	14,804	11,464
Outstandings			16,743	31,547	43,012
Total, guaranteed loans:					
New commitments	34,900	18,287	17,940	17,033	15,973
Change in outstandings.....	3,757	675	2,963	2,258	1,221
Outstandings	146,319	146,994	149,957	152,215	153,436
Total, new obligations and new commitments	35,910	19,351	18,918	17,754	16,586

* \$500,000 or less.

Outlays for other veterans benefits and services are estimated to be \$896 million in 1988 and \$877 million in 1989.

Hospital and Medical Care for Veterans.—The VA provides medical services, including hospital, outpatient and nursing home care, to veterans by operating a nationwide medical care system. In 1989, this system will provide support for an estimated 23.1 million outpatient visits and treat 1.1 million inpatients and 90,359 nursing home patients in VA and community facilities and state veterans' homes.

This program is carried out in 172 hospitals, 236 outpatient clinics, 127 nursing homes, 27 domiciliary facilities, 188 vet centers and, in some situations, in other Federal facilities and the private sector. Outlays for medical programs are estimated to rise from \$10.8 billion in 1988 to \$11.0 billion in 1989.

Medical Care and Hospital Services.—VA's primary health mission is to treat veterans who were injured during military service for their service-connected disabilities. Currently, most of the system's users are either veterans with service-connected disabilities or needy veterans. Adequate medical care for America's disabled and needy veterans is one of the Nation's highest priorities. The administration's proposal for VA medical care provides ample resources to meet this objective.

In addition to maintaining the VA medical care system, the budget provides for additional recruitment and retention incentives for VA nurses and other scarce VA health care professionals. The administration also requests increased funding for community and state nursing home programs, funds for a VA residency program in geriatrics, additional resources for the VA's quality assurance efforts, and additional funds for automation investments intended to make the delivery of medical care more efficient. As a result of improvements in medical service delivery, as well as recent staffing experience, slightly fewer staff members will be required to treat the same number of patients.

Legislation will be proposed to increase, by an average of 24.5 percent, the per diem rate paid to States for the care of veterans in State-operated nursing homes, domiciliaries, and hospitals for veterans. These rates were last adjusted in 1983. Legislation will also be proposed to permit the VA to provide financial support for nursing degree-related coursework taken by eligible VA nurses.

Budget authority of \$10.4 billion is requested for medical care and hospital services in 1989, an increase of \$232 million over 1988.

Construction of Hospital and Extended Care Facilities.— New budget authority of \$543 million is requested for VA medical construction in 1989.

The administration proposes to maintain and upgrade the full network of medical facilities throughout the Nation and expand capabilities and bed space. Rather than defer maintenance, renovation, and modification of older facilities, funding is provided to maintain and upgrade the physical system. Budget authority of \$368 million is requested in 1989 to support 14 major projects and other maintenance, safety correction, and design activities. An additional \$133 million is requested for minor construction projects and construction of parking facilities.

The administration proposes to continue the average rate of construction over the last 10 years, replacing or modernizing two large hospitals each year. In 1989, construction funds are proposed for two large hospital projects in Atlanta, Georgia, and Pittsburgh, Pennsylvania. The Atlanta project also includes construction of a parking garage. The administration also proposes to design replacement hospitals in Indianapolis, Indiana and Newington, Connecti-

cut. Funding in 1989 is also requested for large clinical addition projects in Beckley, West Virginia; Nashville, Tennessee; Perry Point, Maryland; and San Antonio, Texas.

Budget authority of \$42 million is requested for 1989 for grants to States for the construction or repair of State nursing homes for the care of aging veterans. This is \$1.7 million above the 1988 level and will enable VA to support 14 grants in 6 States. A total of 37 States are participating in the State nursing home program.

Tax Expenditures.—In addition to direct Federal funding, a number of tax expenditures provide assistance to veterans. All cash benefits administered by VA (disability compensation, pension, and GI bill benefits) are excluded from taxable income. The estimated tax expenditures for these exclusions in 1989 are \$1.4 billion, \$75 million, and \$60 million, respectively. Veterans are aided in obtaining housing through veterans bonds issued by State and local governments, the interest on which is not subject to tax. In 1989, the tax expenditure estimate for this provision is \$350 million. Total tax expenditures for veterans are estimated to be \$1.9 billion for 1989.

Related Programs.—In addition to the assistance provided specifically for veterans by the VA, many veterans receive assistance from other income security, health, housing credit, education, training, employment, and social service programs supported by the Federal Government and available to the general population, as well as preference for Federal jobs. Some of these programs have components specifically intended to assist veterans.

ADMINISTRATION OF JUSTICE

A fundamental responsibility of the Federal Government is to provide for the safety of its people and for the peaceful and fair resolution of disputes. Federal expenditures for the administration of justice are intended to protect persons and property through enforcement of Federal laws, provide Federal courts to resolve disputes, defend the public interest in criminal and civil proceedings, and operate detention and correctional facilities for those charged with or convicted of violating Federal law. The proposed budget authority for 1989 for this function is \$10.3 billion, a \$1.1 billion increase from the 1988 level.

Federal Law Enforcement Activities.—As in the past, over half of the total Federal resources for the administration of justice is dedicated to law enforcement. Proposed budget authority of \$5.3 billion in 1989, \$256 million above the 1988 level, will maintain and increase resources dedicated to foreign counterintelligence, drug enforcement, immigration activities, and computer and communications upgrades.

Criminal Investigations.—Budget authority requested for criminal investigations for 1989 is \$2.0 billion, an increase of 8 percent over the 1988 level. The Justice Department carries out criminal investigations through the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA). The FBI and DEA frequently work together with other Federal agencies in 13 regional task forces on organized crime drug enforcement and have concurrent jurisdiction to combat drug trafficking. The administration is requesting funding for over 170 new domestic and foreign positions for the DEA, as well as funding to improve DEA's technical equipment capabilities.

The FBI enforces a broad range of criminal statutes, works with other Federal agencies as well as State and local authorities, and assists States and localities through training, dissemination of information, and other activities. Additional funding is being requested in 1989 to increase the FBI's foreign counterintelligence activities. The FBI will also intensify its investigative efforts against organized criminal groups, white-collar crime, terrorist activity, and public corruption.

NATIONAL NEED: ADMINISTRATION OF JUSTICE

(Functional code 750; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Federal law enforcement activities:					
Criminal investigations (DEA, FBI, and OCDE)	1,788	1,883	2,041	2,061	2,055
Alcohol, tobacco, and firearms investigation (ATF)	198	218	219	222	225
Border enforcement activities (Customs and INS)	1,977	2,162	2,229	2,244	2,220
Customs user fee:					
Existing law		- 680	- 707	- 736	- 765
Proposed legislation		680	707	736	765
Protection activities (Secret Service)	351	382	370	361	372
Other enforcement	411	427	469	474	479
Subtotal, Federal law enforcement activities	4,726	5,072	5,328	5,363	5,351
Federal litigative and judicial activities:					
Civil and criminal prosecution and representation	1,082	1,195	1,414	1,425	1,443
Federal judicial activities	1,292	1,369	1,751	1,821	1,892
Representation of indigents in civil cases	306	306	250	250	250
Subtotal, Federal litigative and judicial activities	2,680	2,869	3,416	3,496	3,585
Federal correctional activities:					
Existing law	867	921	1,370	1,366	1,437
Proposed legislation			20		
Subtotal, Federal correctional activities	867	921	1,390	1,366	1,437
Criminal justice assistance	502	324	173	175	182
Total, budget authority	8,775	9,186	10,307	10,399	10,555
OUTLAYS					
Federal law enforcement activities:					
Criminal investigations (DEA, FBI, and OCDE)	1,633	1,786	1,969	2,043	2,052
Alcohol, tobacco, and firearms investigation (ATF)	179	217	218	222	225
Border enforcement activities (Customs and INS)	1,616	2,099	2,186	2,235	2,217
Customs user fee:					
Existing law		- 680	- 707	- 736	- 765
Proposed legislation		680	707	736	765
Protection activities (Secret Service)	312	404	368	360	367
Other enforcement	365	447	465	471	475
Subtotal, Federal law enforcement activities	4,105	4,953	5,207	5,331	5,336
Federal litigative and judicial activities:					
Civil and criminal prosecution and representation	977	1,116	1,313	1,413	1,440
Federal judicial activities	1,196	1,397	1,710	1,769	1,838
Representation of indigents in civil cases	309	296	257	250	250
Subtotal, Federal litigative and judicial activities	2,482	2,809	3,280	3,431	3,528
Federal correctional activities:					
Existing law	711	842	1,092	1,349	1,493

NATIONAL NEED: ADMINISTRATION OF JUSTICE—Continued

(Functional code 750; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
Proposed legislation.....			20		
Subtotal, Federal correctional activities.	711	842	1,112	1,349	1,493
Criminal justice assistance.....	250	366	295	223	189
Total, outlays.....	7,548	8,970	9,894	10,334	10,546

Border Enforcement Activities.—Budget authority of \$2.2 billion for 1989 is proposed for border enforcement activities—an increase of \$67 million over 1988. The Immigration and Naturalization Service (INS) and the United States Customs Service are responsible for border enforcement activities. The INS administers laws related to the admission, exclusion, deportation, and naturalization of aliens. In 1989, the INS will be in its third year of expanded responsibilities under the Immigration Reform and Control Act of 1986. Resources are requested to administer legalization and agricultural worker programs, enforce employer sanctions, and deter further illegal immigration. Funding to activate two new alien detention facilities is also requested.

The United States Customs Service assesses and collects duties, excise taxes, fees and penalties on imported merchandise; combats the illegal entry of narcotics and other goods into the United States; and processes persons, carriers, cargo and mail into and out of the United States. Budget authority of \$1.2 billion is proposed for 1989.

Congress recently enacted legislation that requires user fees that fully cover the costs of Customs' commercial merchandise processing. However, the structure of the current fee violates provisions of the General Agreement on Tariffs and Trade (GATT). GATT recently ruled that the ad valorem structure of the merchandise processing fee was not indicative of the cost of processing individual entries. The administration is proposing legislation to make the merchandise processing fee consistent with the GATT requirements so that the fees collected correspond to the costs incurred in processing individual transactions. Additionally, the proposal would record the fee collections as budget receipts in order to conform to appropriate budget concepts. This presentation is discussed in more detail in Part 4 of this volume.

Federal Litigative and Judicial Activities.—The Department of Justice prosecutes all of the Federal Government's criminal cases and litigates most of its civil cases.

Civil and Criminal Prosecution and Representation.—Budget authority for civil and criminal prosecution and representation is proposed to be \$1.4 billion in 1989, \$219 million higher than in 1988.

The Government's responsibilities in this area include:

- prosecuting offenders under organized crime and drug statutes;
- defending against the tens of thousands of civil suits filed annually against the Government and its officials; and
- continuing litigative efforts to combat fraud, waste, and abuse, as well as recover billions of dollars in delinquent debt owed the Government.

Federal Judicial Activities.—By law, budget requests from the judiciary are included in the budget without change by the executive branch. The U.S. Courts have proposed budget authority of \$1.8 billion in 1989 for judicial branch activities in this function, a \$382 million increase over the 1988 level.

Representation of Indigents in Civil Cases.—The Legal Services Corporation is a private, non-profit organization that funds State and local agencies providing free civil legal assistance to the poor. The administration supports action to assure that grantees are involved in cases for individual clients rather than broader "law reform" activities.

The administration proposes \$250 million for the Corporation in 1989, a modest reduction from the 1988 level. States and private attorneys can more than make up the difference. State and local bar associations have developed programs to provide free assistance to indigent clients, and these efforts are expected to continue to grow, consistent with private attorneys' ethical obligations to provide such free services. The administration will request changes to ensure that funds more effectively serve poor persons with legal problems.

Federal Correctional Activities.—The Federal Government is responsible for the care and custody of prisoners charged with or convicted of violating Federal laws. In response to the continuing growth of the Federal prisoner population, the administration proposes acquiring ten new facilities, seven of which will be owned by the Federal Government, and three of which will be leased from other entities. This expansion, the largest proposed by this administration, will meet the demand of tougher law enforcement and longer sentencing created by a number of recent initiatives, including passage of both the Anti-Drug Abuse Act and the U.S. Sentencing Commission Guidelines. In addition, the administration proposes two pilot projects, one focusing on prison industries and the other on minimum security prison management, to explore the role of the private sector in Federal corrections. Budget authority re-

quested for the expansion, renovation and operation of the prison system in 1989 is \$1.4 billion, a 51 percent increase above the enacted 1988 level.

Criminal Justice Assistance.—Criminal justice assistance is intended to provide financial, technical, and emergency assistance to States and local units of government to reduce crime and juvenile delinquency as well as establish programs to collect and disseminate accurate and comprehensive justice statistics. Financial and technical assistance is provided to States through a number of specific programs, including one for missing and exploited children and another designed to aid victims of crime. Budget authority requested for these programs in 1989 is \$173 million, a decrease of \$151 million below 1988.

Although the Congress has continued to fund the juvenile justice and delinquency prevention programs, the administration is requesting their termination because their primary objective—the separation of juvenile from adult offenders—has largely been accomplished. The administration also proposes to end funding for the State and local assistance program, since the States can better afford to pay for these programs than can the Federal Government and because the States and localities benefit directly from them. No funding is proposed for either the Mariel Cuban or regional information sharing system grant programs. Deposits of criminal fines and penalties into the crime victims fund are estimated to be \$85 million for 1989. All of these funds will be made available for victim compensation and assistance programs at the Federal, State and local levels. The missing and exploited children program is proposed to continue at the 1988 level of \$4 million.

Related Programs.—A number of programs classified in other functions support the administration of justice. Over 100 agencies and regulatory commissions perform some type of law enforcement activity. About 30 Federal agencies, including the Departments of Agriculture and Labor, the Environmental Protection Agency, and most independent regulatory commissions have some litigation authority independent of the Department of Justice.

GENERAL GOVERNMENT

The general government function encompasses the central management activities for both the executive and legislative branches of the Federal Government. This function focuses primarily on Federal finances, tax collection, personnel management, and property control. A goal of this administration is to provide these basic services in a business-like and efficient manner.

The four central management agencies—the Office of Management and Budget, the Office of Personnel Management, the General Services Administration, and the Department of the Treasury—are working with other agencies on a variety of management reform initiatives. These management improvements include improving financial systems, simplifying procurement procedures, increasing reliance on the private sector, and improving cash management and debt collection practices.

Budget authority proposed for general government activities for 1989 is \$9.9 billion, an increase of \$835 million from 1988. Major goals in this function include broadening efforts to identify and collect unpaid taxes, improving services to taxpayers, and improving productivity in the Federal Government.

Legislative Functions.—By law, the budget request submitted by the legislative branch is included in the budget without change. For 1989, \$1.8 billion in budget authority is proposed for the legislative branch activities in this function. This includes funds for the operation of Congress, the General Accounting Office, the Congressional Research Service, and related legislative branch activities. Portions of these activities are also included in other budget functions. A complete listing of all legislative branch accounts appears in Part 6f of this volume.

Executive Direction and Management.—Budget authority of \$136 million is proposed for the Executive Office of the President and related activities in 1989. This office assists the President in the discharge of his budgetary, management, policy development, and other executive responsibilities.

Central Fiscal Operations.—The mission of central fiscal operations is to collect taxes, make payments on behalf of the Government, administer the public debt, maintain accountability for Federal funds, administer the Federal Financing Bank, and carry out certain other financial operations of the Federal Government. For 1989, \$5.7 billion of budget authority is requested, an increase of \$290 million from 1988.

Collection of Taxes.—The administration is requesting \$5.3 billion in budget authority for the Internal Revenue Service (IRS) in

NATIONAL NEED: GENERAL GOVERNMENT

(Functional code 800; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Legislative functions.....	1,572	1,599	1,786	1,825	1,814
Executive direction and management.....	115	125	136	129	131
Central fiscal operations:					
Collection of taxes.....	4,445	5,059	5,300	5,576	5,643
Other fiscal operations:					
Existing law.....	352	340	383	410	418
Proposed legislation.....			2		
Proposed credit reform.....			4	6	6
Subtotal, Central fiscal operations.....	4,797	5,399	5,689	5,993	6,067
General property and records management:					
Property receipts.....	-78	-285	-287	-289	-316
Records management.....	102	116	118	117	120
Other.....	357	281	314	316	321
Subtotal, General property and records management.....	380	113	145	145	124
Central personnel management:					
Existing law.....	141	145	150	151	152
Proposed legislation.....					
Subtotal, Central personnel management.....	141	145	150	151	152
General purpose fiscal assistance:					
Payments and loans to the District of Columbia.....	287	520	493	464	458
Payments to States and counties from Forest Service receipts:					
Existing law.....	213	314	306	307	316
Proposed legislation.....				-259	-266
Payments to States from receipts under the Mineral Leasing Act.....	375	412	439	422	463
Payments to States and counties from Federal land management activities.....	13	162	90	55	55
Payments in lieu of taxes.....	105	105	105	105	150
Payments to territories and Puerto Rico.....	176	175	178	184	188
Other.....	199	213	213	214	214
Subtotal, General purpose fiscal assistance.....	1,369	1,902	1,825	1,492	1,577
Other general government:					
Compacts of free association.....	395	325	179	193	176
Territories.....	146	120	74	71	71
Treasury claims.....	361	328	313	301	301
Other.....	84	87	83	72	74
Subtotal, Other general government.....	985	860	650	637	623
Deductions for offsetting receipts.....	-623	-1,098	-500	-500	-500
Total, budget authority.....	8,736	9,045	9,880	9,871	9,988

1989. No new revenue initiatives are proposed. The 1989 request includes funding for the 1988 revenue initiatives in accordance

with the Bipartisan Budget Agreement. Total IRS direct enforcement activities, including all revenue initiatives, will result in sufficient revenue to meet the targets in that agreement.

Other Fiscal Operations.—The 1989 budget provides almost full reimbursement (\$76 million) from the Bureau of the Public Debt to the Federal Reserve Banks (FRBs) for fiscal agent services, an increase of \$27 million over 1988 enacted levels. (In future years, budget planning estimates adopt a policy of full reimbursement.) The 1989 budget also includes \$10 million in user fees to be paid by commercial investors who use FRB book-entry services. These fees will be used to pay some of the FRB reimbursements. The budget provides the full amount of the funds needed to reimburse private agents for issuing and redeeming savings bonds (\$50 million).

General Property and Records Management.—The General Services Administration (GSA) is the Government's builder, landlord, wholesaler, and retailer. Its services support the activities of other Federal agencies. GSA is also responsible for disposing of properties no longer needed by the Government. The administration is proposing an initiative to improve property management Government-wide. Planned disposal of surplus properties in 1989 is estimated to generate \$225 million in collections.

The cost of operating the National Archives and Records Administration, which is responsible for the recordkeeping activities of the Federal Government, is also included in this subfunction.

Central Personnel Management.—Personnel management functions are carried out by the Office of Personnel Management, the Federal Labor Relations Authority, and the Merit Systems Protection Board. Outlays for these activities are estimated to be \$134 million in 1989, a decrease of \$11 million from 1988.

General Purpose Fiscal Assistance.—Outlays in this subfunction provide financial aid to State and local governments. This assistance can generally be used for State or local services, construction, debt retirement, and other purposes of general government. In prior budgets, general purpose fiscal assistance was a separate major function because of the magnitude of general revenue sharing. The general revenue sharing program has now expired and, as a result, the remaining activities are no longer of sufficient magnitude to warrant being a separate function. They are now included in the general government function as a new subfunction. Programs in this subfunction include payments to the District of Columbia, grants from Forest Service and Interior Department rents and royalties receipts, payments in lieu of taxes, and payments to territories and Puerto Rico. Outlays for these programs are estimated to increase by \$24 million from 1988 to 1989.

NATIONAL NEED: GENERAL GOVERNMENT

(Functional code 800; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
OUTLAYS					
Legislative functions	1,444	1,574	1,755	1,843	1,857
Executive direction and management	110	123	133	131	132
Central fiscal operations:					
Collection of taxes.....	4,162	5,061	5,255	5,528	5,628
Other fiscal operations:					
Existing law.....	-244	243	184	621	280
Proposed legislation.....			*		
Proposed credit reform.....			4	6	6
Subtotal, Central fiscal operations.....	3,918	5,304	5,443	6,155	5,913
General property and records management:					
Federal buildings fund.....	-84	-133	-55	212	155
Property receipts.....	-78	-285	-287	-289	-316
Records management.....	96	113	117	115	117
Other.....	211	281	291	311	316
Subtotal, General property and records management.....	146	-24	66	348	271
Central personnel management:					
Existing law.....	143	145	134	150	151
Proposed legislation.....					
Subtotal, Central personnel management.....	143	145	134	150	151
General purpose fiscal assistance:					
Payments and loans to the District of Columbia.....	267	523	495	480	458
Payments to States and counties from Forest Service receipts:					
Existing law.....	303	289	308	307	313
Proposed legislation.....				-259	-266
Payments to States from receipts under the Mineral Leasing Act.....	375	412	439	422	463
Payments to States and counties from Federal land management activities.....	89	86	90	55	55
Payments in lieu of taxes.....	105	105	105	105	150
Payments to territories and Puerto Rico.....	168	175	178	184	188
Other.....	312	214	213	214	214
Subtotal, General purpose fiscal assistance.....	1,621	1,804	1,828	1,507	1,574
Other general government:					
Compacts of free association.....	296	325	179	193	176
Territories.....	93	127	92	71	71
Treasury claims.....	361	328	313	301	301
Other.....	60	189	47	36	58
Subtotal, Other general government.....	810	969	632	601	606
Deductions for offsetting receipts	-623	-1,098	-500	-500	-500
Total, outlays	7,569	8,796	9,492	10,235	10,005

*\$500 thousand or less.

CREDIT PROGRAMS—GENERAL GOVERNMENT

(In millions of dollars)

	Actual 1987	Estimate			
		1988	1989	1990	1991
Direct loans:					
Loans to DC:					
Change in outstandings.....	-293	-30	-31	-33	-35
Outstandings.....	715	685	654	621	586
General Services Administration (GSA):					
Change in outstandings.....	-7	-8	-9	-11	-12
Outstandings.....	395	387	378	367	355
Administration of territories:					
Change in outstandings.....	-2	-2	-2	-2	-2
Outstandings.....	60	59	57	55	53
Total, direct loans:					
Change in outstandings.....	-302	-39	-43	-46	-49
Outstandings.....	1,171	1,131	1,089	1,043	994
Guaranteed loans:					
General Services Administration (GSA):					
Change in outstandings.....	-15	-14	-26	-28	-30
Outstandings.....	565	551	525	497	467

Payments and Loans to the District of Columbia.—The District of Columbia's operating budget is financed in part by an annual reimbursement for the net cost of hosting the Federal Government. The administration requests \$493 million in budget authority for the District of Columbia in 1989, net of loan repayments from the District. Of the total amount, \$431 million is for the Federal payment to the District for general purposes and \$52 million is for the annual Federal contribution to the retirement funds for the District's police officers, firefighters, teachers, and judges. The remaining funds are for St. Elizabeths Hospital and the construction of a new District prison facility.

To promote efficiency and accountability in the use of water and sewer services, the administration is proposing that the District of Columbia treat Federal establishments of all three branches of Government like private customers. In lieu of a lump-sum appropriation to the District for water and sewer services, Federal establishments will be billed separately and will make payments directly to the city.

The administration will propose legislation to have the District cover its full share of the costs of retirement for District retirees and their survivors. This change would begin to eliminate the Federal subsidy for such benefits currently provided to the District government. This proposal is discussed in greater detail in Part 4 of this volume.

Shared Revenues.—Some jurisdictions receive payments from the Federal Government based on a percentage of Federal receipts generated from timber sales, mineral leases, grazing permits, and

other activities on Federal property. Under current law, 50 percent of receipts under the Mineral Leasing Act are shared with the State of origin. Twenty-five percent of the receipts from the National Forests, and 50 percent of the receipts from the Oregon and California grant lands are shared with the counties of origin. Sharing is on a gross basis before any costs of obtaining these receipts are deducted.

Payments to States and counties from Forest Service receipts, payments to States from receipts under the Mineral Leasing Act, and payments to States and counties from Federal land management activities are offset against, and deducted from, the formula amounts of payments in lieu of taxes for the following year.

Payments in lieu of taxes.—The Federal Government provides fees based on a formula to local governments for some Federal lands located within their jurisdictions. The administration proposes to continue this program at a level of \$105 million in outlays for 1989. The Federal Government provides special assistance to help finance the local governments of Puerto Rico, Guam, and the Virgin Islands. These payments comprise annual advance payments of certain income tax withholding and excise tax collections for Guam and the Virgin Islands, and excise tax withholding for Puerto Rico. Outlays are estimated to increase from \$175 million in 1988 to \$178 million in 1989.

Other General Government.—Other activities in the general government function include payments of claims and judgments against the Federal Government, and funding for the territories, Indian affairs, and other activities.

Compacts of Free Association.—By Presidential proclamation on November 3, 1986, the Compacts of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands were placed into full force and effect. The compacts bind the United States to make annual payments to the two freely associated states totaling \$2.3 billion during the next 15 years. Similarly, funding for the Compact of Free Association for Palau is included on the assumption that Palau and the U.S. will implement the Compact in 1988. These funds will aid in their successful development as sovereign states. Budget authority of \$179 million is proposed for 1989.

Territories.—The administration is proposing budget authority of \$71 million in 1989 for continued support of the U.S. territories of Guam, American Samoa, the Virgin Islands, and the Northern Marianas. Budget authority of \$3 million in 1989 is requested for the Trust Territory of the Pacific Islands. The territories and the freely associated states receive grants and payments from many other Federal agencies for programs classified in other functions.

Tax Expenditures.—The Federal Government provides general purpose fiscal assistance through several tax provisions. Interest on State and local government debt is excluded from the taxable income of businesses—mainly commercial banks and casualty insurance companies—and individuals. As a result, State and local governments can borrow at lower interest rates than would be possible if such interest were taxable. In effect, the Federal Government subsidizes States and localities by paying part of their interest costs. Only the effect of excluding interest on general purpose obligations and revenue bonds for public purposes such as schools, sewers, and roads is included in this function. The exclusion of interest on tax-exempt bonds issued for private or quasi-public activities is covered in applicable budget functions, such as commerce and housing credit. The tax expenditure estimate for the exclusion of interest on general purpose State and local debt is \$15.4 billion in 1989.

The Federal Government also provides indirect assistance to States and localities by allowing individuals to deduct nonbusiness State and local taxes, primarily income taxes, from income in calculating their Federal tax liability. The value of this assistance is estimated at \$17.3 billion in 1989. The Tax Reform Act of 1986 repealed the State and local sales tax deduction. Tax expenditures resulting from deductibility of taxes on owner-occupied homes are included in the commerce and housing credit function.

As a means of providing assistance to U.S. possessions, primarily Puerto Rico, the Federal Government permits a special tax credit for qualifying U.S. corporations doing business in the possessions. This tax credit, which effectively exempts earnings attributable to the possessions, results in an estimated tax expenditure of \$2.6 billion in 1989. Altogether, tax expenditures for general purpose fiscal assistance are an estimated \$35.4 billion in 1989.

Related Programs.—In addition to general purpose fiscal assistance, the Federal Government provides States and localities with assistance through a variety of Federal grant-in-aid programs. These programs, which range from relatively narrow categorical programs to broader grant programs, are more restrictive than general purpose fiscal assistance, and are designed to meet other national needs and priorities. Therefore, they are not included as general purpose fiscal assistance, although, in total, they provided 21 percent in 1985 of the financing of total State and local expenditures. Total grant-in-aid outlays to States and localities are estimated to decrease from \$109.9 billion in 1988 to \$106.3 billion in 1989.

Grants are discussed in more detail in Special Analysis H, "Federal Aid to State and Local Governments."

CENTRAL FEDERAL CREDIT ACTIVITIES

This is a new function that is proposed to begin in 1989. It is composed entirely of the transactions of two new Federal credit revolving funds, a key part of the administration's proposal to reform the way credit programs are treated in the budget. The revolving funds are included in one subfunction, which contains separate accounts for the financing of direct loans and for guaranteed loan insurance.

The revolving funds are to be established within the Department of the Treasury. Federal agencies would be required to obtain appropriations from the Congress for the subsidies implicit in all new direct loans obligated and guaranteed loans committed in 1989 and later years. Agencies would continue to originate and close direct loans and to make loan guarantees as they do now.

NATIONAL NEED: CENTRAL FEDERAL CREDIT ACTIVITIES

(Functional code 870; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Central federal credit activities:					
Proposed credit reform.....			3,432	3,171	2,979
Total, budget authority.....			3,432	3,171	2,979
OUTLAYS					
Central federal credit activities:					
Direct loan revolving fund:					
Proposed credit reform.....			1,981	2,026	2,047
Guaranteed loan revolving fund:					
Proposed credit reform.....			-8,263	-9,709	-8,325
Total, outlays.....			-6,282	-7,684	-6,278

As borrowers draw down obligated direct loans, the agency would pay the subsidy component of the loan into the direct loan revolving fund. This fund would provide the balance of the loan, or non-subsidized financing portion, through borrowing from Treasury. The original borrower would pay interest and repayments of principal to the lending agency, which in turn would pass these amounts through to the direct loan revolving fund to repay the financing portion.

For loan guarantees, fees from the borrower and the appropriated subsidy would be paid to the loan guarantee revolving fund, which would assume responsibility to cover defaults. Excess balances of this fund would be available for use in lieu of borrowing from Treasury.

Proposed budget authority in 1989 for this function is \$3.4 billion; the outlay estimate in that year is -\$6.3 billion because of

the large amounts of offsetting collections paid into the loan guarantee revolving fund from other budget accounts. Credit reform is discussed in more detail in Part 6b of this volume.

NET INTEREST

The Federal Government engages in both borrowing and lending, and as a result it both pays and receives interest. In its borrowing, the Federal Government sells public debt securities to the public; it also issues public debt securities to Federal trust and revolving funds. The principal form of Federal borrowing is through issuance of public debt securities, and subfunction 901 is interest on the public debt issued by Treasury. The other three subfunctions in this function are composed primarily of interest income; however, subfunction 908 includes some interest payments as well as interest income.

Net interest outlays are estimated to rise from \$138.6 billion in 1987 to \$147.9 billion in 1988 to \$151.8 billion in 1989.

Interest on the Public Debt.—The public debt consists of all Treasury debt securities, including debt issued by the Federal Financing Bank (FFB) (a revolving fund administered by the Treasury), but it excludes the comparatively small amount of debt securities issued by other Federal agencies. All interest in subfunction 901 is interest paid directly by the Treasury—it does not include interest paid by the FFB. Outlays for interest on the public debt were \$195.2 billion in 1987 and are estimated to be \$210.1 billion in 1988 and \$220.3 billion in 1989, increases of 7.6 percent and 4.9 percent, respectively, over the prior years.

Interest outlays are determined by the size of the debt and the interest rates on that debt. The rates for new 91-day Treasury bills are assumed to decline steadily from an average of 5.8 percent in calendar year 1987 to 4.5 percent by 1991. Similarly, the rates for notes and bonds with more than 5 years to maturity are assumed to decline from 8.4 percent in calendar year 1987 to 6.0 percent in 1991. These declining interest rates offset some of the rise in interest payments due to higher Federal debt. Interest-bearing public debt issued by Treasury is estimated to increase by \$251.1 billion in 1988 and an additional \$235.4 billion in 1989.

Interest Received by On-budget Trust Funds.—Interest earnings of on-budget trust funds were \$29.7 billion in 1987 and are estimated to be \$34.3 billion in 1988 and \$38.2 billion in 1989. More than half is received by the civil service retirement and disability fund, and one-fifth is received by medicare. Virtually all of these collections arise from interest payments by Treasury on the public debt (that is, the offsetting collections in subfunction 902 arise from payments in subfunction 901). However, some of the collections in subfunction 902 arise from trust fund investments in FFB securities, the payments of which are in subfunction 908.

The ceiling on Treasury's statutory authority to borrow has been reached several times during the past 2 years. The Treasury has been required, during these "debt limit crises," to take extraordinary steps to continue financing legally authorized spending within the debt limit. One step taken was to disinvest the civil service retirement and disability trust fund of \$15 billion in Treasury securities subject to limit and to replace them with FFB securities, which are not subject to the general debt limit. Another step was to delay investing some trust fund balances. The trust funds have been fully reimbursed for the interest foregone during this delay, and the civil service retirement and disability trust fund receives interest on the \$14.8 billion of FFB securities that it continues to hold.

Interest Received by Off-budget Trust Funds.—By law, the receipts and disbursements of the old-age and survivors insurance trust fund and the disability insurance trust fund (collectively referred to as social security) are excluded from the budget. However, social security is a Federal Government program, just as are the on-budget trust funds. Hence, subfunction 903 includes the off-budget interest earnings that are similar to the on-budget amounts in subfunction 902. Interest earnings of these off-budget trust funds were \$5.3 billion in 1987 and are estimated to be \$7.3 billion in 1988 and \$10.1 billion in 1989.

Other Interest.—This subfunction includes both interest payments and interest collections. While a significant portion of this subfunction involves interest payments to, or collections from, the public, most of the subfunction is composed of intragovernmental payments and collections that arise from attempting to apply proper cost accounting to Federal revolving funds. The revolving funds generally borrow from Treasury and use the proceeds of the borrowing to carry out lending or other business-type activities, and they pay interest to Treasury on the money they borrow. The Treasury collection of interest from these revolving funds is included in this subfunction.

Interest on Loans to the Federal Financing Bank (FFB).—The FFB is the major source of funds for a number of Government programs. The FFB normally borrows from the Treasury and uses these borrowed funds to make loans to various Government agencies or on their behalf. It collects interest on its lending, and in turn, pays interest to the Treasury on its borrowings. Most of its borrowings are from Treasury, the interest upon which is offsetting collections in this subfunction. However, as previously noted, the FFB has also issued securities to the civil service retirement and disability fund, and FFB interest payments to that fund are offset in subfunction 902. Interest payments by the FFB to the Treasury

NET INTEREST

(Functional code 900; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Interest on the public debt:					
Existing law.....	195,249	210,052	220,210	230,078	238,778
Proposed legislation.....			52	228	553
Subtotal, Interest on the public debt....	195,249	210,052	220,262	230,306	239,331
Interest received by on-budget trust funds:					
Existing law.....	-29,662	-34,321	-38,189	-41,960	-45,114
Proposed legislation.....			-52	-228	-553
Subtotal, Interest received by on-budget trust funds.....	-29,662	-34,321	-38,240	-42,188	-45,667
Interest received by off-budget trust funds.					
	-5,290	-7,271	-10,136	-13,445	-17,237
Other interest:					
Interest on loans to Federal Financing Bank.....	-15,126	-15,127	-14,224	-13,463	-12,969
Interest on refunds of tax collections.....	1,941	1,756	1,793	1,735	1,776
Interest on unvested funds:					
Existing law.....	21	18	18	18	18
Proposed credit reform.....			177	532	796
Other:					
Existing law.....	-8,479	-7,236	-7,846	-6,831	-6,453
Proposed legislation.....				12	13
Subtotal, Other interest.....	-21,732	-20,590	-20,082	-17,997	-16,819
Total, budget authority.....	138,565	147,871	151,804	156,676	159,608
On-budget.....	(143,856)	(155,142)	(161,940)	(170,121)	(176,845)
Off-budget.....	(-5,290)	(-7,271)	(-10,136)	(-13,445)	(-17,237)
OUTLAYS					
Interest on the public debt:					
Existing law.....	195,249	210,052	220,210	230,078	238,778
Proposed legislation.....			52	228	553
Subtotal, Interest on the public debt....	195,249	210,052	220,262	230,306	239,331
Interest received by on-budget trust funds:					
Existing law.....	-29,662	-34,321	-38,189	-41,960	-45,114
Proposed legislation.....			-52	-228	-553
Subtotal, Interest received by on-budget trust funds.....	-29,662	-34,321	-38,240	-42,188	-45,667
Interest received by off-budget trust funds.					
	-5,290	-7,271	-10,136	-13,445	-17,237
Other interest:					
Interest on loans to Federal Financing Bank.....	-15,216	-15,127	-14,224	-13,463	-12,969
Interest on refunds of tax collections.....	1,941	1,756	1,793	1,735	1,776
Interest on unvested funds:					
Existing law.....	19	18	18	18	18
Proposed credit reform.....			177	532	796
Other:					
Existing law.....	-8,472	-7,236	-7,846	-6,831	-6,453
Proposed legislation.....				12	13
Subtotal, Other interest.....	-21,727	-20,590	-20,082	-17,997	-16,819
Total, outlays.....	138,570	147,871	151,804	156,676	159,608
On-budget.....	(143,860)	(155,142)	(161,940)	(170,121)	(176,845)
Off-budget.....	(-5,290)	(-7,271)	(-10,136)	(-13,445)	(-17,237)

were \$15.2 billion in 1987 and are estimated to be \$15.1 billion in 1988 and \$14.2 billion in 1989.

Interest on Refunds of Tax Collections.—Treasury pays interest on tax refunds if the money refunded has been held by Treasury for longer than a specified period. Interest on these refunds was \$1.9 billion in 1987 and is estimated to decline to \$1.8 billion in 1988 and 1989. This decrease is due to improved claims processing by the Internal Revenue Service (IRS), which reduces the backlog of refunds subject to interest. Under current law, the rate paid on refunds of tax collections is set quarterly at the average market bid yield on outstanding marketable obligations of the United States with maturities of 3 years or less.

Federal Credit Revolving Funds.—A central element of the administration's proposals for credit reform (discussed in Part 6b of this volume and in Special Analysis F, "Federal Credit Programs") is the creation of two new revolving funds in Treasury. If enacted, the Federal credit direct loan revolving fund would finance the non-subsidized portions of Federal direct loans. It would borrow from Treasury to obtain the money to make the loans, and would pay Treasury interest on its borrowings (the interest payments would be financed from interest collections by the fund on its loans to the public). Thus, starting in 1989 this subfunction would begin to record interest from this new fund. In turn, existing loan revolving funds would cease to make new loans using money borrowed from Treasury, and their interest payments to Treasury on existing loans would gradually decline as the old loans were repaid or sold.

The second new credit fund is the Federal credit guaranteed loan revolving fund. This fund is proposed to administer an insurance program to cover all Federal loan guarantees. The fund would collect insurance premiums and payments to underwrite subsidies on Federal loan guarantees, and would disburse money to make good on any Federal guarantee that went into default. The fund would accumulate large balances of such payments and maintain these as uninvested balances in the Treasury. Treasury, in turn, would pay interest on these uninvested balances.

Other.—The remainder of this subfunction was \$8.5 billion in 1987 and is estimated to be \$7.2 billion in 1988 and \$7.8 billion in 1989. This income comes from two principal sources. By far the larger source is interest that Treasury charges to Federal agency revolving funds. Revolving funds, such as that of the Commodity Credit Corporation (CCC), borrow from the Treasury primarily to finance direct loans to the public, and then pay interest to the Treasury on their borrowings. The other principal source is interest collected from the public by funds other than revolving funds. Such collections include interest on loans made to the public by non-revolving funds, interest received from the Outer Continental

Shelf (OCS) escrow account, and interest collected from banks on Federal tax collections kept on deposit in those banks.

Net Budgetary Effect.—The Federal Reserve System owns Government securities for the purpose of implementing monetary policy. The Treasury pays interest on these securities, but virtually all of the interest the Federal Reserve receives on these securities is returned to the Treasury as deposits of earnings of the Federal Reserve System (classified as budget receipts). As shown below, deposits of earnings were \$16.8 billion in 1987 and are projected to be \$16.1 billion in 1988 and \$16.4 billion in 1989. Deducting these receipts from the outlay totals for the function shows the net budgetary effect of interest transactions with the public.

NET BUDGETARY EFFECT OF INTEREST TRANSACTIONS WITH THE PUBLIC

(In millions of dollars)

	1987 actual	Estimates			
		1988	1989	1990	1991
Net interest function	138,570	147,871	151,804	156,676	159,608
LESS: Deposits of earnings by the Federal Reserve System ¹	16,817	16,053	16,421	17,443	18,190
Net budgetary effect	121,753	131,818	135,383	139,233	141,418

¹ Shown as budget receipts.

Tax Expenditures.—A tax expenditure arises from the optional deferral of interest income on U.S. savings bonds. Interest is normally taxed each year as it is earned, but the holder of a U.S. savings bond may defer paying tax until the bond is redeemed. The estimate for this provision is \$905 million in 1989.

ALLOWANCES

The budget includes allowances to cover certain forms of budgetary transactions that are expected to occur but are not reflected in the program details shown in the preceding functions. When these transactions actually take place, they are reported as outlays for the appropriate agencies and functions rather than as allowances. For this reason, allowances for completed years are always zero. In 1989, allowances included in this category reduce outlays by \$48 million.

ALLOWANCES

(Functional code 920; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY					
Civilian agency pay raises:					
Civilian agency pay raises ¹				953	2,121
Coast Guard military pay raises				32	75
Subtotal, Civilian agency pay raises				985	2,196
Savings from reform of Davis-Bacon and Service Contract Acts (non-DOD):					
Proposed legislation			- 50	- 50	- 50
Allowance for contingencies:					
Relatively uncontrollable programs					
Other requirements					
Total, budget authority			- 50	935	2,146
OUTLAYS					
Civilian agency pay raises:					
Civilian agency pay raises ¹				915	2,074
Coast Guard military pay raises				32	75
Subtotal, Civilian agency pay raises				947	2,149
Savings from reform of Davis-Bacon and Service Contract Acts (non-DOD):					
Proposed legislation			- 48	- 49	- 50
Allowance for contingencies:					
Relatively uncontrollable programs					
Other requirements					
Total, outlays			- 48	898	2,099

¹ Includes allowance for administration of the off-budget social security trust funds.

Civilian Agency Pay Raises.—This allowance covers the costs of pay raises for civilian agency employees and Coast Guard military personnel in 1990 and subsequent years. Allowances to cover similar pay raises for military and civilian personnel of the Department of Defense-Military are included in the national defense function.

In accordance with the Bipartisan Budget Agreement, no increase in funding will be proposed for pay raises in 1989. Therefore, the budget does not include allowances for 1989 for the proposed 2.0 percent pay increase for civilian employees or the proposed 4.3 percent increase for military personnel (including Coast Guard military personnel), effective January 1989. The costs of these proposed increases are included in the budget request for each agency, which is distributed by function. The pay raise allowances for 1990 and 1991 assume that Federal civilian employees will receive a 3.0 percent pay raise in January of both years, and that Coast Guard military personnel will receive pay increases in January of each year that equal the pay increases received by Department of Defense military personnel.

Savings From Reform of Davis-Bacon and Service Contract Acts (non-DOD).—The administration proposed legislation in June 1987 to increase the thresholds of coverage under the Davis-Bacon and related acts and the Service Contract Act. The Davis-Bacon Act covers wages paid to workers on Federal and federally-aided construction projects. The Service Contract Act covers wages and benefits paid to workers under Federal service contracts. The threshold of coverage under the Davis-Bacon Act has not been revised since it was set at \$2,000 in 1935. Similarly, the threshold of coverage under the Service Contract Act has not been revised since it was set at \$2,500 in 1965. An increase in the thresholds of coverage under these statutes is appropriate in recognition of economic changes in the past several decades and to encourage competition and efficiency in Government procurement. The allowance for savings in the Department of Defense (DOD) is included in the national defense function. This allowance reflects expected savings resulting from enactment of pending legislation raising the dollar threshold for non-DOD contracts to \$100,000.

Allowances for Contingencies.—The Congressional Budget Act of 1974, as amended, requires that the budget include an allowance for unanticipated spending or savings in relatively uncontrollable programs and an allowance for other unanticipated spending or savings. The contingency allowance for relatively uncontrollable programs is estimated to be zero for all years, because the chance of these outlays being lower than the estimates is as great as the chance of being higher. The contingency allowance for other requirements is also assumed to be zero, with probable increases being offset by unanticipated decreases.

UNDISTRIBUTED OFFSETTING RECEIPTS

Offsetting receipts are collections by the Federal Government that are deposited in receipt accounts but are deducted as offsets to outlays rather than being recorded as governmental receipts. Such collections may result from payments by Government accounts to other Government accounts (intragovernmental transactions) or they may arise from payments from outside the Government (the public) as a result of business-like transactions, such as sales of goods and services. As a result of this treatment, governmental receipts measure the amount collected from the public due to the Federal Government's sovereign capacity—generally taxes and other compulsory charges—while outlays measure the net spending by the Federal Government that must be financed by governmental receipts or borrowing.¹ When offsetting receipts are deducted from outlays, an equal deduction (offset) is made against budget authority in order to maintain consistency between budget authority and outlay totals.

UNDISTRIBUTED OFFSETTING RECEIPTS

(Functional code 950; in millions of dollars)

Major missions and programs	actual 1987	Estimate			
		1988	1989	1990	1991
BUDGET AUTHORITY AND OUTLAYS					
Employer share, employee retirement (on-budget):					
Military retired contributions	-18,288	-18,353	-18,577	-19,331	-20,025
Contributions to HI trust fund	-1,700	-1,888	-1,945	-2,084	-2,139
Contributions from Postal Service:					
Existing law	-2,788	-3,647	-3,421	-3,563	-3,874
Proposed legislation				-535	-616
Contributions from other civilian agencies	-4,483	-4,782	-5,095	-5,451	-5,829
Subtotal, Employer share, employee retirement (on-budget)	-27,259	-28,670	-29,038	-30,964	-32,483
Employer share, employee retirement (off-budget)	-3,300	-4,298	-4,719	-5,510	-5,846
Rents and royalties on the Outer Continental Shelf	-4,021	-3,155	-3,920	-3,832	-4,124
Sale of major assets:					
Sale of Conrail	-1,875				
Sale of petroleum reserve (proposed)			-3,225	-275	
Sale of power administrations (proposed)			-100	-1,368	
Spectrum fees, FCC (proposed)				-250	-250
Subtotal, Sale of major assets	-1,875		-3,325	-1,893	-250
Total, budget authority and outlays	-36,455	-36,123	-41,002	-42,199	-42,703
On-budget	(-33,155)	(-31,825)	(-36,283)	(-36,689)	(-36,857)
Off-budget	(-3,300)	(-4,298)	(-4,719)	(-5,510)	(-5,846)

¹ See "collections" in Part 6e of this volume for additional information.

Most offsetting receipts are offset against the function that contains the outlays that give rise to the receipts, i.e. the function of the account collecting the money. In such cases these offsetting receipts are deducted before reaching functional budget authority and outlay totals and are referred to as "distributed" to the functions. However, there are several categories of offsetting receipts that cannot be properly offset against any specific function. These collections are deducted just before reaching government-wide totals and are referred to as "undistributed offsetting receipts."

The three categories of offsetting receipts that are undistributed by function are: the collections of amounts paid by Federal agencies to Federal employee retirement funds and medicare, collections from the public of rents and royalties on the Outer Continental Shelf, and collections from the public arising from the sale of major Federal assets.²

Undistributed offsetting receipts are estimated to be \$36 billion in 1988 and \$41 billion in 1989. Details of all offsetting receipts are shown in table 14 in Part 6g.

Employer Share, Employee Retirement.—Classification within the functional structure is relatively straightforward for most Federal Government accounts, since only one type of transaction occurs—a payment to the public. In the case of intragovernmental transactions, which are payments by one Government account to another, the functional classification becomes more complex because of the special accounting conventions used to record these transactions. Outlays are charged to the paying account (for the payment to the receiving agency for services provided) and also to the agency being reimbursed (for the expenditures it makes on behalf of the paying account). Although two expenditures occur, only one is made to the public, and therefore one of these expenditures must be offset (reduced) in order to measure properly the Federal Government's net transactions with the public. Since the paying account is ultimately responsible for the expenditure to the public, and the receiving agency simply acts on its behalf, the budget authority and outlays of the agency and function being reimbursed are normally offset (reduced) by the size of the payment. Thus outlays are recorded for the agency ultimately responsible for the expenditure and within the function that best represents the purpose of the expenditure.

Employing agency payments for employee retirement are an exception to this convention. These payments to Federal retirement

² Undistributed offsetting receipts in tables presenting budget authority and outlays by agency exceed the undistributed offsetting receipts in the functional tables. The offsetting receipts that are not distributed by agency but are distributed to the net interest function are: interest received by on-budget trust funds (subfunction 902), interest received by off-budget trust funds (subfunction 903), and interest received from the Outer Continental Shelf escrow account (which is included in subfunction 908).

funds represent the accrued liabilities for retirement benefits earned by current employees and are a cost of fulfilling the employing agency's mission. Hence the payments are recorded as outlays of the paying account and the function within which the paying account is classified. The retirement funds in turn pay retirement and medicare benefits to current retirees, thereby serving important functions that are distinct from the ones served by the employing agencies. Hence the benefits paid are recorded as outlays of the retirement funds and the medicare and income security functions. Neither the employing agency payments nor the retirement benefits are offset directly, because this would seriously understate the resources used to fulfill their purposes. Instead, the offset is recorded as an undistributed offsetting receipt.

Because, by law, social security is off-budget, and because some of these intragovernmental employer retirement contributions are used to finance social security, the collections by on-budget accounts are recorded in a separate subfunction from the social security accounts. The great bulk of the \$36 billion in 1989 that are collected by on-budget accounts are used to finance the military retirement and the civil service retirement trust funds.

The administration proposes that the Postal Service contribute money to the civil service retirement fund to cover the full cost of providing cost-of-living adjustments to Postal Service annuitants. This proposal, which is discussed in greater detail in the commerce and housing credit function, will increase employing agency outlays for employee retirement and, therefore, undistributed offsetting receipts by \$535 million in 1990.

Rents and Royalties on the Outer Continental Shelf (OCS).—In the private sector, owners of property collect money from companies in exchange for the right to explore and produce oil from the property. Oil companies voluntarily bid for these rights and those bidders that are successful make the associated payments in the form of rents and royalties.

The Federal Government exercises authority over the Outer Continental Shelf in its capacity as a sovereign government, and it makes similar rent and royalty charges to the oil companies that successfully bid for the right to explore and produce oil from the OCS. Since these collections result from business-like transactions rather than compulsory taxes, they are classified as proprietary receipts from the public and not governmental receipts.

However, the income to the Government from this source is large and does not arise in significant measure from any spending program by the Government function or agency that handles the transactions. As a result, their inclusion as offsetting receipts in any particular function or agency would substantially understate the amount of budget authority and outlays needed to carry out

programs in that function. To avoid this distortion, these collections are undistributed.

The collections in this category include cash bonuses received from leasing of OCS lands that have the promise of containing oil and gas; annual rents on existing leases; and royalties, based on a percentage of the value of production. In cases where there is a dispute as to whether the owner of the collection is the Federal Government, the collections are not recorded as offsetting receipts in the budget until the dispute is settled; such collections are retained in escrow in a deposit fund outside the budget. When settlement is reached, the amounts determined to belong to the Federal Government are recorded as undistributed offsetting receipts, while the amounts determined not to belong to the Government are paid to the owners. On September 30, 1987, the amounts of disputed OCS collections held in escrow totaled \$1.2 billion. Most of the collections in dispute are expected to be settled by the end of 1989.

The current estimates of \$3.2 billion in 1988 and \$3.9 billion in 1989 include the proceeds from five OCS sales that are expected to occur in 1988 and eight sales expected to occur in 1989. No final decision will be made on any of these sales until environmental impact studies and other requirements under the National Environmental Policy Act have been completed.

Sale of Major Assets.—In 1987 the Government received \$1.9 billion from the sale of Conrail. The administration proposes to sell the naval petroleum reserves for an estimated \$3.5 billion. Sales proceeds are expected to be received in 1989 and 1990. The Alaska Power Administration is also proposed to be sold for \$100 million by the end of 1989 and the Southeastern Power Administration for \$1.4 billion in 1990. These proposed sales are discussed in greater detail in the energy function.

In addition, the administration proposes to assess a charge for the right to use the non-mass media radio frequency spectrum. The charge would not apply to spectrum assigned for public safety or amateur services. The Federal Government, in its capacity as a sovereign government, exercises authority over the radio frequency spectrum, a scarce and valuable public resource. The Federal Communications Commission (FCC) issues licenses to authorize the right to use the spectrum. Users transmit and receive information via, for example, television, car telephones and mobile radios. Users of the spectrum include businesses, private citizens, and State and local governments. Presently, FCC charges a nominal amount that only covers the cost of processing the license application. Through the spectrum fee the Federal Government, and ultimately the taxpayer, would receive a payment in exchange for the

right to use the spectrum. The proposal, if enacted, would collect revenues of approximately \$250 million beginning in 1990.

Because these asset sales should result in large offsetting receipts that are not closely related to a spending program, the collections are included as undistributed offsetting receipts rather than as an offset to a function.

PART 6

SUPPLEMENTS

6-1

PART 6a

ALTERNATIVE BUDGET BASELINES

Most budget proposals, whether they originate with the President or from Congress, are measured from a baseline. Such comparisons can highlight the dollar savings or costs of proposals. The baseline chosen can improve the quality of debate surrounding proposals if it provides an objective base against which costs or savings can be calculated. However, choosing the wrong baseline can lead to confusion and result in distorted analysis.

Recently, the proliferation of baselines used by the administration and Congress and changes in how they are computed have added confusion to budget debates. This supplement discusses three baselines that have been used (current year, current services, and Gramm-Rudman-Hollings) and explains why the President's policy proposals are presented in comparison to current year levels.

CURRENT YEAR VS. CURRENT SERVICES

Up until the mid-1970s, the level of funding enacted for the current year was the most common baseline. The current year baseline would seem the most appropriate comparison—especially with regard to discretionary spending—since this is the standard most people think of when evaluating budget “increases” and “decreases.”

However, the current year baseline has two weaknesses: it does not adjust for expected inflation (a weakness that can be particularly serious during periods of high inflation or when making long-term comparisons), and it does not allow for normal fluctuations in entitlement programs due to changes in the size and characteristics of the eligible population.

Partly in response to these perceived weaknesses, Congress enacted legislation that required creation of a new baseline, current

services. The Congressional Budget and Impoundment Control Act of 1974, as amended, defines current services as:

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

Both OMB and the Congressional Budget Office (CBO) were required to estimate the current services baseline. Because of the complexity of the budget, it was not feasible for the Act to specify precise procedures on how to develop the estimates. Consequently, OMB and CBO were left with some discretion in determining their estimates.

Generally, the current services baseline provides an inflation-adjusted set of estimates based on currently enacted policy. Entitlement or other mandatory programs are estimated on the basis of projected economic and demographic trends and are assumed to provide payments or benefits as specified under current law. Entitlements with legislated cost-of-living adjustments are adjusted for future inflation. Others, such as medicare and medicaid, are implicitly adjusted for inflation, using the best available estimate of future payments under current law. Discretionary programs, including programs whose authorizing or appropriations legislation expire during the 5-year budgetary period (other than those that are clearly temporary in nature), are assumed to be extended. During the first few years that current services estimates were calculated, OMB and CBO varied their practice of adjusting for inflation. In recent years, it has been normal for both to include an inflation adjustment for discretionary programs. Receipts are estimated by assuming extension of current law.

Both CBO and OMB went through a period of trial and error in producing the required current services baselines. CBO and OMB generally agreed on the current services definition for nondefense programs, but both CBO and OMB changed the current services definition for defense programs several times.

From the 1977 to the 1980 budgets, CBO's defense baseline concept assumed a constant program level adjusted for inflation-induced cost increases. Beginning with the 1981 budget, the CBO defense baseline concept was changed to what was called a programmatic basis. This concept used explicit force structure and investment programs that CBO determined were approved by the Congress. The outyear force structure reflected announced changes in force levels through the introduction of new weapons systems and the planned retirement of others; the outyear investment program included programs announced by the administration at the

Table 6a-1. COMPARISON OF CURRENT SERVICES AND PRESIDENT'S BUDGET TOTALS

(In billions of dollars)

	1987 Actual	Estimates					
		1988	1989	1990	1991	1992	1993
Receipts:							
Current services.....	854.1	908.9	964.0	1,043.2	1,123.2	1,189.0	1,257.3
Effect of proposals		0.3	0.7	0.9	1.2	0.9	0.8
President's budget.....	854.1	909.2	964.7	1,044.1	1,124.4	1,189.9	1,258.1
Outlays:							
Current services.....	1,004.6	1,056.4	1,102.4	1,154.2	1,209.2	1,251.9	1,296.2
Effect of proposals		-0.5	-8.2	-5.9	-5.6	-10.9	-14.9
President's budget.....	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0	1,281.3
Deficit (-):							
Current services.....	-150.4	-147.5	-138.5	-111.0	-86.0	-62.9	-39.0
Effect of proposals		0.7	8.9	6.8	6.8	11.9	15.7
President's budget.....	-150.4	-146.7	-129.5	-104.2	-79.3	-51.1	-23.3

start of the current year adjusted for congressional action. This approach made it possible to account for the impact of particular projects from the design through the construction stages. The result was that real growth of approximately 1.0 percent was incorporated into the defense current services estimates.

Beginning with the 1984 budget, CBO again changed its defense baseline concept. The 1984 defense levels were based on the defense mark in the 1983 Congressional Budget Resolution. CBO reports also included an alternative defense level that had no real growth.

In the 1987 budget, CBO returned to its original concept for national defense. Budget authority levels were again based on the concept of constant real program levels. According to the CBO report, since the Gramm-Rudman-Hollings Act set the outyear deficit targets below those in the 1986 budget resolution, the defense levels in the resolution could no longer be considered congressional policy.

In OMB's first current services report for the 1977 budget, most defense accounts were treated like other discretionary accounts; the budget authority for all but major multiyear projects was held level in nominal dollars. Funding for multiyear projects was calculated using an inflation adjustment. This approach was followed through the 1980 budget, although operations and maintenance expenses were adjusted for inflation along with multiyear projects for the 1978 through 1980 budgets. Beginning with the 1981 budget, all accounts in the national defense function were adjusted for inflation, as were discretionary accounts in all other functional areas. Use of a constant real program level for defense programs remained until the 1984 budget, when the current services defense concept became previously enunciated Presidential policy so that

the difference between the defense current services and Presidential policy estimates was the change in Presidential policy. For the 1987 budget, the defense current services level was defined as the previous year's Congressional Budget Resolution levels. Beginning with last year's budget, defense current services were set at the President's defense request.

In addition to the changes associated with the current services baseline for defense, the current services baseline has had other problems. One is the constant confusion in the public about what a "cut" is. Medicare, for example, has been "cut" \$50 billion in this decade, yet it more than doubled in nominal terms. Nevertheless, public debate over the program often assumed that actual reductions from the previous years' levels had already occurred or were being proposed. Another problem involves program expansions for entitlement programs. Because Congress has become preoccupied with the budget year, a program expansion that is implemented after the budget year is beyond Congress' focus. When the full expansion occurs, perhaps years later, it is no longer classified as an expansion; instead, it is part of the "current services" baseline.

A similar problem arises when inflation is overestimated, thus allowing real increases to be called "cuts." Another form of this problem involves reproposing savings. Congress or the administration can "cut" a program through a temporary reduction designed to end in a year or two. At the end of the period, the reduction can then be reinstated, allowing for claimed "savings" for the same "cut" all over again.

GRAMM-RUDMAN-HOLLINGS

Because of these and other problems interpreting the appropriate definition for current services, a new baseline was created as part of the Balanced Budget and Emergency Deficit Control Act of 1985, the Gramm-Rudman-Hollings (G-R-H) Act. The G-R-H Act, as amended, provides detailed specifications on how to create this new budget baseline. OMB must use this baseline in the August and October calculations that determine whether a sequester is required. In addition, OMB must publish the G-R-H baseline in the President's budget and explain the differences between the G-R-H baseline and current services estimates for the budget year. This presentation and a more detailed discussion of the G-R-H baseline are provided in Special Analysis A.

Like current services, the G-R-H baseline provides an inflation-adjusted set of estimates based on currently enacted budget policy. In fact, there are basically only four differences between the administration's 1989 G-R-H baseline estimates and the 1989 current services estimates. First, G-R-H inflates the non-pay portion of the 1988 enacted levels for both defense and nondefense discretionary

programs by the implicit price deflator for the Gross National Product (GNP) as projected in the administration's economic assumptions (3.8 percent for fiscal year 1989). The amounts for pay are inflated using the GNP deflator plus specified amounts for retirement costs (5.8 percent for civilians and 5.3 percent for military in 1989). In total, current services estimates for discretionary programs are increased by the rates called for in the Bipartisan Budget Agreement (defense 2.6 percent and nondefense 2.0 percent above 1988 enacted).

Second, certain nonappropriated programs whose authorizing legislation expires before 1989 are excluded from the G-R-H baseline. These programs are extended in the current services baseline. Third, programs that are clearly temporary in nature are extended in the G-R-H baseline, but are assumed to expire as scheduled in the current services baseline. Fourth, the collections from certain loan prepayments and sales that were enacted in the continuing resolution and the Omnibus Budget Reconciliation Act of 1987 are included in the current services baseline, but are explicitly prohibited from inclusion in the G-R-H baseline. The net impact of these differences results in a G-R-H deficit of \$142.7 billion in 1989 as compared to a current services deficit of \$138.5 billion and the President's proposed deficit of \$129.5 billion. A summary comparison of the President's estimates for 1989 with the G-R-H baseline, the current services baseline, and the current year baseline is provided in Table 6a-2.

CHOICE OF BASELINE FOR THE 1989 BUDGET

This year, CBO defines their current services baseline as being equal to G-R-H; in other words, they will only provide estimates using the G-R-H baseline concepts for 1989 and the outyears. As indicated above, OMB has estimated a current services baseline for 1988 through 1993, and a G-R-H baseline for 1989 only. Although OMB and CBO continue to work together to identify and narrow baseline differences, the mere existence of different baselines estimates—even when the differences between them are small—can add confusion to the budget process. To avoid this confusion, most of the discussions of the President's budget proposals in this volume make comparisons to current year levels, not current services or G-R-H. Comparisons to current year funding levels, whether in current or constant dollars, clearly show the trend of programmatic spending after taking into account relevant policy proposals. In addition, current year levels may be the only policy-neutral baseline on which the administration and the Congress can agree.

As shown in Table 6a-3, 1988 revenues are projected to increase by \$55.5 billion in 1989, from \$909.2 billion to \$964.7 billion. Increases required for mandatory programs and net interest costs

Table 6a-2. COMPARISON OF THE PRESIDENT'S 1989 BUDGET ESTIMATES WITH CURRENT SERVICES, G-R-H, AND CURRENT YEAR BASELINES

(In billions of dollars)

	1989 Estimates			
	President's budget	Change from G-R-H baseline	Change from current services baseline	Change from 1988 current year levels
Receipts	964.7	*	0.7	55.5
Outlays by function:				
National defense	294.0	*		8.6
International affairs	13.3	-2.6	-0.1	3.4
General science, space, and technology	13.1	1.5	1.6	2.2
Energy	3.1	-1.7	-1.7	0.3
Natural resources and environment	16.0	-0.2	0.1	0.9
Agriculture	21.7	-0.7	-0.6	-0.6
Commerce and housing credit	7.9	0.4	0.4	-4.5
Transportation	27.3	-0.5	-0.6	*
Community and regional development	5.9	-0.7	-0.7	-0.4
Education, training, employment, and social services	37.4	1.8	2.1	3.7
Health	47.8	-0.5	-0.2	3.3
Medicare	84.0	-1.2	-1.0	5.2
Income security	135.6	-0.4	-0.3	6.0
Social security	233.8	-0.3	*	14.1
Veterans benefits and services	29.6	0.5	0.8	1.8
Administration of justice	9.9	1.2	1.4	0.9
General government	9.5	*	0.3	0.7
Central Federal credit activities	-6.3	-6.3	-6.3	-6.3
Net interest	151.8	-0.3	-0.1	3.9
Allowances	*	*	*	*
Undistributed offsetting receipts	-41.0	-3.2	-3.3	-4.9
Total, outlays	1,094.2	-13.1	-8.2	38.3
Deficit (-)	-129.5	13.2	9.0	17.2

* \$50 million or less.

consume \$19.9 billion and \$3.8 billion, respectively. Increased outlays for national defense programs, a large part of which are due to spending from budget authority granted in previous years, take up an additional \$8.6 billion of the funds available. Increased asset sales and other undistributed offsetting receipts add \$0.7 billion and \$1.6 billion, respectively, to the \$23.2 billion remaining to fund increases in nondefense discretionary programs or reduce the deficit. The President's budget proposes to increase spending for nondefense discretionary programs (including international discretionary programs) by \$8.3 billion, or 4.7 percent, and use the remaining \$17.2 billion to reduce the deficit.

Table 6a-3. YEAR-TO-YEAR CHANGE IN THE PRESIDENT'S BUDGET

(In billions of dollars)

	1987 Actual	Estimates			1989
		Change to 1988	1988	Change to 1989	
Receipts	854.1	55.0	909.2	55.5	964.7
Outlays:					
National defense	282.0	3.4	285.4	8.6	294.0
International discretionary	12.8	3.0	15.8	-0.2	15.6
Domestic discretionary	148.1	12.5	160.6	8.5	169.1
Entitlements and other mandatory:					
Retirement and unemployment	284.4	12.7	297.1	18.8	315.9
Medical care	102.8	6.8	109.6	7.0	116.6
Low income programs	39.7	4.9	44.6	0.9	45.5
Agriculture	25.2	-4.7	20.5	-0.7	19.8
Other mandatory programs	7.5	12.3	19.8	-6.1	13.7
Subtotal, entitlements and other mandatory ..	459.6	32.0	491.6	19.9	511.5
Net interest	138.6	9.3	147.9	3.8	151.6
Asset sales and prepayments		-9.3	-9.3	-0.7	-10.0
Other undistributed offsetting receipts	-36.5	0.3	-36.1	-1.6	-37.7
Total, outlays	1,004.6	51.3	1,055.9	38.3	1,094.2
Deficit (-)	-150.4	3.7	-146.7	17.2	-129.5

PART 6b

FEDERAL CREDIT

OVERVIEW

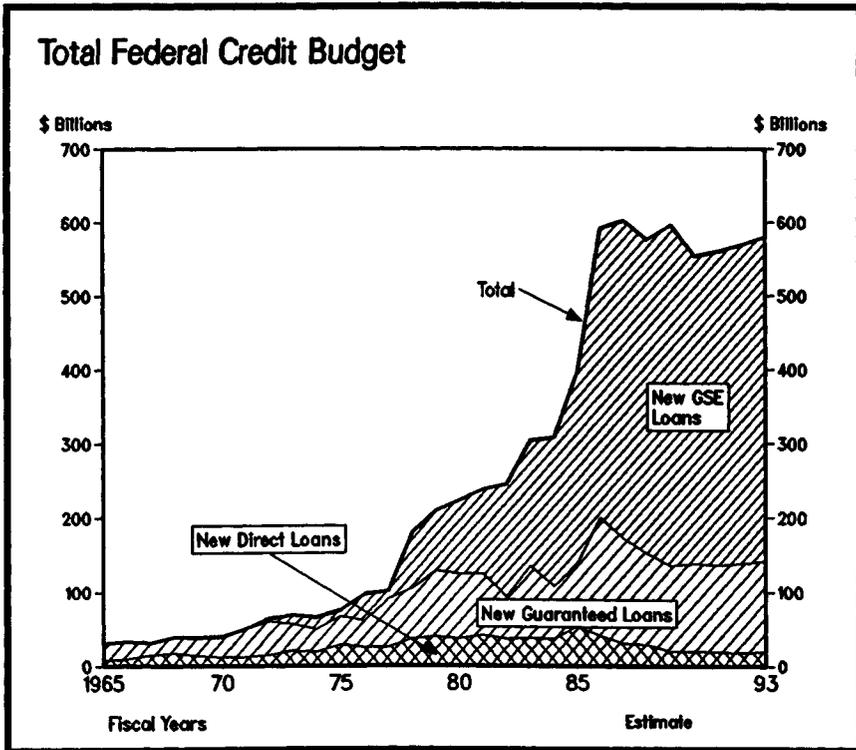
Introduction.—This chapter begins by reviewing the scope of Government credit activities and the long-term trends in Federal lending. The next section describes the problem in controlling Federal credit; explains the credit budget and how it limits growth of direct loans and loan guarantees; and outlines the administration's response to the control problem—a proposal to reform the way credit programs are treated in the budget. The third section discusses the administration's program to improve credit management. Finally, the chapter concludes with a section that describes other forms of credit activity that are not fully captured in the budget.

Summary of Federal Credit Activities.¹—The Federal Government is the largest financial intermediary in the United States. At the end of 1987, it held outstanding loans with a face value of \$234 billion in its direct loan portfolio and had another \$507 billion in guaranteed loans outstanding. (All data in this discussion are based on the face value, not the unsubsidized market value, of loans.) Government-sponsored enterprises had an additional \$581 billion of loans outstanding at the end of the year. Thus, directly or indirectly, the Government had influenced the allocation of \$1.3 trillion of outstanding credit.

Through direct loans and loan guarantees, the Government has provided subsidized credit to many different types of borrowers: farmers, homeowners, students, veterans, small businesses, exporters, utilities, shipbuilders, and State, local, and foreign governments. The subsidies inherent in Federal and federally sponsored lending to these groups have come at the expense of the general taxpayers and in particular of all borrowers who did not receive subsidized credit. The unsubsidized borrowers have paid higher interest rates or fees for their credit or have not been able to borrow at all. In 1989, the Federal Government will provide an estimated \$20 billion in new direct loan obligations and \$115 billion in new guaranteed loan commitments. Government-sponsored en-

¹ See also Special Analysis F, "Federal Credit Programs," and *Management of the U.S. Government*.

terprises (GSEs) will lend an additional \$428 billion. The accompanying chart summarizes new Federal credit activity from 1965 to 1993.



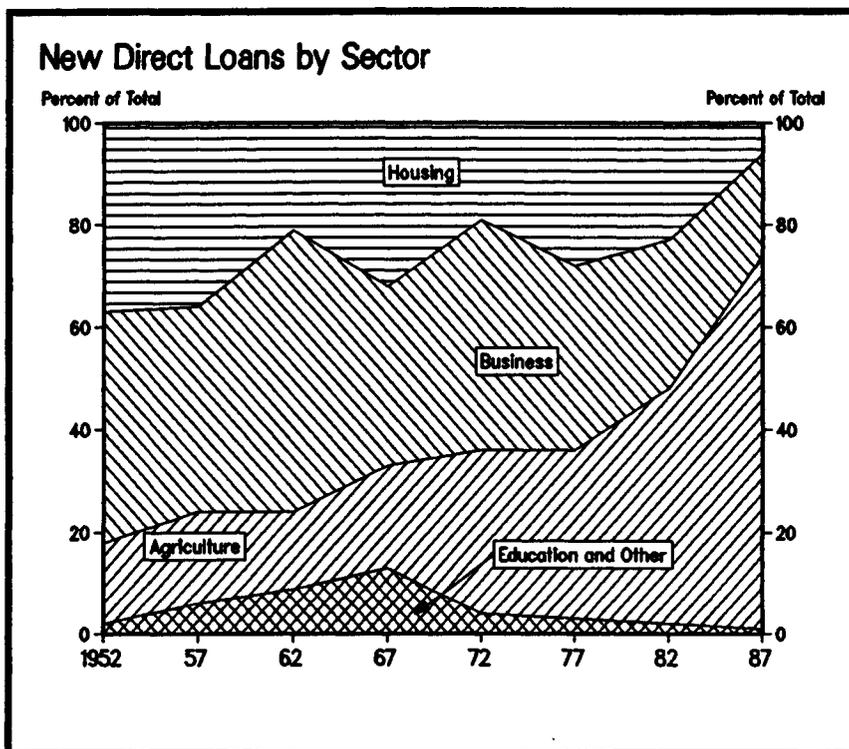
Direct Loans.—The Federal Government makes direct loans to individuals, businesses, and State, local, and foreign governments. The primary type of a direct loan is the disbursement of funds by a Federal agency under the terms of a loan contract in which the borrower agrees to repay the loan principal to the Government, with or without interest.

Three other types of transactions are also considered direct loans: (1) acquisition of defaulted private loans that the Government had guaranteed and for which the Government made direct payment to the lender to honor the guarantee; (2) the purchase by the Government of a private loan in the secondary market; and (3) a sale of agency assets on credit terms of more than 90 days.

Direct loans are financed from a variety of sources, including repayments of previous loans, appropriated funds derived from taxation, and borrowing. Such loans are designed to direct economic resources to federally determined uses by providing credit on more favorable terms than would otherwise be available from private sources. A direct loan is best justified when the Federal objective cannot be met with financing from private sources, even with

a Government guarantee. The objectives of a direct loan program, for example, may require financing at interest rates that are lower or loan maturities that are longer than those available from private lenders.

The accompanying chart shows the shifting composition of new direct loans issued over the past 35 years. Four sectors of the economy receive the bulk of direct lending: housing, business, agriculture, and education.



During the 1950s, housing accounted for more than 30 percent of new direct loans; however, this percentage dropped off sharply in the early 1960s, and again in the 1970s and 1980s to where it only accounts for a little more than 11 percent of total obligations in 1987. This trend reflects the increasing amount of direct lending to business and agriculture during the same time period, and, to a lesser extent, the conversion of the lending activity of the Federal National Mortgage Association (FNMA) in 1968 from a direct on-budget spending program to a Government-sponsored enterprise that is outside the budget.

During the 1980s, business borrowers have received more than one-third of the Government's new direct loans. This amount of business assistance represents a significant increase in both abso-

lute and relative amounts. The Export-Import Bank, Small Business Administration, Rural Electrification Administration, and Agency for International Development are the principal lenders to, or in support of, the business sector.

The share of new direct loans provided to agriculture has been close to one-half of the annual total of all direct loans in recent years. This includes lending of the Farmers Home Administration for farm ownership, farm operations, and rural housing, and the price support program of the Commodity Credit Corporation.

Direct loans for education include loans for construction of facilities, payments for defaulted guaranteed student loans, and direct financial assistance to students. Although defaults now exceed \$1 billion a year, this sector has no activity proposed starting in 1989.

Guaranteed Loans.—Guaranteed loans are loans by non-Federal lenders for which the Government guarantees the payment of the principal and the interest, in whole or in part, in the event of borrower default. Loan guarantees are contingent liabilities of the Federal Government. They generally result in budget outlays only in the case of default.

The guarantees may be for the full or partial value of the loan principal. In some programs, such as the guaranteed student loan program, they are supplemented by explicit interest subsidies or other forms of assistance. Most guaranteed loans are made by banks or other private institutional lenders and take the form of mortgages or bank loans. Some of these are sold in securities markets.

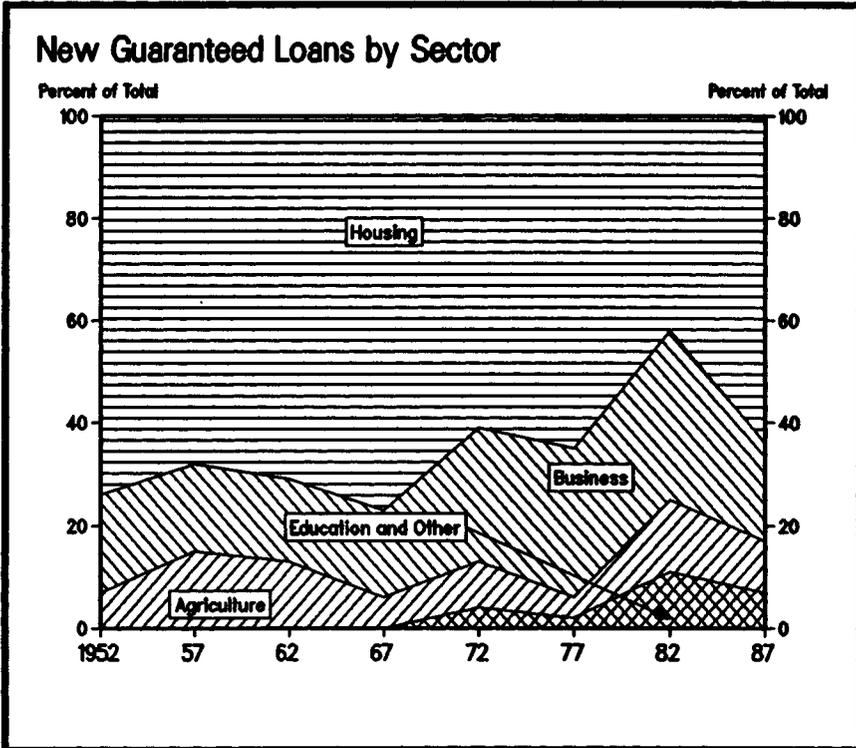
A loan guarantee transfers from the private lender to the Government some or all of the default risk of the loan. Where the Government guarantees timely payment of 100 percent of the loan principal and interest, it transforms a private loan into a near-Government direct loan financed by a Government security. However, the guaranteed loan will not have all the attributes of a direct Government loan, since private lenders will negotiate different financial terms and conditions than would a Government agency. Nor will the guaranteed loan have all of the attributes of a U.S. Treasury security, because it will be less liquid and may involve higher transaction costs.

Loan guarantees are designed to allocate economic resources to particular uses by providing credit at more favorable terms than are otherwise available in the private market. If loan guarantee recipients are not sufficiently creditworthy to borrow without Federal assistance, the subsidy provided by the guarantee may be large and the guarantee will directly reallocate credit towards federally selected uses, thereby increasing the total volume of credit channeled into these uses. This leaves a smaller supply of credit to be allocated to those potential borrowers who do not receive assistance

and increases the costs to these borrowers. However, the guarantee does not always change the allocation of credit. Many beneficiaries of loan guarantee programs would have been able to secure the funds privately, without Government support. For example, a federally guaranteed mortgage might be used to finance, at a lower cost, a house that would have been purchased anyway. In this case, not only is there a subsidy provided to the borrower, but the loan does not serve the public purpose of the guarantee program.

Many of the guarantee programs operated by the Federal Government began in efforts to revive the economy during the depression of the 1930s. The Reconstruction Finance Corporation, created in 1932, was the forerunner of the Export-Import Bank, the Small Business Administration, and other credit programs. The Nation's single largest credit program, the Federal Housing Administration's (FHA) home mortgage insurance program, was created in 1934 to help financial markets overcome the risk associated at that time with long-term mortgages.

As the accompanying chart shows, housing guarantees dominated Federal guarantee activities during the 1950s and 1960s, and despite increases in other loan guarantee programs during the 1970s and early 1980s, continue to represent an overwhelming majority of all new loan guarantees. The housing programs of the FHA and Veterans Administration accounted for 84 percent of the total volume of new commitments for guaranteed loans in 1962. The range of activities financed with Federal guarantees has widened since that time. Guarantees are now offered for business, agriculture, and education; however, housing continues to dominate, particularly because falling interest rates in the past 2 years have led many homeowners to refinance their mortgages. For the 1989 budget, housing programs account for an estimated 69 percent of all new loan guarantee commitments.



CONTROLLING FEDERAL CREDIT

Background.—The problems in directing or controlling Federal credit are enormous and systemic. The discipline that the private market imposes on financial intermediaries is absent. The unified budget, with its focus on budget authority, outlays, and receipts, provides a comprehensive system for recording and controlling most receipts and outlays, but is an incomplete mechanism for recording and controlling Federal credit programs. The unified budget measures net outlays, not the full volume of new credit extended for direct loans. Furthermore, guaranteed loans, an important form of credit, are not reflected in the unified budget except to the extent that defaults occur.

The Federal credit budget, while an improvement over the control and display mechanisms of the unified budget for credit programs, does not capture explicitly the most important aspect of Federal credit—the economic subsidy offered to borrowers. In order to focus on that subsidy, the administration is proposing a further reform of budgeting for credit programs, discussed below, that would remedy the shortcomings of existing practices by incorporating into the unified budget and appropriations process the subsidies provided by credit programs.

The Credit Budget.—The Federal credit budget measures and controls the volume of new direct loans and loan guarantees extended to borrowers. It is a necessary supplement to the unified budget.

The credit budget is based on three principles. First, it is intended to measure new credit at the point at which the Government legally contracts to provide a loan or loan guarantee. Usually a legal contract arises when a direct loan agreement or loan guarantee agreement is signed.

Second, the credit budget is based on credit authority—the authority to make new offers of credit. In the unified budget, budget authority for direct loan programs is required only when collections are insufficient to finance new loans for those programs funded through revolving funds; budget authority for loan guarantees is needed only to pay for defaults when other resources are insufficient to fund those costs. In contrast, credit authority is measured on a gross basis and does not reflect repayments of loans or defaults on loan guarantees. As a result, credit authority is a needed tool because subsidies are incurred for all new direct loans and loan guarantees, regardless of the extent to which new loans are offset by repayment of loans previously made.

Third, guaranteed loan commitments are measured as the full principal of the loan, even if the Government's contingent liability is less than the full loan principal. The full loan principal is included in the commitment because the entire loan, even if only partially guaranteed, is assisted by the guarantee.

The credit budget is included in the budget resolution, and limitations for many programs are enacted in annual appropriations acts. The administration proposes limitations annually on direct loan obligations and guaranteed loan commitments for many credit programs. The limitations serve as ceilings on the volume of new credit that may be offered by the account in a given year. The limitation is specified in the appropriations language for individual budget accounts that include credit activity.

The administration is proposing limitations in 1989 for programs amounting to 74 percent of the credit budget totals. Approximately 38 percent of direct loan obligations and 80 percent of guaranteed loans are included under proposed limitations. (The relatively low percentage for direct loans arises because the largest direct loan program—CCC commodity loans—is exempt from limitation.)

Limitations on appropriations are not proposed for certain programs primarily for two reasons. First, programs that provided a clear entitlement to qualified applicants, such as farm price support loans, credit assistance to veterans, and guaranteed student loans, are controlled by authorizing legislation. Second, direct loans that arise from payment of claims on defaulted guaranteed loans

are exempt from limitation since the original decision to guarantee the loan imposes the requirement for the direct loan.

Credit Reform Legislation.—While the credit budget has helped to limit new direct loan obligations and guaranteed loan commitments, it does not allocate resources to credit programs according to the true cost of credit—the present value of the subsidy. Since a primary purpose of Federal credit programs is to provide borrowers with a subsidy, this is a serious omission in effective budgetary control. Furthermore, resources are misallocated because there is no incentive to limit loan programs with relatively large subsidies. To rectify these inadequacies, the administration last March sent the Congress proposed legislation that would reform the way in which Federal credit programs are treated in the budget. The proposal would:

- put the cost of credit programs on an expenditure basis equivalent to other Federal spending;
- measure accurately and equitably the subsidies provided by Federal credit programs;
- encourage delivery of benefits in the form most appropriate to the needs of beneficiaries; and
- improve the allocation of resources among credit programs and between credit and other forms of spending.

The proposal would accomplish these goals by charging the economic cost of credit—the subsidy cost—to any agency making or guaranteeing loans.

Through Federal credit programs, favored borrowers are able to get credit on easier terms and conditions than those available in the private sector to similar borrowers for similar purposes. Borrowers are able to pay lower interest rates and fees, to get larger loans, and to repay over longer periods than they would on a private loan. Indeed, some Federal programs provide funds to borrowers who could not get credit at all in the private sector.

Because Federal direct loans are made on more favorable terms, their market value at the time they are made is less than the face amount. This difference in value is a cost to the taxpayer. Similarly, when the Federal Government guarantees a loan, the taxpayer assumes a cost that is equivalent to the difference between the amount the borrower pays and the amount required to reinsure the loan. These subsidy measures are comparable to Federal outlays for grants or purchases.

One way to measure these costs would be actually to sell newly made direct loans immediately and competitively, and to purchase reinsurance for newly guaranteed loans. Last March, the administration proposed that new direct loans be sold, except for loans deemed unsuitable for sale due to sensitive foreign or domestic

policy reasons. Reinsurance for loan guarantees was proposed to be gradually phased in as the market for reinsurance developed.

Another way to measure the same subsidy costs is to calculate the present value of the difference between the net cash flow that the borrower pays under the terms and conditions of the Federal program and the net cash flow under the terms and conditions of financing for a similar loan from a private lender. This method is described in detail in OMB Circular A-70. It has been used to calculate the subsidy estimates presented in this volume, in the *Budget Appendix*, and in Special Analysis F.

The method used compares the interest rate charged on a direct loan with a comparable private interest rate and discounts the difference between the loan's expected cash flow by the internal rate of return on a comparable private loan. It has been suggested that instead the interest rate difference and the discount factor should use the rate on U.S. Treasury securities of similar maturity. Using the Treasury rate would understate the cost to taxpayers for several reasons. Private lenders must allow for the risk that defaults will turn out to be greater than their best forecast; the Government need not plan for that contingency. The Treasury rate method includes an allowance for expected defaults, but not for the uncertainty of the default forecast. Moreover, use of the Treasury rate will always give the Government a competitive advantage due to its sovereign power to tax and to print money, which provides safety to Treasury securities, and to the great liquidity of the enormous market for these securities.

If the Treasury borrowing rate were used to estimate the present value of the subsidies instead of the comparable private rate, distortions would be created. The subsidy would be smaller than the equivalent of a grant to the borrower. Thus, the budget would continue to favor credit programs over direct spending programs. It would not give policymakers and the public the information they need to compare fairly those two kinds of programs and to determine which form of assistance is more cost effective. Furthermore, using the Treasury rate would not take full account of the loan's riskiness, which would skew the allocation of resources toward the most risky loans among borrowers, among credit programs, and between credit and other spending.

Under the administration's proposed Credit Reform Act, two new Federal credit revolving funds would be established within the Department of the Treasury—one for the financing of direct loans and the other for guaranteed loan insurance. Federal agencies would be required to obtain appropriations from Congress for the subsidy costs of the direct loans and loan guarantees they intend to make. Agencies would continue to originate and close direct loans and make loan guarantee decisions as they do now. As they make

obligations and commitments, information about their terms and conditions would be sent to Treasury, which would oversee the subsidy estimates.

As borrowers draw down the obligated direct loans, the agency would pay the subsidy component of the loan into the direct loan revolving fund. This fund would provide the balance of the loan, or non-subsidized financing portion, through borrowing from Treasury. The original borrower would pay interest and repayments of principal to the lending agency, which in turn would pass these amounts through to the direct loan revolving fund to repay the financing portion. For loan guarantees, fees from the borrower and the appropriated subsidy would be paid to the loan guarantee revolving fund, which would assume responsibility to cover defaults. Excess balances of this fund would be available for use in lieu of borrowing from Treasury.

The administration's proposed legislation makes a sharp distinction between accounting for direct and guaranteed loans after implementation of credit reform and the accounting before implementation. For all loan obligations and commitments made after credit reform, all payments and collections are made from the new subsidy accounts for each program and from the Federal credit revolving funds. For all loan obligations and commitments prior to implementation of credit reform, payments and collections will continue to be made from the existing agency accounts. The legislation proposes to establish subsidy values that incorporate the full cost to the taxpayers of Federal credit programs. The ultimate success of credit reform depends in large part on measuring subsidies fully and correctly.

The administration's proposed Credit Reform Act was introduced in the Senate as S. 745 and in the House as H.R. 1745, and drew bipartisan support as an improvement in budgeting. The Senate Budget Committee held hearings on the proposed legislation and the accompanying budget amendments, which provided account level detail. A modified version of the bill passed the Senate as Amendment 645 to H.J. Res. 324, which increased the statutory limit on the public debt. The Conference Report did not include credit reform. However, the Congressional Budget Office was directed, in consultation with the General Accounting Office, to report as soon as possible on measuring the cost of credit programs more accurately and comparing them with other Federal assistance.

In this budget, the administration is again proposing credit reform, and intends to work with the Congress to enact legislation as soon as possible. The proposal has no overall effect on the budget deficit. Account level data showing the grant-equivalent subsidies, calculated by the A-70 method, are shown in the Budget

Appendix. Summary data are presented in tables 4 and 5 of Part 6g of this volume. Slightly modified legislation will be transmitted promptly to Congress. As previously proposed, new subsidy accounts would be created for credit programs that currently use revolving funds, and agencies would be required to obtain appropriations for the expected value of subsidies before making new direct loan obligations and loan guarantee commitments. As before, the portfolios for loans made prior to credit reform would remain in their existing accounts, in order to keep accounting for the new credit separate from old costs and payments. In this year's proposal, Treasury would have separate accounts for financing of direct loans and for guaranteed loan reserves. Sales of newly made loans and reinsurance of new guarantees will not be mandated, but, to improve understanding of subsidies inherent in Federal credit programs, some newly made loans may be sold under the loan asset sale program described below.

CREDIT MANAGEMENT

Background.—Historically, the Federal Government has assumed the role of a lender of last resort and has fulfilled this role by establishing credit programs to assist a portion of the borrowers in every sector in the economy. However, no overall policy framework for these credit programs was ever established and the evolution of poor credit management practices was the result. Credit checks on prospective borrowers were not routinely conducted. Agencies lacked legislative authority to use private sector credit bureaus to conduct preliminary screenings of applicants. Federal program managers devoted their time to loan disbursement rather than to the collection of funds. Outdated manual debt servicing processes could not handle the workload, maintain accurate records, or keep track of repayment schedules; delinquent debt owed the Federal Government had been growing—undocumented, little managed, and unchecked—for years.

Since 1981, the administration has made a major effort to establish a Government-wide policy framework for credit management. This framework is contained in OMB Circulars A-70 and A-129, which set forth basic credit principles and the first comprehensive guidance on improving Federal credit management.

Legislative support for improved credit management was achieved with the passage of the Debt Collection Act of 1984, which contributed to an even stronger program by allowing an income tax refund offset experiment at the Internal Revenue Service. In addition, the Federal Debt Recovery Act of 1986 authorized the Justice Department to contract for the use of private attorneys for debt collection litigation services.

While substantial progress has been made toward achieving a sound and comprehensive credit management program, a great deal remains to be done. Credit management will be improved by adoption of the credit reform initiative described above, and by implementation in each agency of the administration's credit initiatives that focus on all three major phases of the credit cycle—credit extension, loan servicing, and delinquent debt collection.

The administration has institutionalized the reform of the three basic components of the credit cycle:

Credit Extension/Prescreening: The previous section described the credit reform legislation aimed at allocating resources to credit programs according to the true cost of credit—the present value of the Federal Government's subsidy to the borrowers. Once the decision is made to allocate credit resources, the Federal Government now has a strong prescreening program in place of determine creditworthiness of the applicant as an effective means of minimizing defaults and delinquencies. The prescreening program will be extended to grants and contracts where financial responsibility is a criteria for approval of assistance. The use of private credit reports is required to evaluate an applicant's credit history, and determine whether the applicant is delinquent on a debt to any Federal program. In addition, all applications for loan and government assistance will be modified to include a question on whether the applicant is delinquent on a Federal debt. These actions complement Administration policy that agencies cannot provide financial assistance to applicants delinquent on a Federal debt until payment is made in full or repayment arrangements are made with the agency to which the debt is owed.

Loan Servicing: A material weakness in the credit management cycle found in 1981 was that agencies were not managing their loan portfolios. While considerable progress has been made in upgrading account servicing and collection systems, it is a long-term process and expensive to overcome years of neglect. Effective debt management requires modern, automated billing, financial reporting and accounting systems, and loan files that are fully and accurately documented. Loan asset sales will transfer ownership and servicing of \$10 to \$20 billion in new and existing loans to private purchasers over the next four years. The Government will still have a portfolio of over \$700 billion direct and guaranteed loans that will be managed by upgraded in-house systems and in many cases by contracts with private servicers or cross servicing arrangements with other Federal agencies with proven expertise and systems capacity. Another aspect of servicing, credit bureau reporting, supports prescreening by enabling both public and private credit experience to be included in an applicant's credit history and it provides a very effective deterrent to defaulting on a Federal loan.

It also permits all Federal agencies to know when a borrower has defaulted on a loan from another Federal agency.

Delinquent Debt Collection: The Federal Government now has in place an efficient system for the collection of delinquent debt. Combining collection tools unique to the Federal Government and private sector collection practices, the Federal Government has established a credible reputation as a collector. A delinquent debtor can expect a number of actions to be taken: additional late payment interest and a penalty interest fee can be added; a negative credit report can be filed with credit bureau reporting networks; income tax refunds can be offset up to the amount owed; a Federal employee can have his Federal salary offset up to 15 percent per pay day; more serious delinquent debtors will have their accounts turned over to private collection agencies; and prompt litigation by Justice Department augmented by private attorneys faces recalcitrant debtors. All of these techniques comprise the most wide-reaching collection efforts ever undertaken.

The credit initiatives are described more fully in *Management of the United States Government*.

Loan Asset Sales.—The administration is also working to improve the management of Federal credit programs by selling loan assets. The sale of loans will improve the management of Federal lending programs by reducing the Government's cost of administering credit and by providing an incentive for agencies to improve loan origination and documentation as well as the information systems used to track repayments. Sales free up resources that were formerly devoted to loan servicing activities. In turn, the extra resources could be devoted to improved monitoring of loans, for example, that would lower the default costs associated with a credit program. The improved origination, documentation, and repayment tracking incentives are related to the process of packaging asset-backed securities for sale. Each agency is required to hire a financial advisor that will assist in the structuring and marketing of its loans and to make certain that loan files and delinquency and default definitions meet private sector standards. Accordingly, agencies not only learn about private sector practices for good credit management, but are asked to ensure compliance.

Public sales of loan assets from three portfolios were successfully concluded in 1987:

- *Farmers Home Administration's (FmHA) rural development insurance fund (RDIF).*—FmHA sold 6,442 community facilities loans with a face value of \$1.9 billion for \$1.0 billion in net receipts (plus projected receipts of \$34 million in residual interest from the transaction). The option of prepaying loans was offered to all RDIF borrowers in advance of the securitized sale.

- *FmHA's rural housing insurance fund (RHIF).*—FmHA also sold 141,352 rural housing loans with a face value of \$3.0 billion for an estimated \$1.9 billion in net proceeds (plus another \$0.5 billion in residual interest that is projected to accrue to the Government).
- *The Department of Education.*—The Department sold 324 college housing and academic facilities loans with a face value of \$237 million for \$120 million (plus another \$10.8 million from Education's interest in the junior security). Of the total proceeds, \$98 million was received in 1987 and the balance in 1988. The option of prepaying loans was provided to all college housing and academic facilities borrowers. The Department received \$499 million in prepayments for loans having a face value of \$792 million.

Management improvements have already occurred as a result of these sales. For example, loan originations have been improved by including more rigorous legal review to ensure the enforceability of each loan; and deficiencies in the documentation of loans, as well as in the information systems used to track loan repayments, have been identified and will be corrected. Future sales will benefit from past sales in two ways. First, if default and recovery experience on the portfolios sold turn out to be better than expected, the Government will benefit to the extent that more optimistic assumptions will raise the proceeds from future sales. Second, the continuing sale of similar assets develops buyer familiarity with the Government assets and enhances the salability of future issues. Although loan asset sales have motivated various credit management improvements, an exact quantification of these savings is difficult because most of the management benefits are related to savings that will occur in the future.

The program is continuing in 1988 with the sale or prepayment of loans that have a face value of \$12.8 billion. These sales and prepayments are projected to yield a market value of approximately \$10.9 billion in offsetting collections. The loans to be sold or prepaid under the program in 1989 will come from 13 different portfolios and have a face value of \$12.0 billion. The estimated market value of these assets is \$8.5 billion.

Coordination of all these loan asset sales is facilitated by the Federal Credit Policy Working Group consisting of representatives of the Office of Management and Budget (OMB), the Department of the Treasury, and each agency selling loans. The "Guidelines for Loan Asset Sales" prepared by the Group and issued by OMB were designed to help agencies making sales to meet the credit management objectives of the program. The guidelines required that agencies structure their sales programs without future recourse to the Federal Government.

The administration remains firmly committed to nonrecourse sales. Sales with recourse are undesirable because such sales would defeat the basic objectives of selling loan assets:

- Private investors would have less incentive to pursue rigorous, but legal, collection efforts since bad loans could be returned to the Government. Agencies would still have to administer bad loans as they do now. Existing staffs for that purpose would have to be maintained and agencies would not achieve any administrative savings from the sale.
- Investors would look to the guarantee placed on the loan, and not to the credit risk underlying the loans. Consequently, investors would not be as concerned with the information supporting the loan, and agencies would not have to improve loan documentation.
- Sales with recourse do not increase total Government proceeds. Although the Government would receive higher proceeds at the time of sale if the loans were guaranteed, those additional proceeds would be offset in the future as defaults on the guaranteed loans occur.

OTHER TYPES OF CREDIT ACTIVITY

Background.—The Federal Government provides guarantees and insurance against several types of risk for many sectors of the economy. These guarantees and insurance create contingent liabilities for the Government; that is, the Government agrees to compensate the holders of the guarantees or insurance if a specified event occurs. Contingent liabilities may be placed in three categories that reflect activities that generate the liability: Government-sponsored enterprises; deposit insurance; and other insurance-type programs. Estimates of the contingent liability associated with each of these categories is presented in Special Analysis F, "Federal Credit Programs." In 1987, the contingent liability of the Government due to all of these activities amounted to approximately \$3.6 trillion.

Government-Sponsored Enterprises.—One of the major forms of Federal intervention in credit markets is through the creation and sponsorship of Government-sponsored enterprises (GSEs). GSEs engage in financial transactions that, although not explicitly guaranteed by the Federal Government (with the exception, discussed below, of the Farm Credit System Financial Assistance Corporation), are often perceived by private lenders as being implicitly ensured against default. That perception has been underscored during the past year by several events that are discussed below. To the extent possible, data on lending and borrowing by GSEs appear in Part IV of the Appendix, and their borrowing and lending is

shown in Table F-20 of Special Analysis F. However, these presentations are for informational purposes only. The transactions of GSEs are not included in the budget and their activities affect Federal outlays in only limited circumstances.

These institutions were created by the Federal Government to pursue Federal goals, but were designed to be private—not Federal—enterprises. However, their links to the Federal Government are sufficiently strong that the financial markets have historically treated them as roughly equivalent to Federal agencies, even though some of the statutes governing their creation and operations explicitly state that the Government's objective is to have them operate as private enterprises.

The principles governing the budget treatment of these enterprises were enunciated in 1967 in the *Report* of the President's Commission on Budget Concepts. The Commission sought to distinguish between those activities that are truly Federal—and therefore belong in the budget—and those that are truly private—and therefore do not belong in the budget. Since GSEs are federally created and sponsored, but are intended to operate as private financial intermediaries, they occupy a middle ground between those two endpoints. The Commission recommended that certain criteria be applied to evaluate the status of an entity in order to determine its categorization. Even when such enterprises are sufficiently private that they do not belong in the Federal budget, the Commission concluded that financial statements of their operations should be published in the Budget Appendix because the enterprises carry out federally designed programs and may receive implicit benefits from their close association with the Government.

In principle, budget concepts call for a clear delineation between Federal Government operations or activities and private sector operations or activities. Thus, for example, because the Tennessee Valley Authority, the Federal Housing Administration, and the Export-Import Bank are all Federal operations, they belong in the Federal budget. In contrast, privately owned commercial banks, savings and loan associations, and credit unions are not Federal, even though they may have Federal characteristics and be federally regulated, chartered, and insured. The GSE status means that the enterprise is in an intermediate status; it is classified as federally sponsored, but not Federal.

Five new GSEs have been established in the past 2 years. They have been created to serve three sectors of the economy: agriculture, housing, and education. Most of the newly created entities conform strictly to the principle outlined in the Commission's report with regard to private ownership. However, most of them tend to have greater direct governmental involvement than entities identified as GSEs before 1985. Their categorization as GSEs may

change, however, as the new entities are more closely examined both as to structure and as to the perception of them by the financial markets.

Agriculture.—Three new GSEs were created in January 1988 as part of the rescue package developed for the Farm Credit System. In each case, private firms will be the sole owners of the three entities, with the Federal Government taking no equity position in them.

- *The Farm Credit System Financial Assistance Corporation* was chartered to provide the mechanism through which the Farm Credit System could raise needed capital. The corporation is authorized to issue up to \$4.0 billion in debt obligations with the statutorily stated guarantee of timely payment to investors of principal and interest by the Federal Government. No other GSE has this explicit guarantee on debt obligations issued by the entity. Moreover, the Treasury Department is responsible for the interest costs in whole or in part for the first 10 years of the bonds' 15-year lives.
- *The Farm Credit System Insurance Corporation* will be created to insure the timely payment of principal and interest on notes, bonds, debentures, and other obligations issued by System banks. The Corporation will raise funds both for initial capitalization and for ongoing operations through mandatory assessments on system institutions—a procedure similar to that developed for the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC), both on-budget entities. By January of 1990, the farm credit revolving fund is scheduled to be transferred to the Insurance Corporation. This fund is currently on-budget; therefore, this transfer would represent a direct Federal payment to the Insurance Corporation.
- *The Federal Agricultural Mortgage Corporation* will be created to provide guarantees for the timely repayment of interest and principal in securities representing interests in or obligations backed by, pools of farm mortgages and certain rural housing loans. The Corporation will provide guarantees of loans originated by both Farm Credit System banks, and by qualified commercial banks, thrifts, and insurance companies. The Mortgage Corporation would have available a line of credit of up to \$1.5 billion with the Treasury. Initial capital will be raised through a stock offering and ongoing operations will be financed through the use of assessments for the Corporation's guarantee on participating institutions and occasional additional stock offerings.

Housing.—The Federal Savings and Loan Insurance Corporation (FSLIC), an on-budget entity, provides Federal insurance to the

thrift industry, which historically has been a principal source of housing finance. This industry has been under severe pressure in the past few years due to several factors, including the depressed conditions in the oil and agriculture sectors and outright mismanagement of some institutions. While many of the thrifts are profitable, more than 10 percent of the industry is insolvent and losing money. This state of affairs has caused the FSLIC to deplete its resources to such an extent as to be technically bankrupt as of the end of 1986 and to project continued losses into the near future. In response to this crisis, the FSLIC Recapitalization Act of 1987 was passed into law.

- *The Financing Corporation (FICO)*, created by the Act, provides the financing mechanism through which FSLIC can raise needed capital in the credit markets. The Corporation has the authority to raise up to \$10.8 billion through the issuance of debt obligations to the public and, in turn, to purchase FSLIC capital certificates. While the Federal Government does not directly guarantee the payment of principal or interest, the interest payment will be financed through a mandatory assessment-sharing arrangement with FSLIC. Moreover, if additional funds are needed, a special assessment may be levied on insured institutions. FSLIC currently levies this special assessment on insured thrifts, and FICO may claim as much of that assessment as is necessary to cover its interest obligations. Principal will be repaid with the proceeds of non-interest bearing Government securities purchased by FICO with funds provided by the Federal Home Loan Banks. The initial capital for FICO will be provided by the Federal Home Loan Banks through a stock purchase plan that satisfies the private ownership criteria. Despite the uncertainty surrounding the finances of FSLIC, the first issue of the FICO 30-year bonds was priced to yield only a 90 basis point premium over comparable U.S. Treasury bonds at the time of issue. Apparently, the market does not perceive a great default risk associated with the obligations. While the immediate impact on the Federal budget is zero, the implicit backing of the Federal Government for the FICO obligations could result in a Federal contingent liability of up to \$10.8 billion.

Education.—In 1986, Congress created an entity to assist in the financing of college construction and renovation.

- *The College Construction Loan Insurance Association (Connie Lee)* was organized as a private, for-profit insurance corporation to guarantee and insure loans made for college construction and renovation. The authorizing statute specifically states that obligations issued by Connie Lee will not be guaranteed by the Federal Government. In order to provide the

initial capitalization, the Secretary of Education, Student Loan Marketing Association (Sallie Mae), and other investors are authorized to purchase stock in the Corporation. The Secretary of Education has purchased \$19 million in stock. In addition, the Federal Government will appoint four members of Connie Lee's Board of Directors.

Deposit Insurance.—Deposit insurance serves two purposes: it helps stabilize the Nation's monetary and financial system and thereby the economy as a whole, and it protects depositors in the insured financial intermediaries. Although only a small part of the transactions of Federal deposit insurance programs are included in the credit budget, these programs make up the largest portion of the Government's contingent liability. The Federal Government insures depositors through the FDIC, FSLIC, and the National Credit Union Administration.

Federal deposit insurance programs may assist insured depositors in a variety of ways. When an insured financial institution becomes troubled, deposit insurance programs may: (1) liquidate the institution and pay depositors directly; (2) merge the troubled institution with a healthier institution, in some cases providing financial assistance to the acquiring partner in the merger; or (3) provide financial assistance directly to the troubled institution in the expectation that it will recover. Financial assistance to private financial intermediaries has consisted of equity purchases, purchases of physical assets, and direct loans and loan guarantees.

Although similar to a loan guarantee, Federal deposit insurance is not included in the guaranteed loan portion of the credit budget, principally because it does not directly allocate credit to the ultimate borrowers of that credit. Deposit insurance directly affects the liabilities (deposits) of financial intermediaries but only indirectly their assets (loans). All other Federal guarantee programs are structured to influence the assets or loans of financial intermediaries directly. Nonetheless it is argued that Federal deposit insurance gives insured institutions an incentive to take on more risk than they would otherwise, either by making riskier loans or by increasing leverage. To this degree, deposit insurance indirectly allocates credit. It also indirectly affects the allocation and amount of credit by changing depositor behavior as a result of its protection, and by insuring the stability of the financial system and the economy.

The credit budget records direct loan obligations of FDIC and FSLIC for two types of transactions: cash advances to troubled institutions, and purchases of loans to the public held in the failing financial institution's portfolio. Both of these transactions increase Federal outlays, and are included in the credit budget.

Leases.—A related kind of contingent liability arises when the Federal Government signs leases to acquire goods and services. Leases commit the Government to make specified payments over a period of time.

Like all contracts in the Government, leases are subject to the requirements of the Anti-Deficiency Act (31 U.S.C. 1341). The Act requires the lessee agency to obligate funds sufficient to cover the commitments of the Government in the contract. Leases typically include termination clauses that limit the potential exposure of the Government and, therefore, also limit the amount of funds that need to be obligated.

Recently, however, several agencies and Committees of the Congress have proposed financing schemes involving lease-purchase arrangements. These schemes are designed to allow agencies to enter into multiyear contracts that do not include effective termination rights and yet permit agencies to obligate only the annual costs, as opposed to the full legal obligation of the lessee agency under the contracts. Such proposals have included specific language exempting the transactions from the Anti-Deficiency Act. This, of course, violates the intent of the Act by under-reporting the liabilities of the Government. It also understates the cost of these programs relative to other Federal programs because the lease obscures some of the short-run costs of the transaction. The administration is strongly opposed to any such efforts by agencies or the Congress intended to hide outlays and debts of the Government.

PART 6c

FEDERAL CAPITAL EXPENDITURES

The Federal Government makes expenditures that will have long-term as well as current benefits. These investment outlays are made across a wide range of programs but with particular concentration in some. The greater part of Federal investment is in physical assets, but much is for the intangible assets produced by expenditures for the conduct of research, development, education, and training. Most of the investment in physical assets is owned by the Federal Government itself, but a significant part is owned by State and local governments whose purchases are financed by Federal grants. Many of the intangible assets produced by Federal investment outlays reside in the knowledge, education, and skills of individual people.

Investment is a necessary part of many Federal programs. In some cases, such as highway grants, investment may define the nature of the program. In other cases, such as ships for the Navy or computers for an agency, investment may provide an input for reaching a program objective. Federal investment is also important when viewed in terms of the economy as a whole. The Bureau of Economic Analysis (in the Department of Commerce) has estimated that 6 percent of the net stock of fixed reproducible tangible wealth at the end of calendar year 1986 was owned by the Federal Government.¹

The definition of Federal investment used in the budget is necessarily a matter of judgment. Outlays for direct loans, for example, contain a large subsidy element, which is granted to the individual or business borrower when the loan is made.² The value to the Government of the financial asset acquired is therefore much less than the budget outlay, but the investment data in the budget count the entire outlay. On the other hand, some outlays not counted as investment, such as for health, nonetheless have long-term benefits.

¹ The Bureau of Economic Analysis data do not tie directly to the budget data and do not include estimates for future years. The percentage was calculated from *Survey of Current Business*, November 1987, page 37, table 4. For explanation of the method and further data, see *Fixed Reproducible Tangible Wealth in the United States, 1925-85* (Washington: U.S. Government Printing Office, 1987) and *Survey of Current Business*, August 1987, pp. 100-103. The percentage does not include wealth owned by State and local governments but financed by Federal grants.

² Federal direct loans and subsidies are discussed in Part 6b of this volume, "Federal Credit." Subsidy estimates are shown by agency and function in Part 6g, tables 4 and 5, respectively. Further discussion is in Special Analysis F, "Federal Credit Programs."

Much greater detail about Federal investment outlays than presented in this part is published in Special Analysis D, "Federal Investment and Operating Outlays," in *Special Analyses, Budget of the United States Government, Fiscal Year 1989*. It includes technical explanations of the data in the following tables. Data series on outlays for physical investment beginning in 1940 are published in *Historical Tables, Budget of the United States Government, Fiscal Year 1989*, section 9.³

Size and composition of Federal investment.—Federal investment outlays are estimated to be \$222.3 billion in 1989, which is 20.3 percent of total Federal outlays. The greater part of this, \$128.5 billion, consists of investment outlays for physical capital. These are 57.8 percent of total investment outlays and 11.7 percent of the total outlays of the Federal Government.

SUMMARY OF FEDERAL INVESTMENT OUTLAYS

(In billions of dollars)

	1987	1988 estimate	1989 estimate
Physical investment:			
Direct:			
National defense	89.5	87.5	88.5
Nondefense	12.5	14.2	15.2
Subtotal, direct physical investment	102.1	101.7	103.7
Grants to State and local governments	23.8	25.1	24.9
Subtotal, physical investment	125.9	126.8	128.5
Conduct of research and development:			
National defense	37.1	36.5	39.8
Nondefense	16.2	18.1	19.8
Subtotal, conduct of research and development	53.3	54.6	59.6
Conduct of education and training:			
Direct	11.6	12.2	15.4
Grants to State and local government	12.3	13.4	14.1
Subtotal, conduct of education and training	23.9	25.6	29.5
Loans and financial investments	-2.4	-6.4	-1.2
Other (including commodity inventories) ¹	8.2	5.1	5.9
Total, Federal investment outlays	208.9	205.7	222.3
National defense	126.9	124.3	128.6
Nondefense	82.0	81.4	93.7

¹ Includes a small amount of outlays for private physical investment.

Businesses invest in structures and equipment in order to earn profits from the future revenue that is generated by using the additional capital. The Federal Government rarely invests to earn a profit. However, some of its investments are recovered (in whole

³ Projections of Federal physical investment outlays (excluding weapons) beyond the budget year and an assessment of civilian investment needs for selected purposes are contained in *Supplement to Special Analysis D*, a separate report transmitted to Congress after the budget.

or in part) by subsequent revenue that is paid by the buyers or other beneficiaries of the services that these investments provide. Investment of this kind is relatively small. It is estimated at about \$6.7 billion in 1989, primarily outlays for TVA plant and equipment, Postal Service buildings, and many Corps of Engineers projects.

Federal Government investment is somewhat larger for nondefense physical assets that are federally owned but that generate little if any future revenue. These estimated outlays are \$8.4 billion in 1989, including space shuttles, veterans hospitals, and computers. Total direct Federal purchases of nondefense physical assets—both those that generate future revenue and those that do not—add up to \$15.2 billion in 1989, or 12 percent of total Federal investment outlays for physical assets.

Nondefense physical investment that is financed by Federal grants to State and local governments is much larger than nondefense physical investment for assets owned by the Federal Government. The budget estimates \$24.9 billion of grants to State and local governments for physical investment purposes in 1989, which is 19 percent of Federal investment outlays for physical assets. Slightly over half of these grants is for highways; nearly all the rest is for other public works, mostly urban mass transit facilities, airports, pollution control facilities, and community and regional development projects. For these types of construction Federal grants finance a large share of State and local expenditures, whereas for other types, such as schools and prisons, Federal grants finance little or nothing. Altogether, Federal grants financed 26 percent of State and local capital expenditures in 1987. Federal grants for physical investment were 22 percent of total Federal grants.⁴

The largest part of Federal investment in physical capital is for national defense. This is estimated to be \$88.5 billion in 1989, which is 69 percent of physical investment outlays. For the most part defense physical investment is to buy weapons and other equipment, such as tanks, ships, airplanes, and computers. Less than one-tenth is for construction, such as military bases and defense family housing. Defense investment is discussed in the national defense section of Part 5 in this volume.

Federal outlays for intangible assets may yield long-term economic and social benefits as much as do Federal outlays for physical assets.⁵ Research and development increase the Nation's stock of knowledge and information, which underlies a large part of the improvement in productivity and the development of new goods

⁴ Federal grants are discussed in Special Analysis H, "Federal Aid to State and Local Governments."
⁵ See chapter 5, "Knowledge, Markets, and Economic Progress," of the *Economic Report of the President* (February 1988).

and services for national defense, space exploration, medical care, and private consumption. The Federal Government is estimated to spend \$59.6 billion for the conduct of research and development in 1989, of which 67 percent is for national defense and 33 percent for a wide variety of other programs including health, energy, space, and agriculture. Outlays for the conduct of basic research are \$9.8 billion, of which more than half is for the National Institutes of Health and the National Science Foundation. Research and development facilities, with estimated outlays of \$1.9 billion, are included under physical investment. Research and development is discussed in Special Analysis J, "Research and Development," and data series beginning in 1949 are shown in *Historical Tables*, section 10.

The final major category of Federal investment is for another type of intangible assets. The conduct of education and training has long-term economic benefits by developing a more knowledgeable and skilled labor force. The conduct of education also has long-term noneconomic benefits by developing people's general capabilities and by providing a common base for political and social interaction. The Federal Government is estimated to spend \$29.5 billion for the conduct of education and training in 1989. About half is grants to State and local governments to assist educational institutions for such purposes as educating the disadvantaged and the handicapped; the rest is mostly transfer payments to students under educational or training programs such as guaranteed student loans. The conduct of education and training is primarily discussed in the sections of Part 5 in this volume that deal with education, training, and veterans.

Trends in Federal investment in physical capital.—Federal investment outlays for physical capital, when measured in real terms (constant dollars), were only a little higher in 1980 than in 1960. From 1980 to 1987, however, they grew at an average annual rate of 7.0 percent. In 1988 and 1989 they are estimated to decline, but only moderately, to a level still much above that of 1980.

This pattern, together with the effect of a growing budget, is reflected in the share of total Federal outlays devoted to physical investment. As a percentage of total outlays, physical investment outlays fell sharply from the middle 1950s to around 1980. They rose from 10.7 percent of total outlays in 1980 to 12.5 percent in 1987 and are estimated to be 11.7 percent in 1989.

These overall trends have largely depended on changing priorities among different Government programs and on the extent to which capital stocks have been accumulated in previous years in order to satisfy particular needs. This is especially important because of the role of defense. Defense spending is much more capital intensive than most other functions of the Government. Physical

FEDERAL INVESTMENT IN PHYSICAL CAPITAL

(Dollar amounts in billions)

	1960	1970	1980	1985	1987	1988 est.	1989 est.
Amounts in current dollars:							
Direct investment in physical capital:							
National defense	17.2	23.6	32.5	78.0	89.5	87.5	88.5
Nondefense:							
Water and power projects	1.0	1.5	4.6	4.6	4.6	5.3	5.2
Other	0.9	1.0	3.4	7.1	8.0	8.9	9.9
Subtotal, nondefense direct	1.9	2.5	8.1	11.7	12.5	14.2	15.2
Subtotal, direct	19.1	26.1	40.5	89.7	102.1	101.7	103.7
Grants to State and local governments for physical capital:							
Highways	2.9	4.3	9.0	12.7	12.5	13.1	13.1
Urban mass transportation		0.1	2.0	2.4	2.6	2.8	3.0
Airports	0.1	0.1	0.6	0.8	0.9	1.0	1.1
Community and regional development	0.1	1.6	5.8	5.0	4.0	4.3	4.2
Pollution control facilities	*	0.2	4.3	2.9	3.0	2.7	2.5
Other	0.2	0.7	0.8	1.0	0.9	1.2	0.9
Subtotal, grants for physical capital	3.3	7.1	22.5	24.9	23.8	25.1	24.9
Total, Federal investment in physical capital	22.4	33.2	63.0	114.6	125.9	126.8	128.5
Amounts in constant 1982 dollars: ¹							
Direct investment in physical capital:							
National defense	51.7	55.8	39.6	71.9	84.0	79.1	77.2
Nondefense:							
Water and power projects	3.0	3.6	5.3	4.5	4.5	5.0	4.7
Other	2.8	2.5	3.9	7.0	7.8	8.4	9.0
Subtotal, nondefense direct	5.9	6.1	9.1	11.5	12.2	13.4	13.7
Subtotal, direct	57.6	61.9	48.7	83.4	96.2	92.6	90.9
Grants to State and local governments for physical capital:							
Highways	10.8	11.8	9.8	11.7	11.1	11.2	10.8
Urban mass transportation		0.3	2.2	2.3	2.3	2.4	2.5
Airports	0.2	0.2	0.6	0.7	0.8	0.8	0.9
Community and regional development	0.4	4.5	6.3	4.6	3.6	3.7	3.4
Pollution control facilities	0.1	0.5	4.7	2.7	2.6	2.3	2.1
Other	0.7	2.0	0.8	0.9	0.8	1.0	0.8
Subtotal, grants for physical capital	12.2	19.4	24.6	22.9	21.2	21.5	20.4
Total, Federal investment in physical capital	69.8	81.3	73.3	106.3	117.4	114.0	111.4
Percentage of total Federal outlays (in current dollars):							
Direct investment in physical capital:							
National defense	18.6	12.1	5.5	8.2	8.9	8.3	8.1
Nondefense	2.1	1.3	1.4	1.2	1.2	1.3	1.4
Subtotal, direct	20.7	13.4	6.9	9.5	10.2	9.6	9.5
Grants to State and local governments	3.6	3.6	3.8	2.6	2.4	2.4	2.3
Total, Federal investment in physical capital	24.3	17.0	10.7	12.1	12.5	12.0	11.7

* \$50 million or less.

¹ The method of deflating current-dollar outlays is explained in Special Analysis D. The base is fiscal year 1982.

investment outlays averaged 28 percent of defense outlays from 1960 to 1987 but only 6 percent of nondefense outlays. Defense spending is also comparatively large. As a result, defense outlays for physical capital have been more than half of total outlays for physical capital in almost every year and in most years, as at present, have been much more than half. The overall trends in physical investment have therefore been dominated by the trends in defense physical investment.

Real defense outlays for physical investment declined from 1960 to the middle 1970s before starting to rise in the latter 1970s. The general decline was a consequence of both a decrease in real defense outlays as a whole and a decrease in the investment share of defense outlays. Even in 1980, real defense physical investment was 23 percent less than in 1960. From 1980 to 1987, however, real defense physical investment rose at an 11.3 percent average annual rate, and despite an estimated decline in 1988 and 1989 it is projected to remain very much above earlier levels.

As a proportion of total Federal outlays, defense physical investment has reflected not only the trend in defense spending but also the rise in the relative importance of other programs. In 1960 defense outlays were 52 percent of total outlays, whereas in 1987 they were 28 percent. On the other hand, payments for individuals, such as social security, rose from 26 percent to 47 percent. Consequently, defense physical investment as a share of total outlays has declined a great deal. While it is estimated to be 8.1 percent in 1989, significantly more than the 5.5 percent in 1980, this is much less than the 18.6 percent in 1960. Indeed, this is less than in any year between the Korean War and 1972.

Investment in nondefense physical capital owned by the Federal Government has been much more stable and has tended to rise in real terms over time. It increased 56 percent from 1960 to 1980 and is estimated to be 51 percent higher in 1989 than in 1980. As a share of total Federal outlays, it has varied from 1.0 percent to 1.6 percent since the late 1960s and is estimated to be in the middle of this range in 1989. Water and power projects have consistently been the major component of this type of investment, but they now account for a lower share of the total than formerly. NASA and Postal Service investment have also been important components.

Grants to State and local governments to buy physical capital have also been more stable than defense investment. In real terms, they doubled from 1960 to 1980. Highway construction, the major type of investment grant, was not part of that expansion. The growth instead was caused by the initiation of programs for other forms of transportation, for pollution control facilities, and for community and regional development. Since 1980, real grants for investment have declined a small amount. Real grants for high-

ways are now greater than in 1980, though past their peak, but this increase has been more than offset by decreases in grants for pollution control facilities and community and regional development. The Administration believes that the latter kinds of projects primarily benefit the local area where they are built and therefore that their financing is not the proper responsibility of the Federal Government. As a share of total Federal outlays, grants for physical investment were about the same in 1980 as in 1960 but have subsequently declined due to the lower spending for some programs.

Real net investment in nondefense physical capital.—Net investment—the increase in the capital stock—is much less than gross investment. Each year, part of the existing capital stock depreciates due to wear and tear, obsolescence, and other losses. The following table shows estimates of the real net investment in nondefense physical capital for direct Federal use and for grants to State and local governments. These figures have large margins of error, because they depend on uncertain estimates of depreciation as well as adjustments for price changes. Corresponding estimates based on budget data have not been made for defense net investment.⁶

Direct net investment in federally owned nondefense physical capital has generally tended to rise over time and has increased

GROSS AND NET FEDERAL INVESTMENT IN NONDEFENSE PHYSICAL CAPITAL ¹

(In billions of fiscal year 1982 dollars)

	1960	1970	1980	1985	1987	1988 est.	1989 est.
Direct nondefense physical investment:							
Gross investment.....	5.9	6.1	9.1	11.5	12.2	13.4	13.7
Depreciation (—).....	—4.1	—4.9	—6.5	—7.5	—7.9	—8.3	—8.7
Net investment.....	1.8	1.2	2.6	4.1	4.3	5.1	5.1
Composition:							
Water and power projects.....	1.2	0.9	1.7	0.7	0.7	1.2	0.9
Other.....	0.6	0.2	0.9	3.4	3.6	3.9	4.2
Grants to State and local governments for physical investment:							
Gross investment ²	12.2	19.3	24.5	22.9	21.1	21.4	20.4
Depreciation (—).....	—3.4	—7.2	—11.1	—13.7	—14.7	—15.2	—15.6
Net investment.....	8.8	12.1	13.4	9.2	6.4	6.2	4.7
Composition:							
Transportation.....	9.0	7.5	5.4	5.9	4.7	4.6	4.0
Other.....	—0.2	4.7	8.0	3.3	1.7	1.5	0.7

¹ The method of estimating depreciation is explained in Special Analysis D.

² These amounts are slightly less than those shown for grants in the previous table due to the exclusion of national defense.

⁶ However, the Bureau of Economic Analysis estimates cited earlier do include military equipment and structures.

from 1980 to the present. Its composition has shifted away from water and power projects and toward other acquisitions.

Net investment financed by Federal grants was very much larger until recently than net investment in federally owned nondefense physical capital. The former amount has declined sharply in the 1980s due to a combination of lower gross investment outlays and higher depreciation. The decline is concentrated in pollution control facilities and community and regional development. Net investment in transportation has declined relatively much less.

PART 6d

PERSPECTIVES ON THE BUDGET

This part of the budget explains several topics that help to interpret the budget totals and to place the budget in perspective:

- the relationship of budget authority to outlays;
- limitations on the availability of funds;
- fiscal activities outside the Federal budget:
 - off-budget Federal entities,
 - tax expenditures, and
 - regulation;
- Federal debt and the relationship of budget funds to changes in Federal debt;
- comparison of the actual and estimated totals in 1987 for:
 - receipts,
 - outlays, and
 - the deficit;
- comparison of the actual and estimated relatively uncontrollable outlays in 1987; and
- the allocation of windfall profit tax receipts.

RELATIONSHIP OF BUDGET AUTHORITY TO OUTLAYS

The Congress must usually provide budget authority, which is generally in the form of appropriations, before Federal agencies can obligate the Government to make outlays. For 1989, \$1,233.2 billion of new budget authority is proposed for the Federal Government. Of this amount, \$974.7 billion is for agencies included in the budget and \$258.5 billion is for off-budget Federal entities.

Of this total new budget authority, both on-budget and off-budget, \$601.9 billion will require congressional action. New budget authority of \$849.2 billion will be available through permanent appropriations under existing law. This consists mainly of trust fund receipts, which in most trust fund programs are automatically appropriated under existing law, and interest on the public debt, for which budget authority is automatically provided under a permanent appropriation enacted in 1847. This gross amount of new budget authority is partially offset by \$218.0 billion of deductions for offsetting receipts, which consist of proprietary receipts from the public and collections of one Government account from another.

BUDGET AUTHORITY

(In billions of dollars)

Description	1987 actual	1988 estimate	1989 estimate	1990 estimate	1991 estimate
Available through current action by the Congress:					
Enacted and pending appropriations	559.7	570.9			
Proposed in this budget:					
Appropriations			581.7	622.1	656.0
Supplemental requests					
Rescission proposals					
To be requested separately:					
Upon enactment of proposed legislation			20.2	16.9	15.7
Allowances:					
Civilian agencies ¹				1.0	2.2
Department of Defense—Military ²				3.3	7.8
Subtotal, available through current action by the Congress	559.7	570.9	601.9	643.2	681.7
Available without current action by the Congress (permanent appropriations):					
Trust funds (existing law)	447.0	503.3	542.2	581.9	624.0
On-budget	(219.3)	(246.0)	(262.5)	(274.4)	(289.9)
Off-budget	(227.6)	(257.3)	(279.7)	(307.5)	(334.1)
Interest on the public debt	195.3	210.1	220.2	230.1	238.8
Other	84.4	89.3	86.8	74.8	73.5
Subtotal, available without current action by the Congress	726.7	802.7	849.2	886.7	936.2
Deductions for offsetting receipts	-186.5	-197.9	-218.0	-230.9	-242.2
On-budget	(-172.3)	(-180.5)	(-196.8)	(-205.8)	(-214.1)
Off-budget	(-14.2)	(-17.4)	(-21.2)	(-25.2)	(-28.1)
Total, budget authority	1,099.9	1,175.7	1,233.2	1,299.0	1,375.7
On-budget	(886.5)	(935.8)	(974.7)	(1,016.7)	(1,069.8)
Off-budget	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)

¹ Allowance for civilian agency pay raises, Coast Guard military pay raises, and other purposes.² Allowances for civilian and military pay raises and other legislation for Department of Defense—Military.

Not all of the new budget authority for 1989 will be obligated or spent in that year: ¹

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts. Any balances remain available to these trust funds indefinitely in order to finance benefits and other purposes specified by law.
- Budget authority for most major construction and procurement projects covers the entire cost estimated when the projects are initiated, even though work will take place and outlays will be made over a period extending beyond the year

¹ This subject is also discussed in a separate OMB report, "Balances of Budget Authority," which can be purchased from the National Technical Information Service shortly after the budget is transmitted.

for which the budget authority is enacted. Some exceptions are made to this convention, notably for water resource programs.

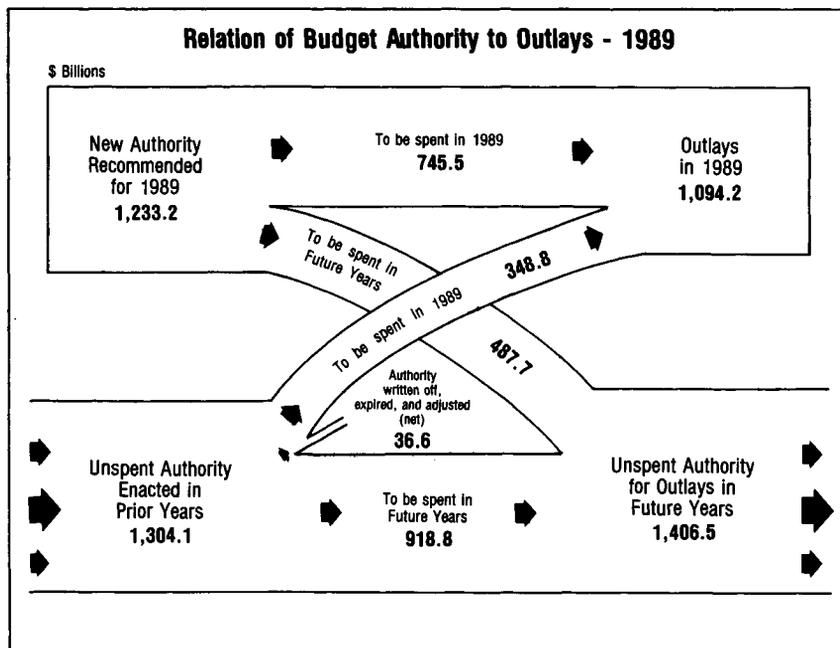
- Budget authority for large portions of the subsidized housing programs is equal to the Government's estimated obligation to pay subsidies under contracts, which may extend for periods of up to 20 years.
- Budget authority for most other long-term contracts also covers the estimated maximum obligation of the Government.
- Budget authority for most education and training activity is appropriated for school or program years that begin with the fourth quarter of the fiscal year. Most of these funds result in outlays in the year after the year of appropriation.
- Budget authority for many direct loan programs provides financing for a number of years; budget authority for many insurance and loan guarantee programs provides amounts to be used only in the event of defaults or other contingent claims made upon the programs.
- Government enterprises are occasionally given budget authority for standby reserves that will be used only in the event of special circumstances.

As a result of these factors, a substantial amount of budget authority carries over from one year to the next. Most of this is earmarked for specific uses and is not available for new programs. A small part may never be obligated or spent, primarily the amount for contingencies that do not occur or reserves that never have to be used.

As shown in the chart on the next page, \$348.8 billion of the outlays in 1989 (32 percent of the total) will be made from budget authority enacted in previous years. At the same time, \$487.7 billion of the new budget authority proposed for 1989 (40 percent of the total amount proposed) will not lead to outlays until future years. Thus, the total budget authority for a particular year is not useful for the analysis of that year's outlays, since it combines various types of budget authority that have different short-term and long-term implications for budget obligations and outlays. Budget authority and its relationship to obligations and outlays are discussed further in Part 6e of this volume, "The Budget System and Concepts," and are displayed in table 11 of Part 6g.

LIMITATIONS ON THE AVAILABILITY OF FUNDS

Limitations on the availability of funds are a control mechanism that supplements the use of appropriations and other budgetary resources discussed in the previous section. Unlike budget authority, limitations on the availability of funds generally are not the source of authority to incur obligations; rather, they place a special



ceiling on the use of that authority by limiting the amount that can be obligated or committed for a specific purpose. These limitations are established most often through the appropriations process.

Some limitations establish stricter control over the amounts provided by appropriations or other acts by limiting the amount to be allocated for specific purposes within an appropriation or fund account.

- Many appropriation accounts provide funding for several activities. A limitation can single out and restrict the amount of obligations for one or more of these activities within the overall budget authority provided for the account. For example, the 1988 appropriation of \$971 million for Operation of Indian programs in the Department of the Interior includes language specifying that an amount not to exceed \$51 million is available for higher education scholarships and assistance to public schools.
- A limitation can be established on the amount that can be used for a particular type of expense, such as travel, consultants, or publications. These limitations can apply to (1) a single account; (2) all amounts within a single appropriations act; or (3) amounts in more than one appropriations act or amounts provided in substantive law.

SELECTED LIMITATIONS THAT AFFECT THE TOTAL LEVEL OF OUTLAYS

(In billions of dollars)

	1987 enacted	1988 estimate	1989 estimate
Administrative expenses of trust funds	7.1	7.0	6.9
Direct loan obligations	17.3	17.5	17.6
Program levels (other than loans)	11.3	12.0	7.4
Total, selected limitations	35.7	36.5	31.9

Other limitations can affect the total level—not just the composition—of obligations and spending. They are used to control funds that would otherwise become available under relatively broad authority provided in substantive law without further action by the Congress in an appropriations act. In most cases these limitations apply either (1) to trust fund activities, which are normally financed through earmarked receipts, like the payroll tax receipts for the social security trust funds; (2) to revolving funds, which finance business-type operations that generate their own income to pay their expenses; or (3) to other accounts for which substantive law provides spending authority.

For many trust funds, all income of the fund automatically becomes budget authority and is available for spending. The Congress exercises control over the benefits that are paid from these funds through the use of eligibility criteria and benefit levels established in substantive law. Through the use of limitations, the Congress can also exercise control over the administrative expenses of these trust funds. Such limits apply, for example, to the old-age and survivors insurance trust fund and the hospital insurance trust fund.

Under the credit control system, limitations on Federal direct loan obligations and guaranteed loan commitments, most of which are financed by revolving funds, are the principal method of controlling the allocation of Federal credit.² These limitations provide a mechanism for annual Congressional review of the gross level of new credit activity. All direct lending will result in outlays. Guaranteed loan commitments—also important because of their effects on the credit market and the economy—ordinarily lead to Government spending only in the event of default.

In addition to credit activities, certain other Federal activities are also constrained through the use of limitations (e.g., on the obligations level or the program level of the activity). For example, the use of the budget authority of the highway trust fund and the airport and airway trust fund is controlled by limitations on the

² The credit control system is discussed further in Part 6b of this volume, "Federal Credit," and in Special Analysis F, "Federal Credit Programs," in *Special Analyses, Budget of the United States Government, Fiscal Year 1989*.

agencies' ability to obligate the Federal Government to make payments. Non-loan, business-type activities controlled through limitations include the Federal buildings fund, which is controlled through limitations on the use of offsetting collections.

The preceding table summarizes some of the major limits on the availability of funds that affect budget spending. The amounts identified do not include all limitations, but they illustrate that spending can be changed significantly without changing budget authority.

FISCAL ACTIVITIES OUTSIDE THE FEDERAL BUDGET

The budget does not include some activities of the Federal Government that result in spending similar to budget outlays. These activities, nevertheless, channel economic resources toward particular uses in ways that are the same or analogous to the effects of budget spending.

The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and off-budget receipts and outlays. The receipts and outlays of the off-budget Federal entities are a significant exclusion from the budget. The first section below discusses the off-budget Federal entities.

This is followed by a discussion of fiscal activities that are outside the scope of budget outlays by their inherent nature. Taxation and tax expenditures have significant allocative effects on the economy that are analogous to budget outlays. Some types of regulation have economic effects that are similar to budget outlays by requiring the private sector to make expenditures for specified purposes such as safety and pollution control.

Two other major fiscal activities not recorded in budgetary outlays are the outlays of the Government-sponsored enterprises, which are excluded from the budget because the enterprises are privately owned, and loan guarantees, which generally do not result in budget outlays except in the case of default. Government-sponsored enterprises and loan guarantees are discussed in Part 6b, of this volume, "Federal Credit," together with Federal direct loans. The discussion of Government-sponsored enterprises includes several enterprises that have been created in the last three years and have not formally been classified as Government-sponsored enterprises until this budget. Part 6b also discusses the Administration's proposal for credit reform, which would make budgetary accounting for loan guarantees and direct loans more comparable with budgetary accounting for other programs.

Off-budget Federal Entities.—The Federal Government has used the unified budget concept as the foundation for its budgetary analysis and presentation since the 1969 budget. This concept calls

for the budget to include all of the Government's fiscal transactions with the public. Starting in 1971, however, various laws were enacted under which several Federal entities were removed from the budget or created outside the budget. Other laws moved certain off-budget Federal entities onto the budget. Under current law the off-budget Federal entities consist of the two social security trust funds, old-age and survivors insurance and disability insurance.³

The off-budget Federal entities are federally owned and controlled, but their transactions are excluded from the budget totals under provisions of law. When an entity is off-budget, its receipts, outlays, and surplus or deficit are not included in budget receipts, budget outlays, or the budget deficit; its budget authority is not included in the totals of budget authority for the budget; and its receipts, outlays, and surplus or deficit ordinarily are not subject to the targets set by the congressional budget resolution.^{4 5}

Nevertheless, the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act) included the off-budget surplus or deficit in calculating the deficit targets under that Act and in calculating the excess deficit for purposes of that Act.⁶ Partly because of this reason, attention has focused on the total receipts, outlays, and deficit of the Federal Government instead of the on-budget amounts alone. Many of the tables in the budget documents include both on-budget and off-budget amounts, adding them together to arrive at the total Federal receipts, outlays, and deficit. Other tables include the on-budget and off-budget amounts only in combination in order to concentrate on the total amounts of the Federal Government.

The Federal entities that were off-budget until 1986 primarily made direct loans to the public. The Gramm-Rudman-Hollings Act, however, placed on-budget all of the entities that were then off-budget. This Act also changed the budgetary status of social security. The Social Security Amendments of 1983 had already required that beginning in 1993 the old-age and survivors insurance trust fund (OASI), the disability insurance trust fund (DI), and the hospital insurance trust fund (HI) would be excluded from the budget. The Gramm-Rudman-Hollings Act required that OASI and DI (but not HI) be off-budget as of 1986, even though, as noted above, it also provided that their receipts and disbursements should be included in calculating the deficit targets. In order to provide consist-

³The "Perspectives" part of the 1986 and preceding *Budgets* describes the history of the off-budget Federal entities.

⁴Financial statements for the off-budget Federal entities are published in the chapter entitled "Department of Health and Human Services, Social Security," in the *Appendix, Budget of the United States Government, Fiscal Year 1989, Part I*.

⁵The Board of Governors of the Federal Reserve System is a Federal organization. It is excluded from the budget and from this discussion. Financial statements are published for information purposes in the *Appendix, Part IV, "Government-Sponsored Enterprises."*

⁶The role of these particular deficit figures is explained in Part 6e of this volume, "The Budget System and Concepts."

COMPARISON OF TOTAL, ON-BUDGET, AND OFF-BUDGET TRANSACTIONS ¹

(In billions of dollars)

Fiscal year	Receipts			Outlays			Surplus or deficit (—)		
	Total	On-budget	Off-budget	Total	On-budget	Off-budget	Total	On-budget	Off-budget
1970.....	192.8	159.3	33.5	195.6	168.0	27.6	-2.8	-8.7	5.9
1971.....	187.1	151.3	35.8	210.2	177.3	32.8	-23.0	-26.1	3.0
1972.....	207.3	167.4	39.9	230.7	193.8	36.9	-23.4	-26.4	3.1
1973.....	230.8	184.7	46.1	245.7	200.1	45.6	-14.9	-15.4	0.5
1974.....	263.2	209.3	53.9	269.4	217.3	52.1	-6.1	-8.0	1.8
1975.....	279.1	216.6	62.5	332.3	271.9	60.4	-53.2	-55.3	2.0
1976.....	298.1	231.7	66.4	371.8	302.2	69.6	-73.7	-70.5	-3.2
TQ.....	81.2	63.2	18.0	96.0	76.6	19.4	-14.7	-13.3	-1.4
1977.....	355.6	278.7	76.8	409.2	328.5	80.7	-53.6	-49.7	-3.9
1978.....	399.6	314.2	85.4	458.7	369.1	89.7	-59.2	-54.9	-4.3
1979.....	463.3	365.3	98.0	503.5	403.5	100.0	-40.2	-38.2	-2.0
1980.....	517.1	403.9	113.2	590.9	476.6	114.3	-73.8	-72.7	-1.1
1981.....	599.3	469.1	130.2	678.2	543.0	135.2	-78.9	-73.9	-5.0
1982.....	617.8	474.3	143.5	745.7	594.3	151.4	-127.9	-120.0	-7.9
1983.....	600.6	453.2	147.3	808.3	661.2	147.1	-207.8	-208.0	0.2
1984.....	666.5	500.4	166.1	851.8	686.0	165.8	-185.3	-185.6	0.3
1985.....	734.1	547.9	186.2	946.3	769.5	176.8	-212.3	-221.6	9.4
1986.....	769.1	568.9	200.2	990.3	806.8	183.5	-221.2	-237.9	16.7
1987.....	854.1	640.7	213.4	1,004.6	810.8	193.8	-150.4	-170.0	19.6
1988 est.....	909.2	669.3	239.9	1,055.9	852.8	203.1	-146.7	-183.5	36.8
1989 est.....	964.7	706.2	258.5	1,094.2	880.9	213.3	-129.5	-174.7	45.1
1990 est.....	1,044.1	761.7	282.4	1,148.3	924.2	224.1	-104.2	-162.5	58.3
1991 est.....	1,124.4	818.5	306.0	1,203.7	967.6	236.1	-79.3	-149.1	69.9
1992 est.....	1,189.9	865.0	324.9	1,241.0	996.0	245.0	-51.1	-131.0	79.9
1993 est.....	1,258.1	911.3	346.7	1,281.3	1,027.5	253.8	-23.3	-116.2	92.9

¹ The division of transactions between on-budget and off-budget is based for all years on the current definition of off-budget Federal entities.

ent comparisons over time, the on-budget and off-budget amounts for previous years that are published in the budget documents are all calculated on the basis of the current definition of off-budget Federal entities. The transactions of HI are shown for the present as on-budget amounts.

The table above compares the total Federal Government receipts, outlays, and deficit with the amounts that are on-budget and off-budget (i.e., OASI and DI). In 1989 the off-budget receipts are an estimated 27 percent of total receipts, and the off-budget outlays are an estimated 19 percent of total outlays. The off-budget surplus of \$45.1 billion is significant relative to the on-budget deficit of \$174.7 billion. As shown in the table, off-budget receipts and outlays have grown more rapidly than the on-budget amounts since 1970 and are estimated to continue growing more rapidly through 1993. The off-budget entities in total had deficits during 1976-82, but because of the Social Security Amendments of 1983 and an

expanding economy they have had surpluses beginning in 1983 and are estimated to have growing surpluses through 1993.

Taxation and Tax Expenditures.—Taxation provides the Government with receipts, which withdraw purchasing power from the private sector in order to finance direct Government expenditure. In addition to this effect, the structure of the tax system has important effects on the allocation of resources among private uses and the distribution of income among individuals. These effects are caused by the choice of taxes and by the structural characteristics of each of these different taxes—for example, by the rate schedules, exemptions, deductions, and exclusions of the individual income tax. The effects of taxation on resource allocation and income distribution are analogous to the effects of outlays.

Some features of the tax system have been defined as “tax expenditures” and receive special attention in the budget. Tax expenditures are defined as amounts attributable to provisions of the Federal income tax laws that allow a special exclusion, exemption, or deduction from gross income or that provide a special credit, a preferential rate of tax, or a deferral of tax liability. The Congressional Budget Act requires that estimates of tax expenditures be published in the budget.

Tax expenditures are so designated because they are one means by which the Federal Government pursues public policy objectives, and because in many cases they can be regarded as an alternative means of achieving the same objectives as direct expenditures. They can also be regarded as an alternative means of achieving the same targeted objectives as other instruments of Government policy, such as loan guarantees, regulations, and general provisions of the tax law. There are numerous examples of the similarity in objective between tax expenditures and direct outlays. For instance, the cost of medical care is reduced both by direct Government expenditures for the medicare and medicaid programs and by the exclusion from individual income of the medical insurance premiums that employers pay for their employees. State and local governments benefit both from direct grants and from the ability to borrow funds at tax-exempt rates. Individuals benefit both from social security payments and from the exemption of most of these payments from tax.

Tax expenditures ordinarily result from permanent legislation. They therefore are not submitted to the Congress each year and do not routinely receive a formal and systematic annual review. In this sense they share a legislative status with entitlement programs, such as social security, which do not require annual appropriations. However, tax expenditures as well as other parts of the tax law are generally reviewed whenever fiscal policy decisions are considered regarding the overall level of tax receipts. As described

in Part 4 of this volume, "Federal Receipts by Source," several major tax laws have been adopted since 1981. Most recently the Tax Reform Act of 1986, which was enacted after a comprehensive review of the income tax law by the Treasury Department and the Congress, made major revisions to both tax expenditures and other provisions of the individual and corporation income taxes.

The classification of certain provisions of law as resulting in tax expenditures requires some baseline tax structure against which the actual tax law can be compared. By definition, characteristics of the tax structure included in the baseline do not give rise to tax expenditures; deviations of the law from this baseline are deemed to cause tax expenditures. The Congressional Budget Act does not provide an exact specification of the baseline against which tax expenditures are to be measured.

The baseline used in the budget is intended to consist of the general provisions of the Internal Revenue Code. For the income tax, the baseline includes those provisions that exist under current law for the definition of taxpaying units (including the separate corporation income tax), graduated rate schedules, personal exemptions, standard deductions, and basic accounting rules. The use of many of the general provisions of the Internal Revenue Code for defining this baseline tax structure makes it clear that listing an item as a tax expenditure does not imply that it is either a desirable or an undesirable provision. When different provisions of the Code are considered to be in the baseline, the list of tax expenditures is different and the amounts of particular tax expenditures may also be different.

Alternative baselines might be used. In particular, a baseline tax structure might reflect a truly comprehensive income tax base. A truly comprehensive income tax base, among other differences from present law, would adjust income for the effect of inflation; would integrate the individual and corporation income taxes rather than regard the separate tax treatment of individuals and corporations as part of the baseline tax structure; would include imputed income, such as the consumption benefit received from owner-occupied homes; and would tax income when it was accrued instead of when it was realized. Thus, for example, the failure under present law to tax imputed income would be regarded as giving rise to tax expenditures. On the other hand, the failure under present law to take account of inflation in measuring capital gains, depreciation, and interest income would be regarded as negative tax expenditures, because these deviations from the comprehensive baseline raise the amount of taxes paid. Therefore, under such a baseline structure, the list of tax expenditures and their estimated amounts would be different from what they are now.

Regardless of how the baseline is defined, the provisions of the tax law that do not result in tax expenditures deserve as much scrutiny as the provisions of the tax law that do. This is because the other provisions also have major effects on the allocation of resources and the distribution of income, and because general provisions of tax law may be alternative means of achieving the same targeted objectives or analogous objectives as tax expenditures achieve. For example, investment in equipment may be stimulated by either an investment tax credit or a decrease in the corporation income tax rate; the former causes a tax expenditure, but the latter does not. Similarly, income support may be provided by either the exclusion of social security benefits from taxable income or by the standard deduction; the former causes a tax expenditure, but the latter does not.

Tax expenditures are estimated in two steps. First, the revenue loss of a tax provision is estimated, i.e., the difference between tax receipts and the amount that tax receipts would be if the tax law conformed to a specified baseline. If removing a tax provision would increase taxable income, for example, the revenue loss is estimated as the increase in taxable income multiplied by the tax rate that would be paid on the additional income.

The revenue loss is then adjusted to an outlay equivalent, i.e., the amount of outlays that would be required to provide an equal after-tax income to the taxpayer as the special tax provision provides (and thereby also to provide an equal incentive). In many cases the required outlays are greater than the revenue loss, because taxpayers would have to pay taxes on the higher income derived from the outlays. For example, one tax expenditure provision is the exclusion from taxable income of the value of housing and meals supplied to military personnel. If the Government were to repeal this tax exclusion and instead pay higher salaries, the increase in salaries would be taxed. Consequently, if the Government were to use taxable direct expenditures rather than tax expenditures and were to provide the same total after-tax compensation, the increase in direct outlays for higher salaries would have to be greater than the revenue loss under the special tax provision. The Federal deficit would be the same in either case, however, because higher outlays would be required only to the extent needed to make up the difference caused by higher tax receipts.

This adjustment makes the tax expenditures more comparable with direct outlays than the revenue loss would be and therefore more useful in analyzing Federal programs. For some tax expenditures, though, the revenue loss is equivalent to a direct outlay without any adjustment. Special Analysis G, "Tax Expenditures," presents estimates of tax expenditures defined both as outlay

equivalents and as revenue losses, but for program analysis in this budget only the outlay equivalent estimates are used.

The size of a particular tax expenditure depends not only on the tax provision in question but also on the interaction of this provision with the rest of the tax structure. The reductions in the individual and corporation income tax rate schedules provided by the Tax Reform Act of 1986, for example, have automatically decreased most tax expenditures below what they otherwise would have been. A tax rate reduction decreases the amount of receipts that would be gained by repealing deductions, exemptions, and exclusions, because lower tax rates are applied to the increase in taxable income.

The interaction among tax provisions means that special calculations are generally needed to add tax expenditures together. For example, if more than one exclusion from individual income were ended, the gain in receipts would generally be greater than the sum of the separate tax expenditures, because some taxpayers would move into higher tax rate brackets. If more than one personal deduction were ended, the gain in receipts would generally be smaller than the sum of the separate tax expenditures, because some taxpayers would switch to using the standard deduction. Consequently, adding together separate tax expenditures would usually be inaccurate, and they are not aggregated in this budget except for specially computed totals by functional category.

Tax expenditures are presented at two places in the budget. Part 5 of this volume, "Federal Programs by Function," discusses the major tax expenditures in each functional category, together with outlays and loan guarantees, in order to describe more fully the Government's policy. Special Analysis G, "Tax Expenditures," analyzes the concept and measurement of tax expenditures and presents a complete list of tax expenditure estimates for 1987-89.

As discussed in Part 4 of this volume, "Federal Receipts by Source," the Tax Reform Act of 1986 made major revisions to the individual and corporation income taxes. Many of its provisions repealed or directly reduced tax expenditures. For example, the investment tax credit was repealed, the personal deduction for sales taxes was eliminated, the personal deduction for interest on consumer credit was phased-out, the exclusion of contributions to individual retirement accounts (IRAs) was restricted, all of long-term realized capital gains were included in income, and the deductibility of passive business losses was limited. The Act also changed provisions of law other than tax expenditures, notably by decreasing the individual and corporation income tax rates and also by such provisions as raising personal exemptions and the standard deduction. To a significant extent the lower tax rates and the reduction in tax expenditures were a trade-off for each other.

Some minor changes in tax expenditures were enacted by the Omnibus Budget Reconciliation Act of 1987. In the present budget, as explained in Part 4, the Administration is proposing several tax changes. Some are tax expenditures, such as enhancing the research and experimentation credit and making the credit permanent. Another tax expenditure would exempt from taxation, subject to certain limitations, the interest earned on savings bonds if the proceeds are used for post-secondary education.

Regulation.—Federal regulations provide a large variety of goods and services to the public, including the protection of the environment, the creation of incentives for the development of useful innovations, and the fair and efficient disbursement of Federal entitlements. These three types of regulatory activities are examples of the major categories of regulation: social, economic, and managerial. Social regulation generally establishes standards either for the characteristics of products or for the methods of producing products. Social regulations are usually aimed at curbing the unintended, harmful effects of products or production methods, such as pollution and accidents from industrial production or product use. Economic regulation directly controls prices and market entry for objectives such as to promote competition and curb monopolistic behavior. In the last ten years the scope of economic regulation at the Federal level has been significantly reduced as the harmful effects of regulating naturally competitive industries have become better understood.⁷ Finally, managerial regulation sets the conditions for the efficient and proper use of Government funds and property and ranges from the terms for procurement of Government purchases to the Federal tax code.

Social regulation differs from the other Federal activities outside the budget—from loan guarantees and tax expenditures, in particular, and also from the other forms of regulation—by directly requiring expenditures for specific public purposes rather than inducing desired private action by offering various types of incentives. Nevertheless, social regulatory activities are directly analogous to budget outlays in two important ways.

First, the expenditures required by regulation have many of the same overall economic effects on output, employment, prices, and growth as do budget outlays. The Federal Government finances outlays by diverting resources from the private sector through taxation or borrowing. Similarly, business firms finance expenditures required by regulation (e.g., for pollution control) by borrowing, increasing prices, reducing other expenditures, or reducing dividends. These, of course, are the same ways firms finance taxes

⁷ A brief history of this deregulatory effort is presented in chapter 5, "Reforming Regulation: Utilizing Market Incentives," of the *Economic Report of the President* (February 1986). For a more up-to-date review of airline deregulation, see chapter 6, "Airline Deregulation," of the *Economic Report of the President* (February 1988).

and thus have the same general effects on the economy as do many taxes. The incentive effects on working, investing, and saving may differ from income taxes, however, to the extent that tax liability is more directly tied to earnings, profits, and interest income than is regulation. Thus regulation may be closer to user fees and excise taxes in such impacts than to income taxes. In such instances social regulation can be considered a cost of production.

Second, the effects of social regulation on the allocation of economic resources are also similar to the effects of budget outlays. Most fundamentally, both social regulation and budget outlays divert private resources to public purposes. Furthermore, in many cases expenditures required by regulation may be an alternative means of achieving the same public policy objectives as budget outlays or other instruments of Government policy such as taxes, tax expenditures, or loan guarantees. For example, firms can be required by regulation to treat their effluents before dumping. Alternatively, public waste water treatment facilities can be constructed by direct expenditure of the Federal Government; such facilities can be constructed by States and localities with assistance in the form of Federal outlays for grants; they can be constructed by private firms with assistance from Federal loan guarantees for their borrowing, Federal income tax exemption for the interest on their bonds, or rapid amortization of their capital costs for determining their Federal income tax; or the Federal Government could even charge firms an effluent fee sufficient to cause them to cut back on their dumping by the same amount. The basic allocative effects are similar, although the efficiency of the method might differ from one policy instrument to another, and the implications for the distribution of income might also differ.

Perhaps the most basic procedural difference between budget outlays, loan guarantees, and tax expenditures on the one hand, and expenditures to meet social regulations on the other, is that no systematic accounting is kept of the latter. Some incomplete estimates of these expenditures have been made by adding up estimates of the costs of individual regulations made by various researchers, who often use different methods, assumptions, and time periods. Not surprisingly, these estimates show considerable variation. They range from about \$50 billion to \$150 billion per year, which is equal to about 5 to 15 percent of Federal outlays.

The Federal Government thus does not currently have any formal accounting of regulatory costs or any process analogous to the budget process for the purposes of reviewing and controlling regulatory costs, either in the aggregate or for individual programs. Nevertheless, new regulatory activities are now examined under a formal review process established by Executive Order 12291, issued in February 1981, and Executive Order 12498, issued

in January 1985. Executive Order 12291 established regulatory principles and required each agency covered by the Order to adhere to them, to the extent permitted by law. Agencies must also submit drafts of proposed and final rules and drafts of regulatory impact analyses, before they are issued, to the Office of Management and Budget for review for consistency with the President's principles. According to these principles, agencies must:

- base regulations upon adequate information concerning the need for and consequences of the proposed action,
- not issue regulations unless the potential benefits to society outweigh the potential costs to society, and
- select the alternative approach to a given regulatory objective that involves the least net cost to society.

These policies are conducted within the statutory authorities of the agencies and apply only to the extent of the discretion given by the statutes to Federal regulatory officials.

Executive Order 12498 established that an annual regulatory program would be developed and published each year in order to explain the Administration's regulatory plan and priorities for the upcoming year. Agencies are required to submit to the Office of Management and Budget a statement of the regulatory policies, goals, and objectives they intend to pursue during the coming year. This Executive Order also directs the agencies to provide summary descriptions of all significant regulatory actions underway or planned for the coming year. The Office of Management and Budget is directed by the Executive Order to review each agency's draft regulatory program for consistency with the Administration's regulatory policies and priorities and with the regulatory programs submitted by other agencies. The first *Regulatory Program of the United States Government* was published in August 1985 and the most recent in June 1987.

This program moves the regulatory oversight process a step closer toward the budgetary process, because the Administration's priorities and goals are now spelled out in one document for Congress and the American people to understand and review. This process, however, cannot deal systematically with the overall impact of regulatory activities on the economy until an estimate of the annual incremental expenditures required by regulation is made. This is extremely difficult because, unlike budgetary decisions, regulatory decisions are still to a large extent made on an individual basis.

In an effort to determine better the overall effects of regulatory activities and to improve the regulatory oversight process, members of Congress and the past two Administrations have considered developing an accounting framework to track those expenditures that are directly required by regulation. This framework, however,

is still in the proposal stage, and more work needs to be done to solve the practical accounting problems inherent in measuring private expenditures required by Federal regulation.

One practical problem is that in order to get accurate expenditure figures it might be necessary to ask private firms and individuals to keep records, which would not necessarily be accurate and could create a considerable and expensive compliance burden. Second, estimating which expenditures were made because of a regulation compared to which would have occurred in the absence of regulation is often extremely subjective. For example, in the absence of regulations for automobile safety standards some level of safety would still be built into vehicles, but since the amount is unknown the additional cost of regulation cannot be calculated accurately. A third type of problem arises because the indirect costs of regulation are extremely difficult to estimate and probably are relatively more important for regulation than for spending and taxing.

Indirect costs result when regulation reduces otherwise desirable economic activities by raising production or product costs, by making the product less desirable, or, in the extreme, by banning the product or making it unprofitable to produce. The economic loss caused by this decline in economic activity is the excess of the value to consumers of this forgone output above the costs of production. Since this indirect cost is not directly measurable, and can only be estimated by complicated statistical models, it would be problematic to combine estimates of these indirect costs with the direct costs of regulation. Yet measuring only the direct expenditure costs of regulation for use in an oversight program may create a bias toward banning substances and products rather than controlling them, since banning a product, service, or manufacturing process mainly gives rise to indirect costs. These practical problems must be addressed in developing an accounting system for measuring the aggregate impacts of regulation.

One way to address these problems is to begin implementation of a system that makes use of such information. In fact, both the fiscal budgetary process for outlays and receipts and the information collection budget evolved in this fashion. As the budgetary process evolved from the Treasury Act of 1789, the accounting concepts used for Government outlays and receipts were continually refined. It was not until the Budget and Accounting Act of 1921, however, that a comprehensive Federal budget system was established. This Act established the institutional framework for the President to prepare a budget for the United States Government as a whole. The new framework included the Bureau of the Budget to assist the President in the preparation of the budget and the General Accounting Office to assist the Congress in carrying out its

legislative and oversight responsibilities. Since 1921 the accounting principles and standards for the budget have continued to change as a result of both executive and legislative action.

In a similar manner, the information collection budget evolved over time with refinements to its accounting and estimation procedures and with more centralized and comprehensive controls. The Federal Reports Act of 1942 first set the requirement for agencies to measure and control their paperwork burdens. Executive Order 12174, "Paperwork," issued November 30, 1979, required agencies to plan and budget total paperwork reporting requirements in a manner analogous to fiscal resources. The Paperwork Reduction Act of 1980 directed the Office of Management and Budget to establish general policies and procedures for controlling information collections, and to report to Congress each year the estimated "burden hours" imposed by each Federal agency. That Act and subsequently a 1986 amendment set paperwork burden reduction goals. Over the last eight years of administering the information collection budget, the paperwork coverage and the estimates of the paperwork burden have substantially improved.

In the regulatory cost area, requirements similar to the early fragmented requirements for the fiscal budget and the paperwork burden estimates have been in existence since 1974. In that year President Ford issued Executive Order 11821, requiring agencies to prepare cost impact statements for their major regulations. These requirements were extended, refined, and tightened by various Executive Orders issued by both President Carter and President Reagan. As mentioned above, agencies are now required to list all significant regulatory activities in the *Regulatory Program of the United States Government*, but they are not required to estimate the cost impacts except for certain "major" regulations.

A proposal of regulatory cost estimates for all new and proposed regulations and all proposed legislation was contained in the Economic Bill of Rights issued by the President on July 3, 1987. It would require that every new or proposed regulation and every piece of proposed legislation be accompanied by a "financial impact statement" evaluating the costs to the general economy and consumers, the effect on employment, and the ability of U.S. industries to compete internationally. Making these estimates available to the public for comment and criticism would improve decision making with regard to regulations and legislation. It would also be a valuable first step in developing a consensus as to the proper general accounting conventions and the validity of specific estimation methods.

One approach to developing a practical accounting scheme that would follow the models of the development of the fiscal budget and the information collection budget would be to require a "regu-

latory cost ceiling" in any new legislation that imposes private sector costs. Under this scheme, each new statute would include a ceiling on the total private sector costs that agencies could impose in implementing the statute. Agencies would then keep track of the estimated costs imposed by the regulations. Once the statutory ceiling was reached, new regulations would require either additional legislation to raise the ceiling or offsetting changes in other regulations that would keep total private sector regulatory costs within the ceiling.

This regulatory cost ceiling system would give Congress and the agencies even more incentive to make accurate estimates of the likely costs of regulation than simply requiring financial impact estimates of the proposal. Regulatory cost ceilings that were excessively low would frustrate the purpose of the statute because agencies could not issue implementing regulations. Although Congress might be tempted to authorize excessively generous amounts, it would have to declare itself willing to impose a specific level of costs on the public. Moreover, Congressional estimates would have a real effect on agency decision making, and would give agencies strong incentives to choose regulatory approaches that would produce benefits at the least possible cost.

This approach still shares some of the drawbacks mentioned above. Agencies would have incentives to underestimate regulatory costs and to regulate in ways that impose unmeasurable or difficult to measure costs, such as banning products or production processes. However, regulatory cost ceilings would provide more information on the costs of regulation to the public and would internalize more regulatory costs to the political process of regulation setting. The bias toward certain types of regulatory intervention and the tendency toward agency underestimation of costs are problems that, although they remain to be solved, are not unlike those still faced in the fiscal budgetary process.

BUDGET FUNDS AND THE FEDERAL DEBT

The budget consists of two major groups of funds: Federal funds and trust funds. The Federal funds are derived mainly from tax receipts and borrowing and are used for the general purposes of the Government. Most of these funds are not restricted by law to any specific Government program. The trust funds, on the other hand, collect certain taxes and other receipts for specified purposes, such as paying social security and unemployment insurance benefits. The social security trust funds (old-age and survivors insurance and disability insurance) are now excluded from the budget by law and classified as off-budget Federal entities.

The budget includes the receipts and outlays of both the Federal funds and the on-budget trust funds and, as shown in the table on

this page, deducts the various transactions that occur between them in order to arrive at the on-budget totals for receipts, outlays, and the deficit. The on-budget totals plus the off-budget totals may be added, as also shown in this table, to arrive at the total receipts, outlays, and deficit of the Federal Government. These latter totals for receipts and outlays generally represent the net transactions of the Federal Government with the public.⁸

TRANSACTIONS BY FUND GROUP

(In billions of dollars)

	1987 actual	1988 estimate	1989 estimate	1990 estimate	1991 estimate
Receipts:					
On-budget:					
Federal funds	537.8	560.8	593.2	644.8	697.3
Trust funds	216.6	231.5	247.9	261.4	276.8
Interfund transactions	-113.7	-123.0	-134.9	-144.4	-155.6
Total, on-budget receipts	640.7	669.3	706.2	761.7	818.5
Off-budget (trust funds)	213.4	239.9	258.5	282.4	306.0
Total, Federal Government receipts	854.1	909.2	964.7	1,044.1	1,124.4
Outlays:					
On-budget:					
Federal funds	760.9	805.0	835.3	873.1	914.0
Trust funds	163.6	170.8	180.4	195.6	209.2
Interfund transactions	-113.7	-123.0	-134.9	-144.4	-155.6
Total, on-budget outlays	810.8	852.8	880.9	924.2	967.6
Off-budget (trust funds)	193.8	203.1	213.3	224.1	236.1
Total, Federal Government outlays	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7
Surplus or deficit (-):					
On-budget:					
Federal funds	-223.1	-244.2	-242.2	-228.3	-216.7
Trust funds	53.1	60.7	67.5	65.8	67.6
Total, on-budget surplus or deficit (-)	-170.0	-183.5	-174.7	-162.5	-149.1
Off-budget (trust funds)	19.6	36.8	45.1	58.3	69.9
Total, Federal Government surplus or deficit (-)	-150.4	-146.7	-129.5	-104.2	-79.3

Therefore, as shown in the table on the next page, the Federal deficit or surplus is the principal determinant of the change in the Federal debt held by the public.⁹ The Federal deficit, together with the other factors noted in that table, is estimated to increase the Federal debt held by the public by \$127.2 billion in 1988 and \$127.0

⁸ Special Analysis C, "Funds in the Budget," discusses further the two major groups of funds and the off-budget Federal entities.

⁹ Table 6 in Part 6g of this volume contains more detail on budget financing through 1993 and shows the levels of debt from 1987 to 1993. Federal borrowing and debt are discussed extensively in Special Analysis E, "Borrowing and Debt." Historical data since 1940 are published in *Historical Tables, Budget of the United States Government, Fiscal Year 1989*.

billion in 1989.¹⁰ These borrowing projections are based on deficits that are consistent with the economic assumptions explained in Part 3b of this volume.

Gross Federal debt is the sum of the debt held by the public and the debt held by the Government itself, which includes such investments as the Treasury debt held by the social security, unemployment, and other trust funds. At the end of 1989 gross Federal debt is estimated to be \$2,825.3 billion, of which debt held by the Government itself is \$673.2 billion and debt held by the public is \$2,152.1 billion. Thus, gross Federal debt is much larger than the Federal debt held by the public.

FEDERAL GOVERNMENT FINANCING AND CHANGE IN DEBT OUTSTANDING¹

(In billions of dollars)

Description	1987 actual	1988 estimate	1989 estimate	1990 estimate	1991 estimate
Surplus or deficit (-)	-150.4	-146.7	-129.5	-104.2	-79.3
On-budget.....	(-170.0)	(-183.5)	(-174.7)	(-162.5)	(-149.1)
Off-budget.....	(19.6)	(36.8)	(45.1)	(58.3)	(69.9)
Means of financing other than borrowing from the public:					
Decrease or increase (-) in Treasury operating cash balance.....	-5.1	16.4			
Increase or decrease (-) in:					
Checks outstanding, etc.....	5.2	2.3	2.6		
Deposit fund balances.....	-1.8	-0.3	-0.9		
Seigniorage on coins.....	0.5	0.4	0.5	0.6	0.6
Proceeds from the sale of loan assets with recourse.....		0.7	0.3		
Total, means of financing other than borrowing from the public....	-1.3	19.5	2.5	0.6	0.6
Total, requirements for borrowing from the public.....	-151.7	-127.2	-127.0	-103.6	-78.7
Change in debt held by the public.....	151.7	127.2	127.0	103.6	78.7
Change in Federal debt held by Government accounts:					
Federal funds.....	1.0	-0.1	5.7		
Trust funds (on-budget) ²	55.1	63.4	66.8	65.8	67.6
Off-budget Federal entities (trust funds) ³	20.3	36.1	45.1	58.3	69.9
Deposit funds ⁴	-2.8	-0.3	-0.9		
Total, change in Federal debt held by Government accounts....	73.5	99.0	116.7	124.1	137.5
Change in gross Federal debt.....	225.2	226.3	243.7	227.7	216.1

¹\$50 million or less.

²Several amounts have been assumed to be zero in 1990-91 because they are usually small and cannot be estimated accurately.

³Estimates for 1990 and 1991 are equal to the surplus of the trust funds on-budget.

⁴Estimates for 1990 and 1991 are equal to the surplus of the trust funds off-budget.

⁵Only those deposit funds classified as Government accounts.

¹⁰Some of the previously published data on borrowing and debt have been revised. These changes are discussed in Special Analysis E.

Gross Federal debt is estimated to rise by \$243.7 billion during 1989. As indicated in the lower section of the previous table, \$116.7 billion of this increment will be held in trust funds and other Government accounts. This is nearly all due to the investment of trust fund surpluses in Treasury debt.

The gross Federal debt consists almost entirely of securities issued by the Treasury Department. However, a few Government agencies are authorized to issue their own debt instruments to the public or to other Government accounts. These securities are part of the gross Federal debt. At the end of 1987 the public held \$5.0 billion of agency debt, most of which was issued some years ago by agencies that no longer borrow or that borrow only from the Federal Financing Bank (FFB). The FFB finances its purchases of agency debt mostly by borrowing from the Treasury, which in turn borrows from the public. The agency debt held by the FFB is not included in gross Federal debt, in order to prevent double counting. Almost all the new agency borrowing from the public is inherent in the way that the agency operates a program. For example, the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation may issue notes as parts of some agreements to resolve the financial problems of troubled banks and thrift institutions. The issuance of these notes is an outlay and a borrowing.¹¹

FEDERAL FUNDS FINANCING AND CHANGE IN DEBT SUBJECT TO LIMIT

(In billions of dollars)

Description	1987 actual	1988 estimate	1989 estimate
Federal funds surplus or deficit (-)	-223.1	-244.2	-242.2
Means of financing other than borrowing:			
Decrease or increase (-) in Treasury operating cash balance.....	-5.1	16.4	.....
Increase or decrease (-) in:			
Checks outstanding, etc.....	2.5	0.3	3.3
Deposit fund balances.....	-1.8	-0.3	-0.9
Seigniorage on coins.....	0.5	0.4	0.5
Proceeds from the sale of loan assets with recourse.....	.....	0.7	0.3
Total, means of financing other than borrowing.....	-3.9	17.5	3.2
Decrease or increase (-) in Federal debt held by Federal funds and deposit funds ¹	1.8	0.4	-4.8
Increase or decrease (-) in Federal funds debt not subject to limit.....	0.2	-1.8	-3.6
Total, requirements for borrowing subject to debt limit.....	-225.0	-228.0	-247.4
Increase or decrease (-) in unamortized discount on zero-coupon bonds.....	.....	7.9	-0.2
Change in debt subject to limit.....	225.0	235.9	247.2

*\$50 million or less.

¹ Only those deposit funds classified as Government accounts.

¹¹ This type of transaction is discussed more fully in Special Analysis E, "Borrowing and Debt."

Almost all Treasury securities are covered by a general statutory debt limitation. The present limit is \$2,800 billion. The debt subject to limit is estimated to rise to \$2,572.0 billion by the end of 1988 and \$2,819.1 billion by the end of 1989. Therefore, in order to permit the Federal Government to meet its obligations, the limit will have to be raised during 1989.

Debt subject to the general statutory limit, like gross Federal debt, includes debt held internally within the Government, such as the Treasury issues held by the social security trust funds. Debt subject to the statutory limit is therefore much larger than the debt held by the public and is nearly as large as gross Federal debt. It is a little less than gross Federal debt because a few types of Treasury debt and most agency debt are excluded from the general statutory limitation.

Since trust fund surpluses for the most part have been invested in debt securities, rather than being held as cash assets, the Federal funds deficit must be financed primarily by issuing debt. This debt is almost entirely subject to the statutory limit. As shown in the previous table, the estimated Federal funds deficit is \$242.4 billion in 1989, and the estimated increase in debt subject to statutory limit is \$247.2 billion. Thus, the Federal funds deficit approximately accounts for the increase in the debt subject to limit.

COMPARISON OF ACTUAL AND ESTIMATED FEDERAL GOVERNMENT TOTALS FOR 1987

The following sections compare the actual 1987 receipts, outlays, and deficit with the amounts estimated in the 1987 budget, which was transmitted to the Congress in February 1986 for the fiscal year ending on September 30, 1987.

Comparison of Receipts.—Receipts in 1987 were \$854.1 billion, which is \$3.8 billion greater than the February 1986 estimate of \$850.4 billion. This was the net effect of differences in tax law from the legislation proposed in the 1987 budget, lower than anticipated incomes, and different collection patterns and effective tax rates than had been assumed.

Differences in tax law from the legislation proposed in the budget increased 1987 receipts by \$21.4 billion. These legislative differences consisted of congressional inaction on, or modification of, the proposals in the 1987 budget, and of changes in law that the administration did not propose at that time.

Several user fees and trust fund reforms were proposed in the 1987 budget. Other proposed changes included incentives for higher education, a tuition tax credit, an increase in contributions to civil service retirement, extension of the 16 cent per pack excise tax on cigarettes, the reauthorization and expansion of taxes used to fi-

COMPARISON OF ACTUAL 1987 RECEIPTS WITH THE FEBRUARY 1986 ESTIMATES

(In billions of dollars)

	February 1986 estimate	Differences in tax law from 1986 proposals	Different economic conditions	Technical factors	Net change	Actual
Individual income taxes.....	386.0	-6.8	*	13.3	6.6	392.6
Corporation income taxes.....	86.7	28.8	-21.9	-9.8	-2.8	83.9
Social insurance taxes and contributions.....	302.8	-0.2	-3.7	4.4	0.5	303.3
Excise taxes.....	35.2	*	-2.9	0.2	-2.7	32.5
Estate and gift taxes.....	5.7	-0.3	-0.5	2.6	1.8	7.5
Customs duties.....	12.9	0.7	0.8	0.6	2.1	15.1
Miscellaneous receipts.....	21.1	-0.9	-2.4	1.6	-1.7	19.3
Total.....	850.4	21.4	-30.6	12.9	3.8	854.1

*\$50 million or less.

nance the cleanup of hazardous waste sites, an IRS revenue initiative, and a speed-up in the deposit of social security payroll taxes by State and local governments. The administration also expressed support for enactment of tax reform legislation, but did not reflect such legislation in the receipt estimates. Altogether, the February 1986 proposals were estimated to increase 1987 receipts by \$6.9 billion.

One of the most sweeping overhauls of the tax code in our Nation's history became law on October 22, 1986, when President Reagan signed the Tax Reform Act of 1986. The provisions of this Act, which broadened the individual and corporation income tax bases and substantially lowered individual and corporation income tax rates, increased 1987 receipts by \$21.5 billion. Other major laws enacted during 1986 affecting 1987 receipts include the Consolidated Omnibus Budget Reconciliation Act of 1985, the Federal Employees' Retirement System Act of 1986, the Omnibus Budget Reconciliation Act of 1986, the Superfund Amendments and Reauthorization Act of 1986, and the Continuing Resolution for 1987. Several of the provisions of these Acts were modifications of the 1987 budget proposals, but others, such as the extension of medicare coverage to State and local government employees hired after March 31, 1986, had not been proposed by the administration. These Acts, together with several minor legislative changes and administrative actions, increased 1987 receipts by \$6.8 billion. Legislated changes and administrative actions therefore increased 1987 receipts by \$28.3 billion, which is \$21.4 billion more than the administration had proposed.

Differences between the actual economic outcome and that assumed in the economic assumptions upon which the original receipts estimates were made—primarily incomes and oil prices that proved to be lower than anticipated—accounted for a net decrease

in receipts of \$30.6 billion.¹² The greatest effect was on corporation income taxes, which were \$21.9 billion below the budget estimate because of substantially lower corporate profits than had been assumed. Social insurance taxes and contributions were below the budget estimate by \$3.7 billion due to lower than expected wages and salaries and self-employment earnings. Declining oil prices, which reduced collections of the windfall profit tax, were primarily responsible for the decline in excise taxes of \$2.9 billion. Higher than expected imports increased customs duties by \$0.8 billion, and lower than anticipated interest rates reduced deposits of earnings by the Federal Reserve System, which are classified as miscellaneous receipts, by \$2.4 billion.

Collection patterns and effective tax rates that differed from those that had been assumed in February 1986—attributable in large part to greater than expected capital gains on the sale of stock and the requirement that individuals file revised individual income tax withholding forms with their employers by October 1, 1987—increased collections of individual income taxes by \$13.3 billion. Changes in the timing of estimated tax payments by corporations, primarily in response to the changes provided in the Tax Reform Act of 1986, and different effective tax rates than had been assumed, reduced collections of corporation income taxes by \$9.8 billion. A large part of the \$4.4 billion increase in social insurance taxes and contributions reflected higher than anticipated deposits of State taxes in the unemployment insurance trust fund and a higher effective social security payroll tax rate on self-employment earnings. Technical factors, including greater capital gains on foreign security holdings by the Federal Reserve and on holdings of stocks by deceased individuals, increased other sources of receipts by \$5.0 billion.

Comparison of Outlays.—Outlays for 1987 were \$1,004.6 billion, which is \$10.6 billion higher than the initial estimate made by the Administration in its budget transmitted to Congress in February 1986. This section reviews the major causes of the increase.

The following table compares the initial outlay estimate with the actual outlay total and shows both as a percentage of GNP. Total outlays were 1.1 percent above the initial estimate. Actual outlays for defense were almost exactly the same as the initial estimate, while outlays for nondefense programs were 1.5 percent higher.

Chronology of the outlay increase.—The Administration's initial estimate for outlays for 1987 was \$994.0 billion. The table shows subsequent revisions to this estimate. In August 1986, the estimate was decreased by \$18.9 billion. The major decreases were

¹² Under the economic forecast developed by the administration six months later, receipts were revised downward by \$19.7 billion.

1987 OUTLAY DIFFERENCES

(Dollars in billions)

	February 1986 estimate	Actual	Percent change
Total outlays	994.0	1,004.6	1.1
National defense	(282.2)	(282.0)	(-0.1)
Nondefense	(711.8)	(724.0)	(1.5)
Total outlays as a percent of GNP	21.9	22.8	4.0

for net interest, largely due to lower than expected interest rates, and for social security and medicare, due to lower than expected inflation. The estimate was increased by \$40.5 billion in the budget in January 1987. The largest increases were for farm price supports and for technical reestimates of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation. The outlay estimate was increased slightly in August 1987, as a result of many increases and decreases. The actual amount at the end of the year was \$1,004.6 billion, which was \$12.3 billion lower than the August estimate. This decrease was primarily the result of estimating differences across many programs.

CHRONOLOGY OF THE 1987 OUTLAY INCREASE

(In billions of dollars)

February 1986 estimate (1987 Budget)	994.0
Changes from previous estimate:	
August 1986 (Mid-Session Review): The major changes were decreases for net interest (\$9.0 billion), social security (\$4.7 billion), medicare (\$3.1 billion), international affairs (\$2.8 billion), and farm price supports (\$1.8 billion), partially offset by increases for civilian retirement and disability (\$1.3 billion), and rents and royalties on the Outer Continental Shelf (\$1.1 billion),	-18.9
January 1987 (1988 Budget): The major increases were for farm price supports (\$10.9 billion), the Federal Deposit Insurance Corporation (\$5.9 billion), the Federal Savings and Loan Insurance Corporation (\$3.3 billion), medicare (\$4.5 billion), other health programs (\$3.7 billion), and income security programs (\$4.2 billion)	40.5
August 1987 (Mid-Session Review): The major changes were increases for net interest (\$2.2 billion), medicare (\$2.0 billion), mortgage credit (largely FHA) (\$1.3 billion), and medicaid (\$1.0 billion), partially offset by decreases for the Federal Deposit Insurance Corporation (\$3.3 billion) and farm price supports (\$2.1 billion)	1.3
September 30, 1987: The major changes were decreases for the Federal Deposit Insurance Corporation (\$2.2 billion), international affairs (\$1.9 billion), agriculture programs (\$1.6 billion), and transportation (\$1.4 billion), partially offset by an increase for medicare (\$1.5 billion)	-12.3
Total increase	10.6
Actual	1,004.6

Major causes of the increase.—The following table distributes the \$10.6 billion increase in outlays according to three categories: (1) policy changes, (2) economic conditions, and (3) estimating and other differences. The amounts in the first two categories represent approximations for the major items, while the third category is a residual.

SUMMARY OF REASONS FOR DIFFERENCE IN 1987 OUTLAYS

(In billions of dollars)

	Total
Reasons for difference (net):	
Policy changes.....	19.0
Economic conditions.....	-14.3
Estimating differences and other changes.....	5.8
Total.....	10.6

Policy changes to the 1987 budget proposals were a result of revised Administration proposals and congressional action that differed from the initial Administration request. The net effect of all policy changes was a \$19.0 billion increase in outlays. Outlays for national defense programs were \$6.9 billion lower than proposed due to policy changes, because of lower defense appropriations than requested by the Administration. Outlays for nondefense programs were \$26.0 billion higher. This pattern of decreased defense outlays and increased nondefense outlays due to policy changes also occurred for budget proposals in the five previous years.

Outlays for nondefense discretionary programs (i.e., programs generally subject to control by annual appropriations) were \$8.3 billion above the Administration's original request for policy reasons. This includes increases in regular and supplemental appropriations bills above what the Administration had originally requested.

Outlays for benefit payments for individuals were \$12.1 billion above the Administration's proposals due to policy changes. The major change was in medicare. The medicare reforms enacted by the Congress saved \$3.9 billion less than the reforms proposed by the Administration. Another important change was the cost-of-living adjustment (COLA) override for social security and related programs, which increased outlays \$1.3 billion. The override was enacted in 1986 when inflation fell below 3.0 percent, which was the threshold that had to be exceeded under previous law before social security or related COLAs could occur. The remaining policy increases for benefit payments for individuals were mostly due to the failure to enact proposed Administration reforms for medicaid, military and civilian retirement, aid to families with dependent children, and related benefit programs.

Policy changes for other mandatory programs increased non-defense outlays by \$6.8 billion. Most of this increase, \$5.6 billion, was for advanced deficiency payments for farm price supports.

Policy differences affecting collections that offset outlays decreased net outlays by \$2.4 billion. Collections from loan asset sales were larger than originally proposed, thus reducing outlays by \$3.6

billion. This was partly offset by congressional unwillingness to enact most of the user fees proposed by the Administration.

The remaining increase for nondefense policy outlays, \$1.1 billion, is the effect of policy changes for outlays and receipts on net interest.

Economic conditions differed from those forecast in February 1986 as shown in the following table. Growth in real GNP fell short of the growth projected by 1.8 percentage points in 1986 and 0.2 percentage points in 1987. Inflation, as measured by both the GNP deflator and the Consumer Price Index, was lower than projected for 1986. For 1987, the GNP deflator was lower than projected, but the CPI was higher. The total unemployment rate was 0.2 percentage points higher than anticipated in 1986 but 0.4 percentage points lower for 1987. Interest rates, as measured by the 91-day Treasury bill rate, were 1.3 percentage points lower than projected in 1986 and 0.7 percentage points lower in 1987.

COMPARISON OF FEBRUARY 1986 ECONOMIC FORECAST AND ACTUAL ECONOMIC PERFORMANCE
(Calendar years)

	February 1986 estimate		Actual		Difference	
	1986	1987	1986	1987	1986	1987
Percent change:						
GNP (constant dollars): 4th quarter over 4th quarter.....	4.0	4.0	2.2	3.8	-1.8	-0.2
Inflation (4th quarter over 4th quarter):						
GNP deflator.....	3.8	4.1	2.2	3.3	-1.6	-0.8
Consumer Price Index (CPI).....	3.7	4.1	0.9	4.6	-2.8	0.5
Total unemployment rate (annual average).....	6.7	6.5	6.9	6.1	0.2	-0.4
Interest rate (91-day bills, annual average).....	7.3	6.5	6.0	5.8	-1.3	-0.7

The difference between the economic forecast and economic performance resulted in a net outlay decrease of \$14.3 billion for 1987. Most of this estimate, \$12.7 billion, was revised in the forecast in the 1987 Mid-Session Review in August 1986, before fiscal year 1987 began. The revised economic forecast at that time projected outlays that differed for economic reasons from the final outcome by about \$1.6 billion. Estimates of the major components of the \$14.3 billion decrease are shown in the following table. Although the total unemployment rate was slightly lower than forecast for the fiscal year, weekly benefit amounts were higher than expected, which increased unemployment compensation outlays by \$0.5 billion. Lower inflation reduced outlays by \$5.9 billion primarily due to social security. Outlays decreased by \$11.4 billion due to interest differences. Net interest outlays decreased \$12.3 billion due to lower interest rates. This was offset to a small extent by increases in borrowing requirements due to economic conditions, because the

**EFFECT OF DIFFERENCES BETWEEN ESTIMATED AND ACTUAL ECONOMIC CONDITIONS ON 1987
OUTLAYS**

(In billions of dollars)

	<i>Difference</i>
Unemployment assumptions (unemployment compensation)	0.5
Price differences:	
Cost of living adjustments:	
Social security	-4.8
Other	-0.4
Medical prices:	
Medicare and medicaid	-1.1
Other changes	0.4
Subtotal, price differences	-5.9
Interest differences:	
Net interest:	
Interest rates	-12.3
Differences in borrowing ¹	1.3
Other	-0.4
Subtotal, interest differences	-11.4
Offsetting receipts from the Outer Continental Shelf	2.5
Total	-14.3

¹ Includes only the effect of differences in borrowing associated with differences in economic conditions for receipts and outlays.

differences in economic conditions reduced receipts by more than they reduced outlays.

Estimating differences and other changes account for a net \$5.8 billion increase in 1987 outlays. A decrease of \$8.5 billion for non-defense discretionary programs was more than offset by increases for national defense (\$6.7 billion) and mandatory programs (\$7.2 billion). (Mandatory programs are mostly formula benefit programs not normally controlled by annual appropriations.) The largest mandatory program increases were for the Federal Savings and Loan Insurance Corporation Fund (\$4.3 billion), medicare and medicaid (\$3.3 billion), and farm price support programs (\$0.6 billion). In addition, an increase of \$0.7 billion is the result of removing the receipts and disbursements of the Thrift Savings Fund from the budget and placing them in a non-budgetary status. These funds are owned by the individuals who contribute to the fund, not by the Federal Government.

Comparison of the Deficit.—The preceding two sections discuss the differences between the February 1986 budget estimates and the actual amounts of Federal Government receipts and outlays in 1987. This section summarizes the net impact of these differences on the deficit.

The deficit for 1987 was originally estimated to be \$143.6 billion; the actual deficit was \$150.4 billion, a \$6.8 billion increase. The following table shows the approximate distribution of this differ-

ence according to three categories: (1) policy; (2) economic conditions that were different from the original forecast; and (3) estimating and other technical differences. Each category is subdivided to show the impact of receipts compared to outlays. An increase in outlays is shown as negative because it increases the deficit, while an increase in receipts is shown as positive because it reduces the deficit.

SUMMARY OF REASONS FOR CHANGES IN THE 1987 DEFICIT

(In billions of dollars)

	Total
February 1986 estimate of the 1987 deficit.....	-143.6
Changes:	
Policy:	
Receipts increase.....	21.4
Outlay increase.....	-19.0
Subtotal, decrease in deficit due to policy.....	2.4
Economic conditions:	
Receipts decrease.....	-30.6
Outlay decrease.....	14.3
Subtotal, increase in deficit due to economic conditions.....	-16.3
Estimating and other differences:	
Receipts increase.....	12.9
Outlay increase.....	-5.8
Subtotal, decrease in deficit due to estimating and other differences.....	7.1
Total, net increase in deficit.....	-6.8
Actual deficit.....	-150.4
Recapitulation:	
February 1986 estimate of 1987 deficit.....	-143.6
Net effect of higher receipts.....	3.8
Net effect of higher outlays.....	-10.6
Actual 1987 deficit.....	-150.4

Note: Outlay increases and receipt decreases are shown as negative because they increase the deficit.

The actual deficit was quite close to the initial estimate due to relatively small net increases in both receipts and outlays. These net increases, however, were the result of relatively large offsetting changes for policy, economic, and other reasons.

Policy changes decreased the deficit by \$2.4 billion. Receipts increased \$21.4 billion, mostly due to enactment of the Tax Reform Act of 1986, and outlays increased \$19.0 billion. Tax reform was part of Administration policy, but estimates were not reflected in the 1987 budget. Changes in economic conditions account for a \$16.3 billion increase in the deficit, largely due to a loss of receipts of \$30.6 billion because of lower than expected incomes. This was only partially offset by a decrease in outlays, largely due to lower interest rates and inflation than originally projected. Estimating

and other differences decreased the actual deficit \$7.1 billion from the original estimate.

COMPARISON OF THE ACTUAL AND ESTIMATED RELATIVELY UNCONTROLLABLE OUTLAYS FOR 1987

Outlays in any one year are considered to be relatively uncontrollable when the program level is determined by existing statutes or by contracts or other obligations. Outlays for these programs generally depend on factors that are beyond administrative control under existing law at the start of the fiscal year. For example, the criteria making people eligible for programs like medicaid and civil service retirement is established by law. Prior-year contracts and obligations are also legally binding.

Relatively uncontrollable outlays are grouped into two major categories: (1) open-ended programs and fixed costs, for which outlays are generally mandated by law; and (2) payments from prior-year contracts and obligations, for which outlays are required because of previous action, such as entering into contracts. Estimates of relatively uncontrollable outlays are for outlays mandated under existing law (i.e., they exclude any effect of proposed legislation on the programs).

A number of factors may cause differences between the amounts estimated in the budget and the actual outlays. For example, legislation may change benefit rates or coverage; the actual number of beneficiaries may differ from the number estimated; and economic conditions (such as interest rates) may differ from what was assumed in making the estimates.

The following table shows the differences between actual outlays for relatively uncontrollable programs in 1987 and the amounts originally estimated in the 1987 budget in February 1986. The list of programs is the same as in Table 16 (Controllability of Outlays) in Part 6g of this volume. Actual outlays for relatively uncontrollable programs in 1987 were \$769.3 billion, which is \$5.9 billion or 0.8 percent more than the initial estimate of \$763.4 billion based on existing law in February 1986. Outlays for open-ended programs and fixed costs were \$5.6 billion more than the initial estimate, and outlays from prior-year contracts and obligations were \$0.3 billion more than the initial estimate.

Payments for individuals, which are essentially income transfers, were 72 percent of all open-ended programs and fixed costs in 1987. Actual outlays for these payments were \$0.8 billion higher than originally estimated. This increase was the net effect of legislative action, differences between actual and assumed economic conditions, differences between the anticipated and actual number of beneficiaries, and other technical differences.

RELATIVELY UNCONTROLLABLE OUTLAYS FOR 1987

(In billions of dollars)

Relatively uncontrollable under present law	February 1986 estimate (existing law)	Actual	Change
Open-ended programs and fixed costs:			
Payments for individuals:			
Social security and railroad retirement.....	213.1	208.6	-4.4
Federal employees' retirement and insurance.....	55.2	55.2	—*
(Military retired pay).....	(18.5)	(18.1)	(-0.4)
(Other).....	(36.7)	(37.1)	(0.4)
Unemployment compensation.....	15.3	15.7	0.3
Medical care.....	102.5	105.9	3.4
Assistance to students.....	4.4	3.7	-0.8
Food and nutrition assistance.....	4.2	4.1	-0.1
Public assistance and related programs.....	23.1	25.7	2.6
Other.....	3.1	2.9	-0.2
Subtotal, payments for individuals.....	420.9	421.7	0.8
Other open-ended programs and fixed costs:			
Net interest.....	147.3	138.6	-8.7
Farm price supports (CCC).....	16.3	22.4	6.1
Other.....	-6.2	1.4	7.5
Subtotal, other open-ended programs and fixed costs.....	157.5	162.3	4.9
Total, open-ended programs and fixed costs.....	578.4	584.0	5.6
Outlays from prior-year contracts and obligations:			
National defense.....	106.7	112.7	6.0
Nondefense.....	78.3	72.5	-5.8
Total, outlays from prior-year contracts and obligations.....	185.0	185.3	0.3
Total, relatively uncontrollable outlays.....	763.4	769.3	5.9

*\$50 million or less.

Outlays for social security and railroad retirement, the largest category of payments for individuals, were \$4.4 billion lower than estimated, primarily because of smaller cost of living adjustments as a result of lower inflation.

Federal employees' retirement and disability insurance programs consist of military retirement, civilian employee retirement and disability, and veterans service-connected compensation. Except for the latter, these benefits are automatically indexed to the consumer price index. Total outlays were about the same as the budget estimate of outlays under existing law.

Outlays for unemployment compensation programs were \$0.3 billion above the initial estimate. This increase was largely the result of higher weekly benefit amounts than had been estimated.

Outlays for medical care were \$3.4 billion higher than originally estimated. This category includes medicare and medicaid. Savings enacted for medicare were more than offset by higher outlays as a result of increased utilization of services and higher medical costs.

Assistance to students consists of GI bill benefits and the guaranteed student loan program. Outlays for these programs were \$0.8 billion below the original estimate, in part due to lower than expected interest rates for the guaranteed student loan program.

Food and nutrition assistance includes the child nutrition and special milk programs. Outlays for these programs were about the same as originally estimated.

Public assistance and related programs include family support payments, supplemental security income, outlays for earned income tax credits, and veterans non-service-connected pensions. Outlays for these programs were \$2.6 billion above the estimate. Most of this increase was in family support payments to States, which was a result of higher than estimated State caseload and average benefit levels.

Relatively uncontrollable outlays for all other payments for individuals were not significantly different than originally estimated.

Open-ended programs and fixed costs other than payments for individuals were \$162.3 billion or 28 percent of all open-ended programs and fixed costs in 1987. Outlays for net interest were \$8.7 billion or 6 percent lower than the original estimate. This decrease is primarily the effect of lower than expected interest rates. The budget assumed a 6.8 percent interest rate on 91-day Treasury bills for fiscal year 1987 whereas the actual rate averaged 5.7 percent, more than a full percentage point lower.

Outlays for farm price supports (Commodity Credit Corporation) were \$6.1 billion above the initial current law estimate. This was due to higher production, and increased farmer participation. The remaining category increased \$7.5 billion from the original estimate largely due to increased payments by the Federal Savings and Loan Insurance Corporation to assist troubled savings and loan institutions.

Outlays for prior-year contracts and obligations were \$0.3 billion above the initial estimate. Outlays for nondefense programs were \$5.8 billion lower than the initial estimate, and outlays for defense programs were \$6.0 billion higher.

ALLOCATION OF WINDFALL PROFIT TAX RECEIPTS

Section 102 of the Crude Oil Windfall Profit Tax Act of 1980 requires that each year the President propose the allocation of net receipts from the tax in his budget. In view of the recent decline in oil prices, it is now expected that the net receipts from the Windfall Profit Tax will be zero for 1989.

PART 6e

THE BUDGET SYSTEM AND CONCEPTS

The budget system of the U.S. Government provides the framework within which decisions on resource allocation and program management are made in relation to the requirements of the Nation, availability of Federal resources, effective financial control, and accountability for use of the resources.

THE BUDGET PROCESS

The budget process has three main phases: (1) executive formulation and transmittal; (2) congressional action; and (3) budget execution and control. Each of these is interrelated with the others.

Executive Formulation and Transmittal.—The budget sets forth the President's financial plan and indicates his priorities for the Federal Government. The primary focus of the budget is on the budget year—the next fiscal year for which the Congress needs to make appropriations. However, the budget is developed in the context of a multi-year budget planning system that includes coverage of the four years following the budget year in order to integrate long-range planning into the executive budget process. The system requires that broad fiscal goals and agency spending and employment targets be established beyond the budget year.

The President transmits his budget to the Congress early in each calendar year, eight to nine months before the budget fiscal year begins on October first. The process of formulating the budget begins not later than the spring of each year, at least nine months before the budget is transmitted and at least eighteen months before the budget fiscal year begins. For the 1989 budget, which is being transmitted to the Congress in February of 1988, the process began in the spring of 1987.

During the formulation of the budget, there is a continual exchange of information, proposals, evaluations, and policy decisions among the President, the Office of Management and Budget (OMB), other Executive Office units, and the various Government agencies. Decisions concerning the upcoming budget are influenced by the results of previously enacted budgets, including the one being executed by the agencies, and reactions to the last proposed budget, which is being considered by the Congress. Decisions are

influenced also by projections of the economic outlook that are prepared jointly by the Council of Economic Advisers, OMB, and the Treasury.

The President establishes general budget and fiscal policy guidelines. Based on his decisions, OMB issues general policy directions and planning ceilings to the agencies, both for the budget year and for the following four years, to guide the preparation of their budget requests.

Agency budget requests are submitted in September to OMB, where they are reviewed in detail, and decisions are made. These decisions may be revised as a result of Presidential review. Fiscal policy issues, which affect outlays and receipts, are reexamined. The effect of budget decisions on receipts, budget authority, and outlays in the years that follow are also considered and are explicitly taken into account, in the form of multi-year budget planning estimates. Thus, the budget formulation process involves the simultaneous consideration of the resource needs of individual programs, the total outlays and receipts that are appropriate in relation to current and prospective economic conditions, and the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177).¹

The Congressional Budget Act of 1974, as amended, requires that current services estimates be transmitted to the Congress with the budget to provide a basis for reviewing the President's budget recommendations.² The current services estimates of budget authority and outlays are those amounts required to continue Federal programs and activities without policy changes from the fiscal year in progress. Current services estimates of receipts generally assume that tax changes will occur as scheduled under current law.

Congressional Action.—The Congress can act to approve, modify, or disapprove the President's budget proposals. It can change funding levels, eliminate programs, or add programs not requested by the President. It can enact legislation affecting taxes and other sources of receipts.

Prior to making appropriations, the Congress usually enacts legislation that authorizes an agency to carry out a particular program and, in some cases, includes limits on the amount that can be appropriated for the program. Some programs require annual authorizing legislation. Others are authorized for a specified number of years or indefinitely.

In making appropriations, the Congress does not vote on the level of outlays directly, but rather on *budget authority* or other authority to incur obligations that will result in immediate or

¹ These requirements are discussed further under "Deficit reduction," which appears later in this part.

² See Special Analysis A, "Baseline Estimates," in *Special Analyses, Budget of the United States Government, Fiscal Year 1989*.

future outlays. For most programs, budget authority becomes available each year only as voted by the Congress in appropriations acts. However, in many cases the Congress has voted permanent budget authority, under which funds become available annually without further Congressional action. Many trust fund appropriations are permanent, as are a number of Federal fund appropriations, such as the appropriation to pay interest on the public debt. Some obligational authority takes forms other than budget authority, and such obligational authority usually becomes available for obligation without further Congressional action. In terms of dollars, more obligational authority becomes available each year under permanent appropriations than is provided by current actions of the Congress. The outlays from permanent appropriations, together with the outlays from obligations incurred in prior years from both permanent and current authority, comprise most of the outlay total for any year in the budget. Therefore, most outlays in any year are not controlled through appropriations actions in that year. Types of budget authority, other budgetary resources, their control by the Congress, and the relation of outlays to budget authority are discussed in more detail in sections that appear later in this part.

Congressional review of the budget begins when the President transmits his budget estimates to the Congress. Under standing law, the budget is required to be transmitted on or before the first Monday after January third of each year. However, in years when Congress has been late in completing action on the previous budget, the leadership of the Congress has agreed to a delayed transmittal of the next budget. That is the case this year.

Under the procedures established by the Congressional Budget Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, the Congress considers budget totals before completing action on individual appropriations. The Act requires each standing committee of the Congress to report on budget estimates to the House and Senate Budget Committees by February 25. The Congress adopts a concurrent budget resolution as a guide in its subsequent consideration of appropriations and receipt measures. It is not in order for either House to consider a resolution that includes a budget deficit that is greater than the maximum deficit specified in the Act for the budget year. In 1989, the maximum deficit is \$136 billion. The budget resolution, which is scheduled to be adopted by April 15, sets targets for total receipts and for budget authority and outlays, in total and by functional category. The resolution also sets targets for direct loan obligations and guaranteed loan commitments.

Congressional budget resolutions do not require Presidential approval. Frequently, however, there is informal consultation be-

tween the congressional leadership and the Administration, because legislation developed to attain congressional budget targets must be sent to the President for his approval. In recent years, the Congress has enacted omnibus reconciliation legislation that reduced budget authority and outlays or increased receipts in response to directives in the concurrent budget resolution. The Omnibus Budget Reconciliation Act of 1987 (Public Law 100-203) included limits for 1988 and 1989 on levels of new budget authority and outlays for defense programs and on the aggregate levels of non-defense discretionary spending (i.e., spending generally controlled by annual appropriations). These levels resulted from bipartisan budget negotiations between the President and the Congress in December 1987.

Congressional consideration of requests for appropriations and changes in revenue laws occurs first in the House of Representatives. The Appropriations Committee through its subcommittees, studies the requests for appropriations and examines in detail each agency's performance. The Ways and Means Committee reviews proposed revenue measures. Each committee then recommends the action to be taken by the House of Representatives. After passage of the budget resolution, a point of order can be raised to block consideration of bills that would cause a committee's targets, as set by the resolution, to be breached.

When the appropriations and tax bills are approved by the House, they are forwarded to the Senate, where a similar review follows. In case of disagreement between the two Houses of the Congress, a conference committee (consisting of Members of both bodies) meets to resolve the differences. The report of the conference committee is returned to both Houses for approval. When the measure is agreed to, first in the House and then in the Senate, it is ready to be transmitted to the President as an enrolled bill, for his approval or veto.

When action on appropriations is not completed by the beginning of the fiscal year, the Congress enacts a *continuing resolution* to provide authority for the affected agencies to continue financing operations up to a specified date or until their regular appropriations are enacted. The Congress did not complete action on any of the thirteen regular appropriations bills for 1988. After several short-term continuing resolutions, a full-year continuing resolution—in effect, an omnibus appropriations bill—was enacted on December 22, 1987 (Public Law 100-202).

Deficit Reduction.—The Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as the Gramm-Rudman-Hollings Act), as amended in 1987, calls for a balanced Federal budget by 1993. It sets declining deficit targets for each fiscal year and specifies a procedure designed to achieve these targets. In 1989,

the target is \$136 billion. According to the Act, the President's budget must propose receipts and outlays consistent with the deficit target for the budget year, and the budget must include estimates of total receipts, total outlays, the deficit, and other aggregate-level estimates using the same budget baseline rules that are specified for other reports required under the Act. Then, Congressional action on the budget is supposed to ensure that the deficit target for that year will be met. If the target is not met, the Act specifies a process to sequester budgetary resources to reduce outlays by the amount required to meet the specified target for the year ahead. The deficit reduction required in 1989, if the target is not met, is limited by the Act to \$36 billion.

On August 25 of each year, the Director of the Office of Management and Budget (OMB) submits a report to the President and the Congress estimating the deficit for the upcoming fiscal year and the amount of net deficit reduction that has resulted from laws enacted and regulations promulgated. On October 15 he submits a revised report, which reflects the effects on the deficit of any legislation enacted or regulations promulgated since August 25. If his estimates show that the projected deficit exceeds the specified target by more than \$10 billion (zero in 1993) and that the requisite amount of net deficit reduction has not been achieved through laws and regulations, he must calculate the across-the-board reductions required to eliminate the deficit excess. The Act specifies rules for determining uniform percentage reductions for most programs subject to reduction and special rules for certain programs subject to reduction. Many programs are exempt from reduction. The Director of OMB must explain, in his initial and revised reports, any significant differences between his estimates and the estimates provided to him and the Congress in initial and revised reports by the Director of the Congressional Budget Office.

The reports by the Director of OMB become the basis for the initial and final sequester orders issued by the President. The President's orders may not change any of the particulars in the Director's reports.

Following these procedures, the President issued a final sequester order for 1988 on November 20, 1987 (the date specified for that year). The order specified reductions in budgetary resources sufficient to reduce outlays by \$23 billion (the reduction required for that year). However, the Omnibus Budget Reconciliation Act of 1987 reversed the order and restored sequestered resources, because spending reductions for 1988 that were included in that Act and in the continuing resolution for 1988 met the requirements for deficit reduction.

Budget Execution and Control.—Once approved, the President's budget, as modified by the Congress and reduced by sequestration,

if necessary, becomes the basis for the financial plan for the operations of each agency during the fiscal year. Under the law, most budget authority and other budgetary resources are made available to the agencies of the executive branch through an apportionment system. The Director of OMB apportions (distributes) appropriations and other budgetary resources to each agency by time periods and by activities, in order to ensure the effective use of available resources and to preclude the need for additional appropriations.

Changes in laws or other factors may indicate the need for additional appropriations during the year, and supplemental requests may have to be sent to the Congress. On the other hand, amounts appropriated may be withheld temporarily from obligation under certain, limited circumstances to provide for contingencies, or to achieve savings made possible by or through changes in requirements or greater efficiency of operations, or as specifically provided in law. The Impoundment Control Act of 1974 provides that the executive branch, in regulating the rate of spending, must report to the Congress any deferrals or proposed rescissions³ of budget authority; that is, any effort through administrative action to postpone or eliminate spending provided by law. Deferrals, which are temporary withholdings of budget authority, may be overturned by an act of the Congress at any time. Rescissions, which permanently cancel budget authority, must be passed by the Congress within 45 days of continuous session. Otherwise, the withheld funds must be made available for spending.

COVERAGE OF THE BUDGET TOTALS

Agencies and Programs.—The budget documents provide information on all agencies and programs, including trust funds and Government corporations. The total receipts and outlays of the Federal Government are composed of both on-budget receipts and outlays and off-budget receipts and outlays. The receipts and outlays of social security (the Federal Old-Age and Survivors Insurance and the Federal Disability Insurance trust funds) are excluded from the on-budget totals by the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177). The outlays and receipts of these trust funds are included in calculating the deficit targets specified in the Act. The off-budget transactions are shown in a separate chapter of the *Appendix*, entitled "Department of Health and Human Services, Social Security" and are separately identified elsewhere in the budget documents. The on-budget and off-budget amounts are added together to derive totals for the Federal Government.

³ These actions are discussed further under "Budgetary resources" which appears later in this part.

Neither the on-budget nor the off-budget totals include transactions of private, Government-sponsored enterprises, such as the Federal land banks and Federal home loan banks. However, because of their relationship to the Government, these enterprises are discussed in several parts of the budget.⁴

A presentation for the Board of Governors of the Federal Reserve System is included in Part IV of the *Appendix*. Those amounts are presented for information only (they are not included in either the on-budget or off-budget totals) because of the independent status of the System.

Neither the on-budget nor the off-budget totals include the receipts and disbursements of the Thrift Savings Fund established under the Federal Employees' Retirement System Act of 1986. The monies in the Fund are owned by the individuals who contribute them and are managed in a purely fiduciary capacity by the Federal Retirement Thrift Investment Board. The administrative expenses of the Board, an independent agency of the Federal Government, are included in on-budget outlays, and the reimbursements from the Fund to the Board to finance its administrative expenses are included in the budget totals as offsetting receipts. In the 1988 budget, all of the receipts and disbursements of the Fund were included in the on-budget totals. The status of the Fund was changed beginning with this budget upon further consideration of the fiduciary nature of the Fund.⁵

Functional Classification.⁶—The functional classification arrays budget authority, outlays, and other budget data according to the major purpose served—e.g., agriculture. There are nineteen major functions, most of which are divided into subfunctions. For example, the *Agriculture* function is divided into *Farm income stabilization* and *Agricultural and research services*. In accordance with the Congressional Budget Act of 1974, as amended, the Congressional budget resolution establishes budget targets using these functional categories.

The following criteria are used in the establishment of functional categories and the assignment of activities to them:

- A function comprises activities with similar purposes addressing an important national need. The emphasis is on what the Federal Government seeks to accomplish rather than the means of accomplishment, the objects purchased, or the clientele or geographic area served.

⁴ See Part 6b, "Federal Credit," in this volume; Special Analysis E, "Borrowing and Debt;" Special Analysis F, "Federal Credit Programs;" Part IV, "Government Sponsored Enterprises," in the *Appendix, Budget of the United States Government, Fiscal Year 1989*.

⁵ Special Analysis E, "Borrowing and Debt," discusses the reasons for this change in detail.

⁶ Part 5, "Federal Programs by Function," in this volume discusses the budget by function.

- A function must be of continuing national importance, and the amounts attributable to it must be significant.
- Each basic unit being classified (generally the appropriation or fund account) usually is classified according to its predominant purpose and assigned to only one subfunction. However, some large accounts that serve more than one major purpose are subdivided into two or more subfunctions.
- Activities and programs are normally classified according to their primary purpose (or function) regardless of which agencies conduct the activities.

National Needs Presentation.—Section 601 of the Congressional Budget Act of 1974 requires that the budget for each fiscal year shall contain a presentation of budget authority, proposed budget authority, outlays, proposed outlays, and descriptive information in terms of—

- (1) a detailed structure of national needs, which shall be used to reference all agency missions and programs;
- (2) agency missions; and
- (3) basic programs.

To meet that requirement of law, each major function is described in Part 5 of this volume in the context of the national needs being served, and subfunctions are described in the context of the major missions devoted to serving national needs. Part 5 also meets the budget presentation requirements of the Full Employment and Balanced Growth Act of 1978.

Types of Funds.—Agency activities are financed through Federal funds and trust funds.

Federal funds are of several types. The *general fund* is credited with receipts not earmarked by law for a specific purpose and with the proceeds of general borrowing. General fund appropriation accounts account for expenditures from the general fund. *Special funds* account for Federal receipts earmarked for specific purposes, other than for carrying out a cycle of operations, and the expenditure of those receipts. *Public enterprise (revolving) funds* finance a cycle of business-type operations in which outlays generate collections, primarily from the public, which are credited directly to the fund. *Intragovernmental funds*, including revolving and management funds, finance operations primarily within and between Government agencies and are credited with collections earmarked by law to carry out a cycle of business-type operations primarily within and between Government agencies.

Trust funds are established to account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designates the fund as a trust fund (e.g., the Highway Trust

Fund) or for carrying out the stipulations of a trust agreement (e.g., any of several trust funds for gifts and donations for specific purposes). These monies are not available for other purposes of the Government. *Trust revolving funds* are credited with collections earmarked by law to carry out a cycle of business-type operations.

There is little practical difference between a trust fund and a special fund or between a trust revolving fund and a public enterprise revolving fund.

Current Expenses and Capital Investment.—The budget includes spending for both current operating expenses and capital investment, such as the purchase of lands, structures, and equipment. It also includes capital investment in the form of lending and the purchase of other financial assets. Investment outlays are displayed in Part 6c of this volume, “Federal Capital Expenditures,” and in Special Analysis D, “Federal Investment and Operating Outlays.”

BUDGETARY RESOURCES AND RELATED TRANSACTIONS

Budgetary Resources.—Government agencies are permitted to enter into obligations requiring either immediate or future payment of money only when they have been granted authority to do so by law. This authority, which constitutes the budgetary resources available to an agency, is most commonly provided in the form of budget authority. In addition, collections specifically authorized to be credited to appropriation and fund accounts (e.g., repayments of loan principal), while not scored as budget authority, are also available for obligation. The use of budgetary resources may be restrained by the imposition of legally binding limitations on obligations, including obligations for direct loans.⁷

Budget authority and other budgetary resources permit *obligations* to be incurred. The amounts of budget authority requested are determined by the nature of the programs or projects being financed and the amounts of other resources available for the purpose.

For activities such as operation and maintenance, for which the cost depends upon the program level during the fiscal year, the amount of budget authority requested usually is the amount estimated to be needed to cover the obligations to be incurred during the year.

For most major procurement programs and construction projects, an amount adequate to complete the procurement or project generally is requested to be appropriated in the first year, even though it may be obligated over several years. This policy, sometimes re-

⁷ See “Limitations on the Availability of Funds,” in Part 6d of this volume.

ferred to as "full funding," is intended to avoid piecemeal funding of programs and projects that cannot be used until they have been completed.

Budget authority usually takes the form of *appropriations*, which permit obligations to be incurred and payments to be made. However, some budget authority is in the form of *contract authority*, which permits obligations in advance of appropriations but requires a subsequent appropriation or the collection of receipts to liquidate (pay) these obligations. Another form of budget authority is *authority to borrow*, which permits obligations to be incurred but requires that funds be borrowed, generally from the Treasury, to liquidate these obligations.

With certain exceptions, it is not in order for either House of the Congress to consider any bill that provides new borrowing or contract authority unless that bill also provides that such new spending authority will be effective only to the extent or in such amounts as provided in appropriations acts.

Appropriations are available for obligation only during the fiscal year for which they are enacted, unless the appropriation language specifies that an appropriation is available for a longer period. Typically, appropriations for current operations are made available for obligation in only one year. Some appropriations are made available for a specified number of years. Others, including most of those for construction, some for research, and many for trust funds, are made available for obligation until the amount appropriated has been expended or until the program objectives have been attained.

Usually the Congress makes budget authority available on the first day of the fiscal year for which the appropriation act is passed. Occasionally, the appropriations language specifies a different timing. The language may provide an *advance appropriation*—one made to become available one year or more beyond the fiscal year for which the appropriations act is passed.⁸ To meet the special timing requirements of many education programs, the appropriations for them provide for *forward funding*—budget authority that is made available for obligation beginning in the last quarter of the fiscal year for the financing of ongoing grant programs during the next fiscal year. For certain entitlement programs funded by annual appropriations, the appropriation provides for *advance funding*—budget authority that is to be charged to the appropriation in the succeeding year but which authorizes obligations to be incurred in the last quarter of the fiscal year if necessary to meet higher than anticipated benefit payments in excess of the specific amount appropriated for the year.

⁸ A list of advance appropriations included in this budget appears in Part III, "Other Materials," in the Appendix.

When budget authority is made available by the Congress for a specific period of time, any part that is not obligated during that period expires (lapses) and cannot be used later. Congressional actions that extend the availability of unobligated amounts that have expired or would otherwise expire are known as *reappropriations*. For this budget, in accordance with agreements reached between the Administration and the Congress in the 1988 budget process, reappropriations are counted as new budget authority in the fiscal year in which the balances become newly available.

A *rescission* is a legislative action that cancels new budget authority or the availability of unobligated balances of budget authority prior to the time the authority would otherwise have expired. In this budget, in accordance with the agreements mentioned previously, rescissions of both new budget authority and unobligated balances of budget authority are recorded as decreases to new budget authority for that year. Accordingly, it is possible that some accounts show negative budget authority because an amount of unobligated balances was rescinded that was greater than the amount of new budget authority made available. Proposed rescissions, if any, usually are identified in separate schedules in Part II of the *Appendix*. A *deferral* is an executive branch action or inaction permitted in limited situations (such as, the establishment of reserves under the Antideficiency Act) that delays the obligation and expenditure of funds within the year that the action is taken. Deferrals are not separately identified in the budget.⁹

Budget authority is classified and labeled in the budget as *current* or *permanent*. Budget authority is current if it is provided in legislation enacted during or for the fiscal year in which it becomes available. Budget authority is permanent if it becomes available in a fiscal year pursuant to legislation that was enacted in a previous year. Accordingly, current budget authority usually is provided in an appropriations act each year, and permanent budget authority usually is provided by standing authorizing legislation. However, advance appropriations of budget authority are classified as permanent, even though they are provided in annual appropriations acts, because they become available a year or more following the year to which the act pertains; and budget authority that is provided by authorizing legislation is classified as current in the year such legislation is enacted and as permanent thereafter. Though not recorded as budget authority, offsetting collections credited to appropriation and revolving fund accounts provide permanent authority to incur obligations.

Obligations and outlays resulting from permanent budget authority and from offsetting collections credited to appropriation and

⁹ Rescissions and deferrals are discussed further in this part under the previous section, "Budget Execution and Control."

revolving fund accounts comprise more than half of the budget totals. Put another way, less than half of the obligations and outlays from them result from current action by the Congress. Most permanent budget authority represents the authority to spend trust fund receipts and the authority to pay interest on the public debt. Most obligations and outlays from offsetting collections occur in public enterprise revolving funds.¹⁰

Budget authority is classified and labeled in the budget as *definite* or *indefinite*. Budget authority is definite if the legislation that provides it specifies an amount or an amount not to be exceeded. Budget authority is indefinite if the legislation providing it permits the amount to be determined by subsequent circumstances. Examples of indefinite authority are authority to borrow that is limited only to the amount of debt that may be outstanding at any time, the appropriation for interest on the public debt, and the trust fund appropriation equal to receipts under the Federal Insurance Contributions Act (social security). Indefinite budget authority is presented as the amount of receipts collected or estimated to be collected each year in the case of many special and trust funds, and as the amount needed to finance obligations incurred or estimated to be incurred in the case of certain appropriations, contract authority, and authority to borrow.

Obligations Incurred.—Following the enactment of budget authority and the completion of required apportionment action, Government agencies incur obligations. Such obligations include: the current liabilities for salaries, wages, and interest; agreements to make loans; contracts for the purchase of supplies and equipment, construction, and the acquisition of office space, buildings, and land; and other arrangements requiring the payment of money.

Outlays.—When obligations are liquidated (paid), *outlays* are recorded. Outlays usually are in the form of checks, cash, or electronic fund transfers. Obligations also may be liquidated (and outlays recorded) by the accrual of interest on public issues of Treasury debt securities (including an increase in the redemption value of bonds outstanding); or by the issuance of bonds, debentures, notes, or monetary credits.¹¹ Refunds of collections¹² are treated as reductions of collections, rather than as outlays. Payments for earned income tax credits in excess of tax liabilities are treated as outlays rather than as a reduction to receipts. Outlays during a fiscal year may be for the payment of obligations incurred in prior years or in the same year. Outlays, therefore, flow in part from unexpended balances of prior year budget authority and in part from budget

¹⁰ See "Relationship of Budget Authority to outlays," in Part 6d of this volume.

¹¹ See Special Analysis E, "Borrowing and Debt," for further discussion of the use of such instruments.

¹² This term is discussed under "Collections," which appears later in this part.

authority provided for the year in which the money is spent.¹³ Total outlays for the Federal Government include both on-budget and off-budget outlays and are stated net of offsetting collections.

Balances of Authority.—Not all budget authority enacted for a fiscal year results in obligations and outlays in the same year. In the case of budget authority that is available for more than one year, the *unobligated balances* of budget authority that is still available may be carried forward for obligation in the following year. The *obligated* balance is that portion of the budget authority that has been obligated but not yet paid. For example, in the case of salaries and wages, 1 to 3 weeks elapse between the time of obligation and the time of payment. In the case of major procurement and construction, payment may occur over several years. Obligated balances of budget authority are carried forward until the obligations are subsequently paid.¹⁴ The ratio of the outlays resulting from budget authority enacted in any year to the amount of that budget authority is referred to as the *spendout rate*. Collections authorized to be credited directly to appropriations or fund accounts also may be carried forward as unobligated or obligated balances.

Therefore, a change in the amount of obligations incurred from one year to the next is not necessarily accompanied by an equal change in either the budget authority or the outlays of that same year. Conversely, a change in budget authority in any one year may cause changes in the level of obligations and outlays for several years.

Allocations Between Agencies.—In some cases, an agency may share in the administration of a program for which appropriations are made to another agency or to the President. This is made possible by the establishment of allocations from the “parent” account, that is, the account to which the appropriation was made. Obligations incurred under such allocations are included with the parent account in the Budget (without separate identification) and in the *Appendix* (where the total obligations of each participating agency are identified separately under each parent account).

FEDERAL CREDIT ACTIVITIES ¹⁵

In addition to the resource measures previously described, Government programs may be financed through federally supported credit in the form of direct loans or loan guarantees. These are

¹³ See “Relationship of Budget Authority to Outlays,” in Part 6d of this volume.

¹⁴ Additional information is provided in a separate report, “Balances of Budget Authority,” which is available from the National Technical Information Service, Department of Commerce, shortly after the budget is transmitted.

¹⁵ Part 6b, “Federal Credit,” in this volume and Special Analysis F, “Federal Credit Programs,” discuss this subject in detail.

included in the budget as obligations for direct loans and commitments for guaranteed loans. *Obligations for direct loans* result from agreements requiring the Government to make a loan immediately or at some future time. *Commitments for guaranteed loans* result from agreements entered into by the Government to guarantee the repayment of principal and/or interest on loans made by non-Federal lenders. Since loan guarantees, unlike direct loans, do not require obligational authority and, by themselves, do not require Federal disbursements, the amounts are not included in the President's budget totals. They create Government liabilities of a contingent nature that result in obligations and outlays *only* in the event of borrower default. The Administration has proposed a fundamental change in the way credit programs are financed. This proposal is described in Part 6b of this volume.

COLLECTIONS

In General.—Money collected by the Government is classified in two major categories:

- *Governmental receipts*, which are compared to outlays in calculating the surplus or deficit.¹⁶
- *Offsetting collections*, which are deducted from gross disbursements in calculating outlays.

Governmental Receipts.—These are collections from the public that result from the exercise of the Government's sovereign or governmental powers. Governmental receipts consist primarily of tax receipts (including social insurance taxes), but also include compulsory user charges, receipts from customs duties, court fines, certain licenses, and deposits of earnings by the Federal Reserve System. Gifts and contributions (as distinguished from payments for services or cost-sharing deposits by State and local governments) are also counted as governmental receipts. Total receipts for the Federal Government include both on-budget and off-budget receipts.

Offsetting Collections.—These are amounts received from the public that result from business-like or market-oriented activities (e.g., the sale of a product or service) or other Government accounts. They are classified into two major categories: *offsetting collections credited to appropriations or fund accounts* and *offsetting receipts* (that is, collections deposited in receipt accounts). The offset is applied differently for each type.

Offsetting Collections Credited to Appropriation or Fund Accounts.—For all revolving funds and some appropriation accounts,

¹⁶ Part 4, "Federal Receipts by Source," of this volume discusses governmental receipts in more detail.

laws authorize collections to be credited directly to expenditure accounts and, usually, make them available to spend for the purpose of the account without further action by the Congress. However, it is not unusual for the Congress to enact limitations in annual appropriations acts on the obligations that can be financed by these collections. The outlays of the appropriation or fund account are quantified as disbursements less offsetting collections.

Offsetting Receipts.—These are offsetting collections credited to general fund, special fund, or trust fund receipt accounts. They are deducted from budget authority and outlays in arriving at total budget authority and outlays. In most cases, such deductions are made at the subfunction and agency levels. Offsetting receipts are subdivided into two categories, as follows:

- **Proprietary receipts from the public.**—These are collections from the public, deposited in receipt accounts of the general fund, special funds, or trust funds, that arise out of the business-type or market-oriented activities of the Government. Collections from rents and royalties from Outer Continental Shelf (OCS) lands are deducted from total budget authority and outlays for the Government as a whole rather than from any single agency or subfunction. The large-scale receipts from the proposed sale of major assets also are shown as undistributed deductions from total budget authority and outlays.
- **Intragovernmental transactions.**—These are payments into receipt accounts from governmental appropriation or fund accounts. In most cases, intragovernmental transactions are deducted from both the outlays and the budget authority of the subfunction and the agency receiving the payment. However, in two cases intragovernmental transactions appear as special deductions in computing total budget authority and outlays for the Government rather than offsets at the agency level—agencies' payments as employers into employee retirement trust funds and interest received by trust funds. There are several categories of intragovernmental transactions. *Intra-budgetary transactions* include all payments from on-budget expenditure accounts to on-budget receipt accounts. These are subdivided into three categories: (1) *interfund transactions*, where the payment is from one fund group (either Federal funds or trust funds) to a receipt account in the other fund group; (2) *Federal intrafund transactions*, where the payment and receipt both occur within the Federal fund group; and (3) *trust intrafund transactions*, where the payment and receipt both occur within the trust fund group. In addition, there are intragovernmental payments from on-budget accounts to off-

budget receipt accounts, and from off-budget accounts to on-budget receipt accounts.

OTHER TRANSACTIONS

Borrowing and Repayment.—Borrowing and debt repayment are not treated as receipts or outlays. If they were, the budget would be balanced by definition. This rule applies both to borrowing in the form of public debt securities and to specialized borrowing in the form of agency securities, including the issuance of debt securities to liquidate an obligation, and the sale of certificates representing participation in a pool of loans. Beginning in 1988, in cases where Federal loan assets are sold with recourse (i.e., cases where the Federal Government guarantees repayment of principal and interest on the loan assets in the event of default), the proceeds of the sale are treated as a means of financing other than borrowing.¹⁷

Exercise of Monetary Power.—Seigniorage is the profit from coining money. It is the difference between the value of coins as money and their cost of production. Seigniorage on coins arises from the exercise of the Government's monetary powers and differs from receipts coming from the public, since there is no corresponding payment by another party. Therefore, seigniorage is excluded from receipts and treated as a means of financing a deficit (or as a supplementary amount to be applied to reduce debt in a year with a surplus). The increment (profit) resulting from the sale of gold as a monetary asset also is treated as a means of financing, since the value of gold is determined by its value as a monetary asset rather than as a commodity.

Balances in Deposit Fund Accounts.—Certain accounts outside the budget, known as deposit funds, are established to record amounts held in suspense temporarily (for example, proceeds from mineral leases on the Outer Continental Shelf to which title is in dispute) or held by the Government as agent for others (for example, State and local income taxes withheld from Federal employees' salaries, and payroll deductions for the purchase of savings bonds by civilian employees of the Government). Changes in deposit fund uninvested balances affect Treasury's cash balances, even though the transactions are not a part of the budget. To the extent that deposit fund balances are not invested, changes in the balances are reflected as changes in the means of financing the deficit other than borrowing from the public.

¹⁷ See Special Analysis E, "Borrowing and Debt," for further discussion of this subject.

Exchange of Cash.—The Government's deposits with the International Monetary Fund are considered to be monetary assets. Therefore, the movement of money between the IMF and the Department of the Treasury is not considered in itself a receipt or an outlay, borrowing, or lending. However, interest paid by the IMF on those deposits is an offsetting collection. In a similar manner, the holdings of foreign currency by the Exchange Stabilization Fund are considered to be cash assets. Changes in these holdings are outlays only to the extent there is a realized loss of dollars on the exchange and are offsetting collections only to the extent there is a realized dollar profit.

BASIS FOR BUDGET FIGURES

In general.—Outlays usually are stated in terms of payments (in the form of checks, cash, and electronic fund transfers) net of offsetting collections received. When a cash-equivalent financial instrument is developed to use as a substitute for cash or checks, the monetary value of the instrument is normally counted as outlays in the budget in order to record the transaction in the same manner regardless of the means of effecting it. The accrual basis is used for interest on the public issues of Treasury debt securities. This treatment has special significance for the accounting of the anticipated issuance of zero-coupon bonds to Mexico, which will be sold at a deep discount from their face value. Interest on special issues of the debt securities held by trust funds and other Government accounts is stated on a cash basis normally. When a Government account invests in Federal debt securities, the purchase price is usually close to the par (face) value of the security. The budget records the investment at par value, and adjusts the interest paid by Treasury and collected by the account by the difference between purchase price and par. However, in the case of two trust funds in the Department of Defense, the Military Retirement Trust Fund and Education Benefits Trust Fund,¹⁸ the differences between purchase price and par are routinely relatively large. For these funds, the budget records the holdings of debt at par and records the differences between purchase price and par as adjustments to the assets of the funds that are amortized over the life of the security.¹⁹

Data for 1987.—The past year (1987) column of the budget generally presents the actual transactions and balances as recorded in agency accounts and as summarized in the central financial reports prepared by the Department of Treasury. Occasionally the budget reports corrections to data reported erroneously to Treasury but

¹⁸ See "Department of Defense—Civil" in Part I, "Detailed Budget Estimates," in the *Appendix*.

¹⁹ Special Analysis E, "Borrowing and Debt," discusses these and related matters in more detail.

not discovered in time to be reflected in Treasury's published data. The "Explanation of the Summary Tables" at the beginning of Part 6g in this volume notes the sources of major differences.

Data for 1988.—The current year (1988) column of the budget includes estimates of transactions and balances based on the amounts of budgetary resources that were available when the budget was transmitted, including amounts provided as appropriations for 1988, and that are expected to become available during the year. All of the 13 appropriations bills usually enacted as separate acts were enacted by inclusion in the continuing resolution for 1988 (Public Laws 100-202).

Where the word "enacted" is used with reference to 1988, the amount generally represents budget authority already voted by the Congress. In the case of indefinite appropriations, the enacted sums include the amounts likely to be required. Where the word "estimate" is used, the amounts include both enacted budget authority and requested supplementals and rescissions.

Data for 1989.—The budget year (1989) column of the budget includes estimates of transactions and balances based on the amounts of budgetary resources that are expected to be available, including amounts proposed to be appropriated. The budget generally includes the appropriations language for the amounts proposed to be appropriated.²⁰ Where the estimates represent amounts that will be requested under proposed legislation, the appropriation language usually is not included; it is transmitted later, usually after the legislation is enacted. In a few cases, proposed language for appropriations to be requested under existing legislation is transmitted later, because the exact requirements are not known at the time the budget is transmitted. In certain tables of the budget, the items for later transmittal and the related outlays are identified separately. Estimates of the total requirements for 1989 include both the amounts requested with the transmission of the budget and the amounts planned for later transmittal.

Data for 1990 through 1993.—To place emphasis on longer term objectives and plans consistent with the multi-year budget planning system, the budget presents estimates through 1993. These data often reflect specific Presidential policy determinations and are shown in a number of budget tables.

Allowances.—Lump-sum allowances are included in the tables to cover certain forms of budgetary transactions that are expected to result in increases or decreases in budget authority or outlays but

²⁰ See Part I, "Detailed Budget Estimates," in the *Appendix*.

are not reflected in the program details, such as civilian pay increases.²¹

Budget authority and outlays included in the allowance section are never appropriated as undistributed allowances, but rather indicate the estimated budget authority and outlays that may be requested for specific programs.

²¹ See Part 5, "Federal Programs by Function" in this volume for a further discussion of allowances.

PART 6f
FEDERAL PROGRAM BY AGENCY AND
ACCOUNT

EXPLANATORY NOTE

This tabulation contains information on budget authority (BA), outlays (O), and subfunctional code number(s) for each appropriation and fund account. Budget authority amounts reflect transfers of budget authority between appropriations. All budget authority items are definite appropriations except where otherwise indicated.

Rescissions of unobligated balances of prior year authority are recorded as reductions to budget authority. In past budgets such rescissions were recorded as adjustments to unobligated balances.

This budget reflects the Administration's credit reform proposal. The effects of the proposal are identified in this tabulation by the footnote "W" to distinguish it from other proposed legislation items.

Congressional action in the appropriation process occasionally takes the form of a limitation on the use of a trust fund or other fund, or of an appropriation to liquidate contract authority. Amounts for such items, which do not affect budget authority, are included here in parentheses and identified in the stub column, but are not included in the totals.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch				
Senate				
<i>Federal funds</i>				
General and Special Funds:				
Compensation of members, Senate 801				
Appropriation, permanent, indefinite.....	BA	9,776	10,800	11,676
Outlays.....	0	9,717	10,800	11,676
Mileage of the Vice President and Senators 801				
Appropriation, current.....	BA	60	60	60
Outlays.....	0	49	48	48
Expense allowances of the Vice President, President Pro Tempore, Majority and Minority Leaders and Majority and Minority Whips 801				
Appropriation, current.....	BA	73	56	56
Outlays.....	0	58	56	56
Representation allowances for the Majority and Minority Leaders 801				
Appropriation, current.....	BA	3	20	20
Outlays.....	0	.....	20	20
Salaries, officers and employees 801				
Appropriation, current.....	BA	188,814	196,197	81,189
Outlays.....	0	177,307	184,425	76,318
Payments to widows and heirs of deceased members of Congress 801				
Appropriation, current.....	BA	165	.....	.....
Outlays.....	0	165	.....	.....
Office of the Legislative Counsel of the Senate 801				
Appropriation, current.....	BA	1,561	1,764	2,265
Outlays.....	0	1,426	1,676	2,152
Expense allowances of the Secretary of the Senate, Sergeant at Arms, and Doorkeeper of the Senate and secretaries for the majority and for the minority of the Senate 801				
Appropriation, current.....	BA	12	12	12
Outlays.....	0	10	7	7
Office of Senate Legal Counsel 801				
Appropriation, current.....	BA	593	633	657
Outlays.....	0	444	475	493
Senate policy committees 801				
Appropriation, current.....	BA	2,081	2,203	2,203
Outlays.....	0	1,661	1,873	1,873
Inquiries and investigations 801				
Appropriation, current.....	BA	55,141	57,161	61,472
Outlays.....	0	49,972	54,303	58,398
Expenses of United States Senate Caucus on International Narcotics Control 801				
Appropriation, current.....	BA	325	325	325
Outlays.....	0	300	293	293
Miscellaneous items 801				
Appropriation, current.....	BA	13,165	10,183	6,111
Outlays.....	0	16,052	10,183	6,111
Senators' official personnel and office expense account 801				
Appropriation, current.....	BA	.....	.....	154,544
Outlays.....	0	.....	.....	149,289

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
Senate—Con.				
Secretary of the Senate	801			
Appropriation, current.....	BA	666	666	727
Outlays.....	0	543	661	675
Sergeant at Arms and Doorkeeper of the Senate	801			
Appropriation, current.....	BA	64,620	68,021	65,085
Outlays.....	0	54,267	61,219	58,576
Stationery (revolving fund)	801			
Appropriation, current.....	BA	13	13	13
Outlays.....	0	52	13	13
Congressional use of foreign currency, Senate	801			
Appropriation, permanent.....	BA	1,100	.....	.....
Outlays.....	0	1,044	.....	.....
Public Enterprise Funds:				
Recording studio (revolving fund)	801			
Outlays.....	0	55	.....	.....
Senate barber shops (revolving fund)	801			
Outlays.....	0	—6	.....	.....
Total Federal funds Senate	BA	338,168	348,114	386,415
	0	313,116	326,052	365,998

House of Representatives

Federal funds

General and Special Funds:

Compensation of Members and related administrative expenses	801			
Appropriation, permanent.....	BA	43,783	50,250	50,250
Outlays.....	0	41,835	50,250	50,250
Payments to widows and heirs of deceased members of Congress	801			
Appropriation, current.....	BA	303	90	.....
Outlays.....	0	303	90	.....
Mileage of Members	801			
Appropriation, current.....	BA	210	210	210
Outlays.....	0	105	105	105
Salaries and expenses	801			
Appropriation, current.....	BA	516,071	513,487	574,500
Outlays.....	0	449,193	483,705	541,179
Stationery (revolving fund)	801			
Outlays.....	0	—503	—503	—503
Congressional use of foreign currency, House of Representatives	801			
Appropriation, permanent.....	BA	3,676	3,360	3,360
Outlays.....	0	2,602	3,360	3,360
Public Enterprise Funds:				
Recording studio (revolving fund)	801			
Outlays.....	0	167	167	167
Beauty shop (revolving fund)	801			
Outlays.....	0	9	9	9
House barber shops (revolving fund)	801			
Outlays.....	0	—4	—3	—3

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
House of Representatives—Con.				
Office of the attending physician (revolving fund) 801				
Outlays.....	0	4	4	4
Page residence hall and meal plan 801				
Outlays.....	0	-183	-183	-183
Total Federal funds House of Representatives.....	BA	564,043	567,397	628,320
	0	493,528	537,001	594,385
Joint Items				
<i>Federal funds</i>				
General and Special Funds:				
Joint Economic Committee 801				
Appropriation, current.....	BA	2,966	3,179	3,430
Outlays.....	0	2,397	3,020	3,258
Joint Committee on Printing 801				
Appropriation, current.....	BA	963	1,037	1,165
Outlays.....	0	909	934	1,050
Joint Committee on Taxation 801				
Appropriation, current.....	BA	4,159	4,219	4,466
Outlays.....	0	4,167	4,008	4,243
Office of the Attending Physician 801				
Appropriation, current.....	BA	1,298	1,493	1,414
Outlays.....	0	291	599	567
General expenses, Capitol police 801				
Appropriation, current.....	BA	1,881	1,734	2,189
Outlays.....	0	1,447	1,472	1,858
Official mail costs 801				
Appropriation, current.....	BA	91,423	82,163	58,926
Outlays.....	0	73,053	82,163	58,926
Capitol Guide Service 801				
Appropriation, current.....	BA	1,021	1,137	1,220
Outlays.....	0	902	1,023	1,098
Statements of appropriations 801				
Appropriation, current.....	BA	20	19	20
Outlays.....	0	.....	20	19
Total Federal funds Joint Items.....	BA	103,731	94,981	72,830
	0	83,166	93,239	71,019
Congressional Budget Office				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 801				
Appropriation, current.....	BA	17,783	17,886	18,900
Outlays.....	0	16,423	18,031	18,799

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
Architect of the Capitol				
<i>Federal funds</i>				
General and Special Funds:				
Office of the Architect of the Capitol: Salaries 801				
Appropriation, current.....	BA	5,478	5,925	7,236
Outlays.....	O	5,064	5,672	7,119
Contingent expenses 801				
Appropriation, current.....	BA	50	48	100
Outlays.....	O	143	166	100
Capitol buildings 801				
Appropriation, current.....	BA	12,325	12,793	21,180
Outlays.....	O	12,093	17,565	23,457
Capitol grounds 801				
Appropriation, current.....	BA	3,290	3,404	3,911
Outlays.....	O	3,682	3,520	4,205
West central front of the Capitol 801				
Outlays.....	O	6,493	2,700	6,100
Congressional cemetery 801				
Outlays.....	O	105	18	.....
Acquisition of property as an addition to the Capitol grounds 801				
Outlays.....	O	32	.....	.....
Senate office buildings 801				
Appropriation, current.....	BA	25,903	23,265	38,459
Outlays.....	O	21,674	29,218	35,551
Construction of an extension to the New Senate Office Building 801				
Outlays.....	O	808	459	.....
House office buildings 801				
Appropriation, current.....	BA	26,138	30,547	32,910
Outlays.....	O	23,368	28,872	32,226
Acquisition of property, construction, and equipment, additional House Office Building 801				
Outlays.....	O	.....	64	.....
Installation of solar collectors in House office buildings 801				
Outlays.....	O	.....	47	.....
Capitol Power Plant 801				
Appropriation, current.....	BA	24,716	24,583	24,905
Outlays.....	O	22,679	26,387	24,855
Expansion of facilities, Capitol Power Plant 801				
Outlays.....	O	.....	54	.....
Modifications and enlargement, Capitol Power Plant 801				
Outlays.....	O	157	200	402
Alterations and improvements, buildings and grounds, to provide facilities for the physically handicapped 801				
Outlays.....	O	110	250	250
Structural and mechanical care, Library buildings and grounds 801				
Appropriation, current.....	BA	6,260	6,741	8,975
Outlays.....	O	12,436	17,670	29,194

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
Architect of the Capitol—Con.				
Public Enterprise Funds:				
Senate restaurant fund	801			
Outlays.....	0	221	282	.....
House of Representatives restaurant fund (revolving fund)	801			
Outlays.....	0	76	661	.....
Total Federal funds Architect of the Capitol.....	BA	104,160	107,306	137,676
	0	109,141	133,805	163,459
Library of Congress				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	503			
Appropriation, current.....	BA	134,850	138,866	159,189
Outlays.....	0	124,878	137,784	155,290
Copyright Office: Salaries and expenses	376			
Appropriation, current.....	BA	10,306	11,130	12,139
Reappropriation.....	BA	.....	150	.....
Outlays.....	0	9,388	11,182	12,053
Total Copyright Office.....	BA	10,306	11,280	12,139
	0	9,388	11,182	12,053
Congressional Research Service: Salaries and expenses	801			
Appropriation, current.....	BA	40,434	43,022	47,889
Outlays.....	0	38,088	43,763	47,422
Books for the blind and physically handicapped: Salaries and expenses	503			
Appropriation, current.....	BA	36,099	36,186	37,692
Outlays.....	0	33,813	35,764	36,930
Collection and distribution of library materials (special foreign currency program)	503			
Appropriation, current.....	BA	390	.....	.....
Outlays.....	0	809	564	.....
Furniture and furnishings	503			
Appropriation, current.....	BA	5,070	5,816	3,575
Outlays.....	0	1,335	1,985	4,717
Speaker's Civic Achievement Awards Program	801			
Appropriation, current.....	BA	.....	.....	680
Outlays.....	0	.....	.....	680
Payments to copyright owners	376			
Appropriation, permanent, indefinite.....	BA	71,304	71,257	71,412
Outlays.....	0	154,782	133,265	71,412
Oliver Wendell Holmes devise fund	503			
Appropriation, permanent, indefinite.....	BA	.....	4	4
Outlays.....	0	.....	9	9

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
Library of Congress—Con.				
<i>Trust funds</i>				
Gift and trust fund accounts	503			
Appropriation, permanent, indefinite.....	BA	7,485	6,625	7,536
Outlays.....	O	6,828	8,559	7,688
Total Federal funds Library of Congress.....	BA	298,453	306,431	332,580
	O	363,093	364,316	328,513
Total Trust funds Library of Congress.....	BA	7,485	6,625	7,536
	O	6,828	8,559	7,688
Government Printing Office				
<i>Federal funds</i>				
General and Special Funds:				
Printing and binding	801			
Appropriation, current.....	BA	10,700	.....	.....
Outlays.....	O	8,620	3,866	500
Congressional printing and binding	801			
Appropriation, current.....	BA	62,000	70,359	77,700
Outlays.....	O	62,446	69,437	82,346
Office of Superintendent of Documents: Salaries and expenses	808			
Appropriation, current.....	BA	22,385	19,162	26,800
Outlays.....	O	19,906	19,467	23,896
Intragovernmental Funds:				
Government Printing Office revolving fund	808			
Outlays.....	O	3,904	2,008	3,234
Total Federal funds Government Printing Office...	BA	95,085	89,521	104,500
	O	94,876	94,778	109,976
General Accounting Office				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	801			
Appropriation, current.....	BA	310,973	329,847	393,864
Outlays.....	O	301,134	327,852	388,743
United States Tax Court				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	752			
Appropriation, current.....	BA	25,613	27,500	29,345
Outlays.....	O	22,350	25,659	28,976
Tax courts independent counsel, U.S. Tax Court	752			
Appropriation, permanent, indefinite.....	BA	.....	280	100
Outlays.....	O	.....	.....	100

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
United States Tax Court—Con.				
<i>Trust funds</i>				
Tax Court judges survivors annuity fund	602			
Appropriation, permanent, indefinite.....	BA	394	412	428
Outlays.....	0	60	59	59
Total Federal funds United States Tax Court.....	BA 0	25,613 22,350	27,780 25,659	29,445 29,076
Total Trust funds United States Tax Court.....	BA 0	394 60	412 59	428 59
Other Legislative Branch Agencies				
<i>Federal funds</i>				
General and Special Funds:				
Commission on Security and Cooperation in Europe:				
Salaries and expenses	801			
Appropriation, current.....	BA	526	701	780
Outlays.....	0	721	686	772
International conferences and contingencies: House and Senate expenses				
	801			
Appropriation, current.....	BA		290	
Appropriation, permanent.....	BA			290
Outlays.....	0		290	290
Total International conferences and contingencies.....	BA 0		290 290	290 290
Dwight David Eisenhower Centennial Commission: Expenses				
	801			
Appropriation, current.....	BA	50		
Outlays.....	0		40	10
Botanic Garden: Salaries and expenses				
	801			
Appropriation, current.....	BA	2,135	2,221	2,521
Outlays.....	0	1,990	2,205	2,491
Copyright Royalty Tribunal: Salaries and expenses				
	376			
Appropriation, current.....	BA	125	129	127
Outlays.....	0	142	121	127
Prospective Payment Assessment Commission				
	551			
Outlays.....	0	138	933	
Physician payment review commission				
	801			
Outlays.....	0	-309	-191	
Railroad Accounting Principles Board: Salaries and expenses				
	801			
Appropriation, current.....	BA	600		
Outlays.....	0	462	139	

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.				
Other Legislative Branch Agencies—Con.				
Biomedical Ethics: Salaries and expenses	801			
Appropriation, current.....	BA		100	
Reappropriation.....	BA		150	
Outlays.....	0		250	
Total Biomedical Ethics.....	BA		250	
	0		250	
Payment to the Congressional Award Board	801			
Appropriation, current.....	BA		189	
Outlays.....	0		189	
Office of Technology Assessment: Salaries and expenses	801			
Appropriation, current.....	BA	16,636	16,901	18,321
Outlays.....	0	15,600	17,491	17,966
<i>Trust funds</i>				
Office of Technology Assessment: Contributions and donations	801			
Appropriation, permanent, indefinite.....	BA	3	3	4
Outlays.....	0	4	3	4
Total Federal funds Other Legislative Branch Agencies.....	BA	20,072	20,681	22,039
	0	18,744	22,153	21,656
Total Trust funds Other Legislative Branch Agencies.....	BA	3	3	4
	0	4	3	4
Summary				
Federal funds:				
(As shown in detail above).....	BA	1,878,081	1,909,944	2,126,569
	0	1,815,571	1,942,886	2,091,624
Deductions for offsetting receipts:				
Intrafund transactions	803			
	BA	-3,769	-2,200	-2,200
	0			
	908			
	BA	-1,989	-2,004	-2,004
	0			
Total Federal funds.....	BA	1,872,323	1,905,740	2,122,365
	0	1,809,813	1,938,682	2,087,420
Trust funds:				
(As shown in detail above).....	BA	7,882	7,040	7,968
	0	6,892	8,621	7,751
Deductions for offsetting receipts:				
Proprietary receipts from the public	503			
	BA	-4,622	-4,773	-5,693
	0			

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Legislative Branch—Con.			
Summary—Con.			
908 BA			
0	-166	-249	-150
Total Trust funds	BA 0	3,094 2,104	2,018 1,908
Total Legislative Branch.....	BA 0	1,875,417 1,811,917	1,907,758 1,942,281
		2,124,490	2,089,328

The Judiciary**Supreme Court of the United States***Federal funds***General and Special Funds:**

Salaries and expenses	752			
Appropriation, current.....	BA	15,513	15,247	16,448
Outlays	0	14,285	15,162	16,408
Salaries and expenses excluding salaries of judges..		(14,478)	(14,195)	(15,393)
Care of the building and grounds	752			
Appropriation, current.....	BA	2,336	2,110	2,384
Outlays	0	2,163	3,040	2,637
Acquisition of property as an addition to the grounds of the Supreme Court building	752			
Outlays	0	1		
Total Federal funds Supreme Court of the United States	BA 0	17,849 16,449	17,357 18,202	18,832 19,045

**United States Court of Appeals for the
Federal Circuit***Federal funds***General and Special Funds:**

Salaries and expenses	752			
Appropriation, current.....	BA	6,920	7,430	8,700
Outlays	0	6,530	7,376	8,490
Salaries and expenses excluding salaries of judges..		(6,019)	(6,217)	(7,486)

United States Court of International Trade*Federal funds***General and Special Funds:**

Salaries and expenses	752			
Appropriation, current.....	BA	7,118	7,768	8,164
Outlays	0	6,936	7,839	8,154
Salaries and expenses excluding salaries of judges..		(6,396)	(6,911)	(7,306)

**Courts of Appeals, District Courts, and
other Judicial Services***Federal funds***General and Special Funds:**

Salaries and expenses	752			
Appropriation, current.....	BA	1,004,020	1,081,447	1,385,513
Outlays	0	952,888	1,109,967	1,368,638
Salaries and expenses excluding salaries of judges..		(915,256)	(984,481)	(1,285,777)

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
The Judiciary—Con.				
Courts of Appeals, District Courts, and other Judicial Services—Con.				
Defender services	752			
Appropriation, current.....	BA	87,858	85,100	137,815
Outlays.....	O	69,740	83,584	111,190
Fees of jurors and commissioners	752			
Appropriation, current.....	BA	52,135	43,135	46,500
Outlays.....	O	45,951	47,170	48,150
Furniture and furnishings	752			
Outlays.....	O	81	438	.....
Court security	752			
Appropriation, current.....	BA	36,000	40,853	56,980
Outlays.....	O	30,867	39,665	51,352
Special rail reorganization court	752			
Outlays.....	O	169	225	2
Total Federal funds Courts of Appeals, District Courts, and other Judicial Services.....	BA	<u>1,180,013</u>	<u>1,250,535</u>	<u>1,626,808</u>
	O	<u>1,099,696</u>	<u>1,281,049</u>	<u>1,579,332</u>
Administrative Office of the United States Courts				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	752			
Appropriation, current.....	BA	30,184	31,167	41,970
Outlays.....	O	30,017	30,771	40,869
Study of construction of office building	752			
Outlays.....	O	624	200	200
Total Federal funds Administrative Office of the United States Courts.....	BA	<u>30,184</u>	<u>31,167</u>	<u>41,970</u>
	O	<u>30,641</u>	<u>30,971</u>	<u>41,069</u>
Federal Judicial Center				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	752			
Appropriation, current.....	BA	10,824	10,548	12,109
Outlays.....	O	9,784	10,297	11,797
Bicentennial Expenses, The Judiciary				
<i>Federal funds</i>				
General and Special Funds:				
Bicentennial activities	808			
Appropriation, current.....	BA	1,000	.....	.....
Outlays.....	O	233	132	435

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
The Judiciary—Con.				
Judiciary Trust Funds				
<i>Trust funds</i>				
Judicial survivors' annuities fund	602			
Appropriation, permanent, indefinite.....	BA	13,425	14,863	15,735
Outlays.....	O	7,283	3,355	3,527
Summary				
Federal funds:				
(As shown in detail above).....	BA	1,253,908	1,324,805	1,716,583
	O	1,170,269	1,355,866	1,668,322
Trust funds:				
(As shown in detail above).....	BA	13,425	14,863	15,735
	O	7,283	3,355	3,527
Total The Judiciary.....	BA	1,267,333	1,339,668	1,732,318
	O	1,177,552	1,359,221	1,671,849

Executive Office of the President**Compensation of the President**

<i>Federal funds</i>				
General and Special Funds:				
Compensation of the President	802			
Appropriation, current.....	BA	250	250	250
Outlays.....	O	223	250	250

The White House Office

<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	24,824	26,426	27,950
Outlays.....	O	25,059	26,228	27,797

Executive Residence at the White House

<i>Federal funds</i>				
General and Special Funds:				
Operating expenses	802			
Appropriation, current.....	BA	4,753	7,403	5,698
Outlays.....	O	4,674	5,585	5,943

Official Residence of the Vice President

<i>Federal funds</i>				
General and Special Funds:				
Operating expenses	802			
Appropriation, current.....	BA	211	258	258
Outlays.....	O	237	253	253

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Executive Office of the President—Con.				
Official Residence of the Vice President—				
Con.				
<i>Trust funds</i>				
Donations for the Official Residence of the Vice President	802			
Outlays.....	0	- 4	4	
Special Assistance to the President				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	1,897	2,163	2,199
Outlays.....	0	1,727	2,118	2,195
Council of Economic Advisers				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	2,370	2,500	2,787
Outlays.....	0	2,375	2,428	2,750
Council on Environmental Quality and Office of Environmental Quality				
<i>Federal funds</i>				
General and Special Funds:				
Council on Environmental Quality and Office of Environmental Quality	802			
Appropriation, current.....	BA	803	826	870
Outlays.....	0	648	826	868
Intragovernmental Funds:				
Management fund, Office of Environmental Quality	802			
Outlays.....	0	- 240	1,427	
Total Federal funds Council on Environmental Quality and Office of Environmental Quality	BA	803	826	870
	0	408	2,253	868
Council on Wage and Price Stability				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Outlays.....	0	- 4		
Office of Policy Development				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	2,689	3,000	3,000
Outlays.....	0	2,514	2,948	3,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Executive Office of the President—Con.				
National Security Council				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	4,612	5,000	5,100
Outlays.....	0	4,369	4,910	5,080
National Critical Materials Council				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	175	350	178
Outlays.....	0	168	374	193
Office of Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	15,914	16,000	16,900
Outlays.....	0	14,853	16,294	16,647
Office of Management and Budget				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	37,413	39,000	39,780
Outlays.....	0	35,680	38,782	40,099
Office of Federal Procurement Policy: Salaries and expenses	802			
Appropriation, current.....	BA	1,620	2,300	2,353
Outlays.....	0	1,626	2,230	2,348
Total Federal funds Office of Management and Budget.....	BA	39,033	41,300	42,133
	0	37,306	41,012	42,447
Office of Science and Technology Policy				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	1,923	1,888	1,787
Outlays.....	0	1,340	1,895	1,827

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Executive Office of the President—Con.				
Office of the United States Trade Representative				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	802			
Appropriation, current.....	BA	13,545	15,229	15,393 ^K
Outlays.....	0	13,444	14,337	15,369
Total Salaries and expenses.....	BA	13,545	15,229	15,393
	0	13,444	14,337	15,369
White House Conference for a Drug Free America				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	551			
Appropriation, current.....	BA	5,000	2,500	
Outlays.....	0	745	2,998	335
<i>Trust funds</i>				
Gifts and donations	551			
Appropriation, permanent, indefinite.....	BA		300	
Outlays.....	0		300	
Special Action Office for Drug Abuse Prevention				
<i>Federal funds</i>				
General and Special Funds:				
Miscellaneous expired accounts	554			
Outlays.....	0	— 12		
Summary				
Federal funds:				
(As shown in detail above).....	BA	117,999	125,093	124,503
	0	109,426	123,883	124,954
Trust funds:				
(As shown in detail above).....	BA		300	
	0	— 4	304	
Total Executive Office of the President.....	BA	117,999	125,393	124,503
	0	109,422	124,187	124,954

Funds Appropriated to the President

Unanticipated Needs				
<i>Federal funds</i>				
General and Special Funds:				
Unanticipated needs	802			
Appropriation, current.....	BA	1,000	1,000	1,000
Outlays.....	0	579	1,000	1,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.			
Expenses of Management Improvement			
<i>Federal funds</i>			
General and Special Funds:			
Expenses of management improvement	802		
Appropriation, current.....	BA		5,900
Outlays.....	0		3,400
International Security Assistance			
<i>Federal funds</i>			
General and Special Funds:			
Foreign military sales credit	152		
Appropriation, current.....	BA	4,053,441	4,017,000
			K 4,460,000
Outlays.....	0	3,758,234	—2,263,835
			W 155,250
Limitation on direct loan obligations.....		(4,053,441)	(4,049,000)
			W 155,250
Total Foreign military sales credit.....	BA	4,053,441	4,017,000
	0	3,758,234	—2,263,835
			4,615,250
			1,246,372
Economic support fund	152		
Appropriation, current.....	BA	3,551,000	3,188,320
			K 3,268,500
Reappropriation.....	BA	25,205	12,500
			K 12,500
Outlays.....	0	3,465,731	3,361,502
Total Economic support fund.....	BA	3,576,205	3,200,820
	0	3,465,731	3,361,502
			3,458,699
Military assistance	152		
Appropriation, current.....	BA	950,000	700,750
			K 467,000
Outlays.....	0	355,705	632,895
Total Military assistance.....	BA	950,000	700,750
	0	355,705	632,895
			467,000
			623,796
International military education and training	152		
Appropriation, current.....	BA	56,000	47,400
			K 52,500
Outlays.....	0	51,087	47,559
Total International military education and training.....	BA	56,000	47,400
	0	51,087	47,559
			52,500
			47,005
Peacekeeping operations	152		
Appropriation, current.....	BA	31,689	31,689
			K 31,689
Outlays.....	0	45,522	32,649
Total Peacekeeping operations.....	BA	31,689	31,689
	0	45,522	32,649
			31,689
			36,534

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.			
International Security Assistance—Con.			
Assistance for relocation of facilities in Israel 152			
Outlays.....	0	188	158
Public Enterprise Funds:			
Guarantee reserve fund 152			
Appropriation, current, indefinite.....	BA	532,000	643,196
Authority to borrow, permanent, indefinite.....	BA	723,019	701,114
Outlays.....	0	-116,809	723,019
Total Guarantee reserve fund.....	BA	532,000	643,196
	0	-116,809	701,114
Summary			
Federal funds:			
(As shown in detail above).....	BA	8,667,335	8,529,659
	0	7,559,658	2,533,947
Deductions for offsetting receipts:			
Proprietary receipts from the public 152	BA	-464,439	-114,297
	0	-274,996	-327,453
	908	-274,996	-327,453
	0	-274,996	-327,453
Total International Security Assistance.....	BA	7,927,900	8,087,909
	0	6,820,223	2,092,197
		<u>8,087,909</u>	<u>8,592,180</u>
		<u>6,820,223</u>	<u>5,615,065</u>
International Development Assistance			
Multilateral Assistance			
<i>Federal funds</i>			
General and Special Funds:			
Contribution to the International Bank for Reconstruction and Development 151			
Appropriation, current.....	BA	55,805	40,176
Outlays.....	0	5,581	230,181
Total Contribution to the International Bank for Reconstruction and Development.....	BA	55,805	40,176
	0	5,581	230,181
Contribution to the International Development Association 151			
Appropriation, current.....	BA	830,100	915,000
Outlays.....	0	545,700	568,000
Contribution to the special facility for Sub-Saharan Africa 151			
Appropriation, current.....	BA	64,805	32,960
Outlays.....	0	64,587	15,020
Contribution to the International Finance Corporation 151			
Appropriation, current.....	BA	7,206	20,300
Outlays.....	0	7,206	20,300

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
International Development Assistance—Con.				
<i>Multilateral Assistance—Con.</i>				
Contribution to the Inter-American Development Bank 151				
Appropriation, current.....	BA	33,680	58,635	.....
Outlays.....	O	221,432	181,432	144,798
Contribution to the Asian Development Bank 151				
Appropriation, current.....	BA	104,639	43,057	146,070
Outlays.....	O	91,230	118,830	120,001
Contribution to the African Development Fund 151				
Appropriation, current.....	BA	90,427	75,000	.....
Outlays.....	O	86,873	64,956	^K 105,000 65,650
Total Contribution to the African Development Fund.....	BA	90,427	75,000	105,000
	O	86,873	64,956	65,650
Contribution to the African Development Bank 151				
Appropriation, current.....	BA	20,480	8,999	8,999
Outlays.....	O	20,484	8,999	8,999
Contribution to Multilateral Investment Guarantee Agency 151				
Appropriation, current.....	BA	.....	44,403	.....
Outlays.....	O	.....	22,202	.....
Multilateral Development Banks—Other 151				
Appropriation, current.....	BA	.....	.....	.....
Outlays.....	O	.....	.....	.....
International organizations and programs 151				
Appropriation, current.....	BA	237,264	244,648	.....
Outlays.....	O	263,057	257,490	^K 200,000 239,445
Total International organizations and programs....	BA	237,264	244,648	200,000
	O	263,057	257,490	239,445
Total Federal funds Multilateral Assistance.....	BA	1,444,406	1,450,218	1,524,349
	O	1,306,150	1,505,350	1,537,420
Agency for International Development				
<i>Federal funds</i>				
General and Special Funds:				
Functional development assistance program 151				
Appropriation, current.....	BA	1,458,491	1,141,026	.....
Reappropriation.....	BA	108,856	12,500	^K 1,119,000 ^W 2,435
Outlays.....	O	1,390,784	1,393,204	^K 12,500 1,310,643 ^W 300
Total Functional development assistance program	BA	1,567,347	1,153,526	1,133,935
	O	1,390,784	1,393,204	1,310,943

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
International Development Assistance—Con.				
Agency for International Development—Con.				
Sub-Saharan Africa, development assistance	151			
Appropriation, current.....	BA		550,000	^K510,000
Outlays.....	0		67,650	233,230
Total Sub-Saharan Africa, development assistance.....	BA		550,000	510,000
	0		67,650	233,230
Sahel development program	151			
Appropriation, current.....	BA	70,000		
Outlays.....	0	81,341	73,579	53,909
American schools and hospitals abroad	151			
Appropriation, current.....	BA	35,000	40,000	^K30,000
Outlays.....	0	33,843	33,464	33,995
Total American schools and hospitals abroad.....	BA	35,000	40,000	30,000
	0	33,843	33,464	33,995
International disaster assistance	151			
Appropriation, current.....	BA	72,500	28,000	^K25,000
Reappropriation.....	BA	2,811		
Outlays.....	0	118,744	47,353	31,796
Total International disaster assistance.....	BA	75,311	28,000	25,000
	0	118,744	47,353	31,796
Operating expenses Agency for International Development	151			
Appropriation, current.....	BA	348,263	406,000	^K414,000
Outlays.....	0	336,752	384,313	402,318
Total Operating expenses Agency for International Development.....	BA	348,263	406,000	414,000
	0	336,752	384,313	402,318
Payment to the Foreign Service retirement and disability fund	153			
Appropriation, current.....	BA	45,492	35,132	40,532
Outlays.....	0	45,492	35,132	40,532
Operating expenses of the Agency for International Development Office of Inspector General	151			
Appropriation, current.....	BA	21,321	23,970	^K23,119
Outlays.....	0	18,354	22,760	22,781
Total Operating expenses of the Agency for International Development Office of Inspector General.....	BA	21,321	23,970	23,119
	0	18,354	22,760	22,781

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
International Development Assistance—Con.				
Agency for International Development—Con.				
Housing guarantee loan subsidies	151			
Appropriation, current.....	BA			^w 15,700
Limitation on guaranteed loan commitments.....				^w (100,000)
Private sector revolving fund loan subsidies	151			
Appropriation, current.....	BA			^w 6,065
Outlays.....	0			
Limitation on direct loan obligations.....				^w (5,000)
Limitation on guaranteed loan commitments.....				^w (100,000)
Miscellaneous appropriations, AID	151			
Outlays.....	0	12	781	575
Public Enterprise Funds:				
Housing and other credit guaranty programs	151			
Authority to borrow, permanent.....	BA	20,000	22,000	22,000
Outlays.....	0	20,402	21,543	25,000
Limitation on guaranteed loan commitments.....		(145,464)	(125,000)	(100,000)
				^w (-100,000)
Private sector revolving fund	151			
Appropriation, current.....	BA	15,500	7,000	8,500
				^w -8,500
Reappropriation.....	BA		5,000	
Outlays.....	0	4,655	6,050	6,400
Limitation on direct loan obligations.....		(15,150)	(12,000)	(5,000)
				^w (-5,000)
Limitation on guaranteed loan commitments.....				(100,000)
				^w (-100,000)
Total Private sector revolving fund.....	BA	15,500	12,000	
	0	4,655	6,050	6,400
Development loans—revolving fund	151			
Outlays.....	0	87		
Intragovernmental Funds:				
Advance acquisition of property—revolving fund	151			
Outlays.....	0	-188		
<i>Trust funds</i>				
Miscellaneous trust funds, AID	151			
Appropriation, permanent, indefinite.....	BA	8,981	5,000	5,000
Outlays.....	0	6,817	5,000	5,000
Summary				
Federal funds:				
(As shown in detail above).....	BA	2,198,234	2,270,628	2,220,351
	0	2,050,278	2,085,829	2,161,479
Deductions for offsetting receipts:				
Proprietary receipts from the public	151 BA			
	0	-394,130	-433,000	-410,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
International Development Assistance—Con.				
Agency for International Development—Con.				
	908 BA			
	O	-358,768	-310,000	-309,000
Total Federal funds	BA	1,445,336	1,527,628	1,501,351
	O	1,297,380	1,342,829	1,442,479
Trust funds:				
(As shown in detail above)	BA	8,981	5,000	5,000
	O	6,817	5,000	5,000
Deductions for offsetting receipts:				
Proprietary receipts from the public	151 BA			
	O	-9,717	-5,000	-5,000
Total Trust funds	BA	-736		
	O	-2,900		
Total Agency for International Development	BA	1,444,600	1,527,628	1,501,351
	O	1,294,480	1,342,829	1,442,479
Trade and Development Program				
<i>Federal funds</i>				
General and Special Funds:				
Trade and development program	151			
Appropriation, current	BA	20,000	25,000	* 20,400
Outlays	O	17,744	19,368	20,390
Total Trade and development program	BA	20,000	25,000	20,400
	O	17,744	19,368	20,390
Peace Corps				
<i>Federal funds</i>				
General and Special Funds:				
Peace Corps	151			
Appropriation, current	BA	137,960	146,200	* 150,000
Outlays	O	124,107	146,453	147,955
Total Peace Corps	BA	137,960	146,200	150,000
	O	124,107	146,453	147,955
Trust funds				
Peace Corps miscellaneous trust funds	151			
Appropriation, permanent, indefinite	BA	298	300	300
Outlays	O	545	500	300

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.			
International Development Assistance—Con.			
<i>Overseas Private Investment Corporation</i>			
<i>Federal funds</i>			
General and Special Funds:			
Overseas Private Investment Corporation loan subsidiaries	151		
Appropriation, current.....	BA		* 25,426
Outlays.....	0		* 919
Limitation on direct loan obligations.....			* (17,250)
Limitation on guaranteed loan commitments.....			* (175,000)
Public Enterprise Funds:			
Overseas Private Investment Corporation	151		
Outlays.....	0	-85,734	-101,043
			-106,036
			* 2,573
Limitation on direct loan obligations.....		(23,000)	(23,000)
			(17,250)
Limitation on guaranteed loan commitments.....		(200,000)	(200,000)
			(175,000)
			* (-175,000)
Total Overseas Private Investment Corporation	0	-85,734	-101,043
			-103,463
Total Federal funds Overseas Private Investment Corporation	BA		25,426
	0	-85,734	-101,043
			-102,544
<i>Inter-American Foundation</i>			
<i>Federal funds</i>			
Public Enterprise Funds:			
Inter-American Foundation	151		
Appropriation, current.....	BA	11,800	13,000
Outlays.....	0	10,075	11,954
			20,608
<i>Trust funds</i>			
Gifts and contributions, Inter-American Foundation	151		
Appropriation, permanent, indefinite.....	BA	1	
Outlays.....	0		6
			6
<i>African Development Foundation</i>			

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
International Development Assistance—Con.				
<i>African Development Foundation—Con.</i>				
<i>Federal funds</i>				
General and Special Funds:				
African Development Foundation	151			
Appropriation, current.....	BA	6,614	7,000	..... κ 7,140
Outlays.....	O	6,076	6,381	6,789
Total African Development Foundation.....	BA	6,614	7,000	7,140
	O	6,076	6,381	6,789
Total Federal funds International Development Assistance.....	BA	3,066,116	3,169,046	3,242,566
	O	2,675,798	2,931,292	3,073,097
Total Trust funds International Development Assistance.....	BA	-437	300	300
	O	-2,355	506	300
International Commodity Agreements				
<i>Federal funds</i>				
General and Special Funds:				
Contributions to international buffer stocks	155			
Outlays.....	O	2,916	.....	.....
International Monetary Programs				
<i>Federal funds</i>				
General and Special Funds:				
United States quota, International Monetary Fund	155			
Outlays.....	O	-577,961	.....	.....
Maintenance of value adjustments, International Monetary Fund	155			
Appropriation, permanent, indefinite.....	BA	1,196,424	.....	.....
Supplementary financing facility, International Monetary Fund	155			
Outlays.....	O	2,964	.....	.....
Total Federal funds International Monetary Programs.....	BA	1,196,424	.....	.....
	O	-574,997	.....	.....
Military Sales Programs				
<i>Federal funds</i>				
Public Enterprise Funds:				
Special defense acquisition fund	155			
Outlays.....	O	-20,653	31,128	-37,921
Limitation on program level (obligations).....		(315,820)	(236,865)	(350,000)

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
Military Sales Programs—Con.				
<i>Trust funds</i>				
Foreign military sales trust fund	155			
Contract authority, permanent, indefinite	BA	9,315,063	7,626,000	6,848,000
Liquidation of contract authority, permanent		(8,503,911)	(8,417,000)	(8,062,000)
Outlays	O	9,910,489	8,572,000	8,204,000
Summary				
Federal funds:				
(As shown in detail above)	O	-20,653	31,128	-37,921
Trust funds:				
(As shown in detail above)	BA	9,315,063	7,626,000	6,848,000
	O	9,910,489	8,572,000	8,204,000
Deductions for offsetting receipts:				
Proprietary receipts from the public	155			
	BA	-8,503,911	-8,417,000	-8,062,000
	O			
Total Trust funds	BA	811,152	-791,000	-1,214,000
	O	1,406,578	155,000	142,000
Total Military Sales Programs	BA	811,152	-791,000	-1,214,000
	O	1,385,925	186,128	104,079
Special Assistance for Central America				
<i>Federal funds</i>				
General and Special Funds:				
Assistance to the Nicaraguan democratic resistance	054			
Appropriation, current	BA		7,128	
Outlays	O	98,218	19,743	
Promotion of security and stability in Central America	153			
Outlays	O		2,000	
Humanitarian assistance for Nicaraguan democratic resistance	151			
Outlays	O	173	6	
Total Federal funds Special Assistance for Central America	BA		7,128	
	O	98,391	21,749	
Summary				
Federal funds:				
(As shown in detail above)	BA	13,683,773	12,449,833	13,059,101
	O	10,494,590	6,262,116	9,872,096
Deductions for offsetting receipts:				
Proprietary receipts from the public	151			
	BA	-394,130	-433,000	-410,000
	O			
	152			
	BA	-464,439	-114,297	-132,041
	O			

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Funds Appropriated to the President—Con.				
Summary—Con.				
	908 BA			
	O	— 633,764	— 637,453	— 675,414
Total Federal funds	BA	12,191,440	11,265,083	11,841,646
	O	9,002,257	5,077,366	8,654,641
Trust funds:				
(As shown in detail above)	BA	9,324,343	7,631,300	6,853,300
	O	9,917,851	8,577,506	8,209,300
Deductions for offsetting receipts:				
Proprietary receipts from the public	151 BA	— 9,717	— 5,000	— 5,000
	O			
	155 BA	— 8,503,911	— 8,417,000	— 8,062,000
	O			
Total Trust funds	BA	810,715	— 790,700	— 1,213,700
	O	1,404,223	155,506	142,300
Total Funds Appropriated to the President	BA	13,002,155	10,474,383	10,627,946
	O	10,406,480	5,232,872	8,796,941

Department of Agriculture

Office of the Secretary

Federal funds

General and Special Funds:

Office of the Secretary	352			
Appropriation, current	BA	15,266	5,710	5,998
Outlays	O	4,314	5,246	5,983

Trust funds

Gifts and bequests	352			
Appropriation, permanent, indefinite	BA	50	50	50
Outlays	O	41	50	50

Departmental Administration

Federal funds

General and Special Funds:

Departmental administration	352			
Appropriation, current	BA	22,019	24,916	26,542
Outlays	O	21,706	23,436	26,371
Hazardous waste management	304			
Appropriation, current	BA		2,000	10,000
Outlays	O		1,000	6,000
Rental payments and building operations	352			
Appropriation, current	BA	67,011	69,777	78,836
Outlays	O	59,312	69,502	78,251
Advisory committees	352			
Appropriation, current	BA	1,408	1,308	2,294
Outlays	O	770	1,308	1,953

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Departmental Administration—Con.				
Intragovernmental Funds:				
Working capital fund	352			
Appropriation, current.....	BA	5,708	5,708	6,000
Outlays.....	0	5,779	5,708	5,996
Total Federal funds Departmental Administration.	BA	<u>96,146</u>	<u>103,709</u>	<u>123,672</u>
	0	<u>87,567</u>	<u>100,954</u>	<u>118,571</u>
Office of Governmental and Public Affairs				
<i>Federal funds</i>				
General and Special Funds:				
Office of Governmental and Public Affairs	352			
Appropriation, current.....	BA	8,386	8,673	8,919
Outlays.....	0	7,728	8,574	8,867
Office of the Inspector General				
<i>Federal funds</i>				
General and Special Funds:				
Office of the Inspector General	352			
Appropriation, current.....	BA	45,416	48,795	51,442
Outlays.....	0	44,579	47,663	51,060
Office of the General Counsel				
<i>Federal funds</i>				
General and Special Funds:				
Office of the General Counsel	352			
Appropriation, current.....	BA	17,670	18,734	23,064
Outlays.....	0	15,864	18,703	23,018
Agricultural Research Service				
<i>Federal funds</i>				
General and Special Funds:				
Agricultural Research Service	352			
Appropriation, current.....	BA	518,237	540,684	560,957
Outlays.....	0	491,201	534,033	550,614
Buildings and facilities	352			
Appropriation, current.....	BA	1,000	57,815	11,000
Outlays.....	0	32,310	41,552	36,042
<i>Trust funds</i>				
Miscellaneous contributed funds	352			
Appropriation, permanent, indefinite.....	BA	3,039	5,000	5,000
Outlays.....	0	3,000	5,000	5,000
Total Federal funds Agricultural Research Service	BA	<u>519,237</u>	<u>598,499</u>	<u>571,957</u>
	0	<u>523,511</u>	<u>575,585</u>	<u>586,656</u>
Total Trust funds Agricultural Research Service...	BA	<u>3,039</u>	<u>5,000</u>	<u>5,000</u>
	0	<u>3,000</u>	<u>5,000</u>	<u>5,000</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Cooperative State Research Service				
<i>Federal funds</i>				
General and Special Funds:				
Cooperative State Research Service	352			
Appropriation, current.....	BA	376,673	303,654	257,489
Appropriation, permanent.....	BA	2,800	2,600	
Outlays.....	O	281,287	304,105	275,637
Total Cooperative State Research Service	BA	379,473	306,254	257,489
	O	281,287	304,105	275,637
Extension Service				
<i>Federal funds</i>				
General and Special Funds:				
Extension Service	352			
Appropriation, current.....	BA	338,972	357,963	299,542
Outlays.....	O	318,916	352,825	311,848
National Agricultural Library				
<i>Federal funds</i>				
General and Special Funds:				
National Agricultural Library	352			
Appropriation, current.....	BA	11,098	12,194	13,599
Outlays.....	O	8,771	11,834	13,095
National Agricultural Statistics Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	352			
Appropriation, current.....	BA	57,889	61,176	64,086
Outlays.....	O	60,263	54,024	63,518
<i>Trust funds</i>				
Miscellaneous contributed funds	352			
Appropriation, permanent, indefinite	BA	153	150	150
Outlays.....	O	104	150	150
Economic Research Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	352			
Appropriation, current.....	BA	44,977	48,186	49,771
Outlays.....	O	43,162	47,542	49,280
<i>Trust funds</i>				
Miscellaneous contributed funds	352			
Appropriation, permanent, indefinite	BA	53	200	200
Outlays.....	O	47	200	200

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
World Agricultural Outlook Board				
<i>Federal funds</i>				
General and Special Funds:				
World agricultural outlook board	352			
Appropriation, current.....	BA	1,644	1,730	1,906
Outlays.....	0	1,530	1,679	1,864
Foreign Agricultural Service				
<i>Federal funds</i>				
General and Special Funds:				
Foreign Agricultural Service	352			
Appropriation, current.....	BA	83,783	92,217	89,057
Outlays.....	0	78,122	87,841	89,352
Office of International Cooperation and Development				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	352			
Appropriation, current.....	BA	5,149	5,295	3,972
Outlays.....	0	32,579	5,249	4,209
Scientific activities overseas (foreign currency program)	352			
Appropriation, current.....	BA	2,500	1,500	.....
Outlays.....	0	3,668	1,973	734
<i>Trust funds</i>				
Miscellaneous contributed funds	352			
Appropriation, permanent, indefinite.....	BA	2,664	5,188	5,188
Outlays.....	0	2,909	5,188	5,188
Total Federal funds Office of International Cooperation and Development.....	BA	7,649	6,795	3,972
	0	36,247	7,222	4,943
Total Trust funds Office of International Cooperation and Development.....	BA	2,664	5,188	5,188
	0	2,909	5,188	5,188
Foreign Assistance Programs				
<i>Federal funds</i>				
General and Special Funds:				
Expenses, Public Law 480, foreign assistance programs, Agriculture	151			
Appropriation, current.....	BA	1,083,071	1,059,596	1,023,200
Outlays.....	0	969,938	1,154,634	1,081,750
				w — 194,278
Total Expenses, Public Law 480, foreign assistance programs, Agriculture.....	BA	1,083,071	1,059,596	808,977
	0	969,938	1,154,634	887,472

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Agricultural Stabilization and Conservation Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	351			
Outlays.....	0	15,635	124	
Rural clean water program	304			
Appropriation, current.....	BA	-6,000		
Outlays.....	0	6,481	6,278	5,734
Agricultural conservation program	302			
Appropriation, current.....	BA	176,935	176,935	
Outlays.....	0	157,511	259,139	122,000
Colorado river basin salinity control program	304			
Appropriation, current.....	BA	3,804	4,904	
Outlays.....	0	1,284	4,972	2,452
Conservation reserve program	302			
Appropriation, current.....	BA		1,085,760	1,864,000
Outlays.....	0		736,316	1,840,644
Water bank program	302			
Appropriation, current.....	BA	8,371	8,371	
Outlays.....	0	9,519	5,340	3,925
Emergency conservation program	453			
Appropriation, current.....	BA	10,000	1,000	
Outlays.....	0	4,657	8,295	2,878
Dairy indemnity program	351			
Appropriation, current.....	BA	648	95	
Outlays.....	0	8,234	95	
Forestry incentives program	302			
Appropriation, current.....	BA	11,891	11,891	
Outlays.....	0	9,083	14,036	8,341
Total Federal funds Agricultural Stabilization and Conservation Service.....	BA	205,649	1,288,956	1,864,000
	O	212,404	1,034,595	1,985,974
Federal Crop Insurance Corporation				
<i>Federal funds</i>				
General and Special Funds:				
Administrative and operating expenses	351			
Appropriation, current.....	BA	209,568	200,000	217,970
Outlays.....	O	176,288	201,675	210,525
Total Administrative and operating expenses.....	BA	209,568	200,000	217,970
	O	176,288	201,675	210,525

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Federal Crop Insurance Corporation—Con.				
Public Enterprise Funds:				
Federal Crop Insurance Corporation fund	351			
Appropriation, current.....	BA	135,743	228,523	112,000
Outlays.....	0	277,578	289,650	330,250
		<hr/>	<hr/>	<hr/>
Total Federal Crop Insurance Corporation fund....	BA	135,743	228,523	112,000
	0	277,578	289,650	330,250
		<hr/>	<hr/>	<hr/>
Total Federal funds Federal Crop Insurance Corporation.....	BA	345,311	428,523	329,970
	0	453,866	491,325	540,775
		<hr/>	<hr/>	<hr/>
Commodity Credit Corporation				
<i>Federal funds</i>				
Public Enterprise Funds:				
Commodity Credit Corporation Fund	351			
Appropriation, permanent, indefinite.....	BA	122,689	152,130	124,925
Authority to borrow, current.....	BA			6,524
				11,284
Authority to borrow, permanent.....	BA	19,941,886	16,142,121	15,533,425
Liquidation of contract authority, current.....		(2,551,777)	(7,333,612)	
Outlays.....	0	22,407,870	17,657,320	17,132,979
				6,524
				11,284
Limitation on administrative expenses and direct loans.....		(6,953)	(7,157)	(7,268)
Limitation on guaranteed loan commitments.....				(2,000,000)
		<hr/>	<hr/>	<hr/>
Total Commodity Credit Corporation Fund.....	BA	20,064,575	16,294,251	15,676,158
	0	22,407,870	17,657,320	17,150,787
		<hr/>	<hr/>	<hr/>
General and Special Funds:				
Temporary emergency food assistance program	351			
Appropriation, current.....	BA	50,000	50,000	
Outlays.....	0	46,496	49,985	15,800
Commodity Credit Corporation export loan guarantee subsidies	351			
Appropriation, current.....	BA			
Authority to borrow, current.....	BA			554,000
Outlays.....	0			554,000
		<hr/>	<hr/>	<hr/>
Total Commodity Credit Corporation export loan guarantee subsidies.....	BA			554,000
	0			554,000
		<hr/>	<hr/>	<hr/>
Total Federal funds Commodity Credit Corporation.....	BA	20,114,575	16,344,251	16,230,158
	0	22,454,366	17,707,305	17,720,587
		<hr/>	<hr/>	<hr/>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Office of Rural Development Policy				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	452			
Outlays.....	0	96	25	
Rural Electrification Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	271			
Appropriation, current.....	BA	29,447	30,868	22,137
Outlays.....	0	26,328	31,692	22,996
Reimbursement to the Rural electrification and telephone revolving fund for interest subsidies and losses	271			
Appropriation, current.....	BA	20,000	327,675	
Outlays.....	0	20,000	327,675	
Purchase of Rural Telephone Bank capital stock	452			
Appropriation, current.....	BA	28,710	28,710	
Outlays.....	0	28,710	28,710	
Rural electrification and telephone revolving fund loan subsidies	271			
Appropriation, current.....	BA			w 80,680
Outlays.....	0			w 10,420
Limitation on guaranteed loan commitments.....				w (1,318,955)
Rural telephone bank loan subsidies	452			
Appropriation, current.....	BA			w 26,920
Outlays.....	0			w 1,615
Limitation on direct loan obligations.....				w (177,045)
Public Enterprise Funds:				
Rural communication development fund	452			
Appropriation, current.....	BA	1,591	1,309	1,447
Outlays.....	0	772	1,309	1,447
Rural electrification and telephone revolving fund	271			
Authority to borrow, permanent.....	BA	244,720	1,083,000	
Outlays.....	0	-251,954	-1,357,375	782,400
				j -2,092,630
Limitation on direct loan obligations.....		(1,032,887)	(1,794,375)	
Limitation on guaranteed loan commitments.....				j (1,318,955)
				w (-1,318,955)
Total Rural electrification and telephone revolving fund.....	BA	244,720	1,083,000	
	0	-251,954	-1,357,375	-1,310,230

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Rural Electrification Administration—Con.				
Rural telephone bank	452			
Appropriation, current, indefinite	BA			^J — 51,026
				^W — 78,864
Authority to borrow, permanent, indefinite	BA	79,838		129,890
Outlays	O	— 61,714	— 219,257	75,334
				^J — 51,026
				^W — 10,623
Limitation on direct loan obligations		(185,115)	(177,045)	(177,045)
				^W (— 177,045)
Total Rural telephone bank	BA	79,838		
	O	— 61,714	— 219,257	13,685
Total Federal funds Rural Electrification Administration	BA	404,306	1,471,562	131,184
	O	— 237,858	— 1,187,246	— 1,260,067

Farmers Home Administration*Federal funds***General and Special Funds:**

Salaries and expenses	452			
Appropriation, current	BA	394,545	408,234	420,188
Outlays	O	383,880	405,100	416,600
Rural water and waste disposal grants	452			
Appropriation, current	BA	109,395	109,395	75,000
Outlays	O	157,076	162,621	140,108
Rural community fire protection grants	452			
Appropriation, current	BA	3,091	3,091	
Outlays	O	2,599	3,043	1,754
Rural housing for domestic farm labor	604			
Appropriation, current	BA	9,513	9,513	
Outlays	O	8,848	11,295	10,661
Rural development insurance fund loan subsidies	452			
Appropriation, current	BA			^W 41,731
Outlays	O			^W 1,808
Limitation on direct loan obligations				^W (300,000)
Limitation on guaranteed loan commitments				^W (95,700)
Mutual and self-help housing	604			
Appropriation, current	BA	8,000	8,000	
Outlays	O	6,419	7,661	7,750
Very low-income housing repair grants	604			
Appropriation, current	BA	12,500	12,500	
Outlays	O	13,248	12,669	625
Rural housing voucher program	604			
Appropriation, current	BA			381,600
Outlays	O	14,499	18,714	23,543
Compensation for construction defects	371			
Appropriation, current	BA	713	713	
Outlays	O	275	713	

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Farmers Home Administration—Con.				
Rural housing preservation grants	604			
Appropriation, current.....	BA	19,140	19,140	.....
Outlays.....	O	10,172	18,066	20,377
Rural development grant program	452			
Appropriation, current.....	BA	3,000	6,500	.....
Outlays.....	O	126	9,495	325
Agricultural credit insurance fund loan subsidies	351			
Appropriation, current.....	BA			w 74,769
Outlays.....	O			w 70,990
Limitation on direct loan obligations.....				w (600,000)
Limitation on guaranteed loan commitments.....				w (3,600,000)
Public Enterprise Funds:				
Agricultural credit insurance fund	351			
Appropriation, current.....	BA	1,323,403	3,615,153	3,467,596
Authority to borrow, current, indefinite.....	BA			w — 598,300
Authority to borrow, permanent, indefinite.....	BA	1,609,820	.....	2,152,402
Outlays.....	O	2,563,710	2,123,518	1,823,677
				w — 568,300
Limitation on administrative expenses.....		(21,930)	(100,000)	(100,000)
Limitation on direct loan obligations.....		(1,493,241)	(1,625,156)	(600,000)
				w (— 600,000)
Limitation on guaranteed loan commitments.....		(1,565,493)	(2,793,000)	(3,600,000)
				w (— 3,600,000)
Total Agricultural credit insurance fund.....	BA	2,933,223	3,615,153	5,021,698
	O	2,563,710	2,123,518	1,255,377
Self-help housing land development fund	371			
Outlays.....	O	422	517	— 247
Limitation on direct loan obligations.....		(500)	(500)	.....
Rural housing insurance fund	371			
Appropriation, current.....	BA	2,296,283	2,964,249	3,660,061
Indefinite.....	BA	137,341	160,357	204,428
Authority to borrow, permanent, indefinite.....	BA	.....	3,213,951	.....
Outlays.....	O	798,125	3,246,735	1,411,008
				w — 88,607
Limitation on administrative expenses.....		(275,310)	(405,810)	.....
Limitation on direct loan obligations.....		(1,918,093)	(1,714,490)	.....
Total Rural housing insurance fund.....	BA	2,433,624	6,338,557	3,864,489
	O	798,125	3,246,735	1,322,401

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Farmers Home Administration—Con.				
Rural development insurance fund	452			
Appropriation, current.....	BA	656,645	835,182	1,607,047
Authority to borrow, permanent, indefinite.....	BA	170,000	3,067,849	
Outlays.....	0	-209,557	777,235	490,811
				^J -67,226
				^w -11,139
Limitation on direct loan obligations.....		(426,080)	(426,080)	(300,000)
Limitation on guaranteed loan commitments.....		(114,840)	(95,700)	^w (-300,000)
				^w (-95,700)
Total Rural development insurance fund.....	BA	826,645	3,903,031	1,607,047
	0	-209,557	777,235	412,446
Rural development loan fund	452			
Appropriation, current.....	BA		7,500	
Outlays.....	0	-2,193	13,082	1,597
Total Federal funds Farmers Home Administration.....	BA	6,753,389	14,441,327	11,486,522
	0	3,747,649	6,810,464	3,686,115
Soil Conservation Service				
<i>Federal funds</i>				
General and Special Funds:				
Conservation operations	302			
Appropriation, current.....	BA	399,671	443,910	455,208
Outlays.....	0	361,819	461,839	454,327
Water resource management and improvement	301			
Appropriation, current.....	BA	197,830	186,575	116,000
Outlays.....	0	227,419	234,896	141,899
Great plains conservation program	302			
Appropriation, current.....	BA	20,474	20,474	6,013
Outlays.....	0	17,531	19,806	13,584
Resource conservation and development	302			
Appropriation, current.....	BA	25,020	25,120	25,020
Outlays.....	0	24,403	25,624	25,060
<i>Trust funds</i>				
Miscellaneous contributed funds:				
(Water resources)	301			
(Appropriation, permanent, indefinite).....	BA	192	460	460
(Outlays).....	0	864	1,769	1,769

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Soil Conservation Service—Con.				
(Conservation and land management) 302				
(Appropriation, permanent, indefinite).....	BA	100	100	100
(Outlays)	O	100	100	100
Total Miscellaneous contributed funds.....	BA	292	560	560
	O	964	1,869	1,869
Total Federal funds Soil Conservation Service.....	BA	642,995	676,079	602,241
	O	631,172	742,165	634,870
Total Trust funds Soil Conservation Service.....	BA	292	560	560
	O	964	1,869	1,869
Animal and Plant Health Inspection Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 352				
Appropriation, current.....	BA	311,467	329,330	294,243
Outlays.....	O	317,463	330,945	299,296
Buildings and facilities 352				
Appropriation, current.....	BA	2,246	2,246	2,847
Outlays.....	O	1,795	2,246	2,246
<i>Trust funds</i>				
Miscellaneous trust funds 352				
Appropriation, permanent, indefinite.....	BA	5,086	4,735	4,735
Outlays.....	O	4,729	4,735	4,735
Total Federal funds Animal and Plant Health Inspection Service.....	BA	313,713	331,576	297,090
	O	319,258	333,191	301,542
Total Trust funds Animal and Plant Health Inspection Service.....	BA	5,086	4,735	4,735
	O	4,729	4,735	4,735
Federal Grain Inspection Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 352				
Appropriation, current.....	BA	6,826	7,020	8,255
Outlays.....	O	6,879	6,967	8,051
Public Enterprise Funds:				
Inspection and weighing services 352				
Outlays.....	O	-2,971		
Total Federal funds Federal Grain Inspection Service.....	BA	6,826	7,020	8,255
	O	3,908	6,967	8,051

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Agricultural Marketing Service				
<i>Federal funds</i>				
General and Special Funds:				
Marketing services	352			
Appropriation, current.....	BA	31,435	32,409	33,087
Outlays.....	0	18,915	25,485	32,753
Payments to States and possessions	352			
Appropriation, current.....	BA	942	942	.....
Outlays.....	0	763	883	917
Perishable Agricultural Commodities Act fund	352			
Appropriation, permanent, indefinite.....	BA	3,834	5,329	5,329
Outlays.....	0	4,197	5,329	5,329
Funds for strengthening markets, income, and supply (section 32)	605			
Appropriation, permanent, indefinite.....	BA	434,285	366,742	403,261
Outlays.....	0	391,003	404,552	362,040
<i>Trust funds</i>				
Miscellaneous trust funds	352			
Appropriation, permanent, indefinite.....	BA	85,502	85,979	85,979
Outlays.....	0	65,692	85,979	85,979
Milk market orders assessment fund	351			
Outlays.....	0	.....	3,057	.....
Total Federal funds Agricultural Marketing Service	BA	470,496	405,422	441,677
	0	414,878	436,249	401,039
Total Trust funds Agricultural Marketing Service.	BA	85,502	85,979	85,979
	0	65,692	89,036	85,979
Office of Transportation				
<i>Federal funds</i>				
General and Special Funds:				
Office of Transportation	352			
Appropriation, current.....	BA	2,397	2,397	1,395
Outlays.....	0	2,293	2,385	1,574
Food Safety and Inspection Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	554			
Appropriation, current.....	BA	372,973	392,009	405,680
Outlays.....	0	372,125	390,980	404,723
<i>Trust funds</i>				
Expenses and refunds, inspection and grading of farm products	352			
Appropriation, permanent, indefinite.....	BA	874	825	825
Outlays.....	0	918	825	825

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Food and Nutrition Service				
<i>Federal funds</i>				
General and Special Funds:				
Food program administration	605			
Appropriation, current.....	BA	84,794	85,828	94,825
Outlays.....	O	77,410	91,525	94,105
Food stamp program	605			
Appropriation, current.....	BA	11,793,288	12,638,880	12,519,705
Outlays.....	O	11,555,481	12,550,949	12,504,204
Nutrition assistance for Puerto Rico	605			
Appropriation, current.....	BA	852,750	879,250	908,250
Outlays.....	O	851,984	875,507	907,496
Special milk program	605			
Appropriation, current.....	BA	18,295	21,500	19,925
Outlays.....	O	15,446	23,721	22,015
Child nutrition programs	605			
Appropriation, current.....	BA	1,064,923	679,826	515,855
Appropriation, permanent.....	BA	3,295,937	3,817,803	4,093,272
Outlays.....	O	4,044,830	4,404,692	4,675,224
Total Child nutrition programs.....	BA	4,360,860	4,497,629	4,609,127
	O	4,044,830	4,404,692	4,675,224
Supplemental feeding programs	605			
Appropriation, current.....	BA	1,704,994	1,852,363	1,923,848
Outlays.....	O	1,701,705	1,861,109	1,921,931
Cash and commodities for selected groups	605			
Appropriation, current.....	BA	193,589	194,108	199,147
Outlays.....	O	188,254	192,987	198,190
Total Federal funds Food and Nutrition Service....	BA	19,008,570	20,169,558	20,274,827
	O	18,435,110	20,000,490	20,323,165
Human Nutrition Information Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	352			
Appropriation, current.....	BA	6,985	8,623	9,288
Outlays.....	O	9,649	7,628	8,910
Packers and Stockyards Administration				
<i>Federal funds</i>				
General and Special Funds:				
Packers and Stockyards Administration	352			
Appropriation, current.....	BA	9,081	9,402	9,562
Outlays.....	O	9,033	9,355	9,546
Agricultural Cooperative Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	352			
Appropriation, current.....	BA	4,547	4,611	2,303
Outlays.....	O	4,583	4,210	3,282

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Forest Service				
<i>Federal funds</i>				
General and Special Funds:				
National forest system	302			
Appropriation, current.....	BA	1,185,168	1,243,391	1,159,655
Outlays.....	O	1,231,440	1,165,777	1,169,242
Construction	302			
Appropriation, current.....	BA	267,195	214,078	203,974
Outlays.....	O	228,456	219,454	190,524
Forest research	302			
Appropriation, current.....	BA	126,721	135,510	129,279
Outlays.....	O	119,867	129,789	122,764
State and private forestry	302			
Appropriation, current.....	BA	66,554	76,469	34,781
Outlays.....	O	55,360	78,998	45,745
Other appropriations	302			
Appropriation, current.....	BA	.....	37,000	40,699
Outlays.....	O	193	34,169	29,394
Operation and maintenance of recreation facilities	303			
Appropriation, current.....	BA	.....	.....	8,700
Outlays.....	O	.....	.....	6,534
				+ 17,348
Total Operation and maintenance of recreation facilities.....	BA	.....	.....	31,800
	O	.....	.....	23,882
Range betterment fund	302			
Appropriation, current, indefinite.....	BA	3,807	3,605	3,875
Outlays.....	O	3,711	3,645	3,821
Land acquisition	303			
Appropriation, current.....	BA	52,236	49,076	3,900
Outlays.....	O	52,549	54,281	36,911
Acquisition of lands for national forests, special acts	302			
Appropriation, current.....	BA	966	966	966
Outlays.....	O	491	907	966
Acquisition of lands to complete land exchanges	302			
Appropriation, current, indefinite.....	BA	1,573	990	335
Outlays.....	O	1,496	1,052	408
Operations and maintenance of quarters	302			
Appropriation, permanent, indefinite.....	BA	5,730	5,500	5,869
Outlays.....	O	4,729	5,440	5,805
Forest Service permanent appropriations	302			
Appropriation, current, indefinite.....	BA	-30,000	-75,000	.....
Appropriation, permanent, indefinite.....	BA	140,870	145,556	91,733
Outlays.....	O	120,277	144,298	111,425
Total Forest Service permanent appropriations.....	BA	110,870	70,556	91,733
	O	120,277	144,298	111,425

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Forest Service—Con.				
Forest Service permanent appropriations	806			
Appropriation, permanent, indefinite.....	BA	213,043	314,382	306,433
Outlays.....	O	303,397	288,750	307,776
Total Forest Service permanent appropriations.....	BA	213,043	314,382	306,433
	O	303,397	288,750	307,776
Intragovernmental Funds:				
Working capital fund	302			
Outlays.....	O	4,048		
<i>Trust funds</i>				
Reforestation trust fund	302			
Appropriation, permanent, indefinite.....	BA	31,196	30,000	30,000
Outlays.....	O	33,159	30,000	30,000
Cooperative work trust fund	302			
Appropriation, permanent, indefinite.....	BA	254,019	250,369	267,748
Outlays.....	O	72,216	252,055	265,037
Gifts, donations and bequests for forest and rangeland research	302			
Appropriation, current.....	BA	27	90	90
Outlays.....	O	39	90	90
Highway Construction: Mount St. Helens National Monument	401			
Contract authority, current.....	BA	9,915		
Outlays.....	O	6,644	2,271	1,000
Total Federal funds Forest Service.....	BA	2,033,863	2,151,523	2,013,299
	O	2,126,014	2,126,560	2,048,663
Total Trust funds Forest Service.....	BA	295,157	280,459	297,838
	O	112,058	284,416	296,127
Summary				
Federal funds:				
(As shown in detail above).....	BA	53,406,353	60,863,070	56,480,902
	O	51,440,345	51,695,079	49,309,913
Deductions for offsetting receipts:				
Intrafund transactions	302 BA			
	O	-11		
Proprietary receipts from the public	302 BA			
	O	-929,073	-1,010,130	-1,009,520
	BA			
	O		23,100	23,300
	O			
	303 BA			
	O		-8,700	-8,700
	BA			
	O		23,100	23,300
Total Federal funds.....	BA	52,477,269	59,844,240	55,462,682
	O	50,511,261	50,676,249	48,291,693

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Agriculture—Con.				
Summary—Con.				
Trust funds:				
(As shown in detail above).....	BA	392,870	383,146	400,525
	O	190,462	391,469	400,123
Deductions for offsetting receipts:				
Proprietary receipts from the public	302 BA	—254,019	—250,369	—267,748
	O			
	352 BA	—97,663	—102,637	—102,637
	O			
Total Trust funds.....	BA	41,188	30,140	30,140
	O	—161,220	38,463	29,738
Total Department of Agriculture.....	BA	52,518,457	59,874,380	55,492,822
	O	50,350,041	50,714,712	48,321,431

Department of Commerce**General Administration***Federal funds*

General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	36,556	39,204	41,303
Outlays.....	O	34,095	42,016	41,166
Special foreign currency program	376			
Outlays.....	O	292	151	300
Grants and loans administration	452			
Appropriation, current.....	BA	24,986	24,742	40,000
Outlays.....	O	25,107	23,607	22,335
Economic development assistance programs	452			
Appropriation, current.....	BA	189,943	182,028	.....
Reappropriation.....	BA	1,596	.....	.....
Outlays.....	O	204,503	217,605	178,512
Limitation on guaranteed loan commitments.....		(187,500)	(187,500)	.....
Total Economic development assistance programs.....	BA	191,539	182,028	.....
	O	204,503	217,605	178,512
Miscellaneous appropriations:				
(Other advancement of commerce)	376			
(Outlays).....	O	—23	.....	.....
(Area and regional development)	452			
(Appropriation, current).....	BA	.....	—1,541	.....
(Outlays).....	O	671	1,000	.....
(Training and employment)	504			
(Outlays).....	O	316	.....	.....
Total Miscellaneous appropriations.....	BA	.....	—1,541	.....
	O	964	1,000	.....
Public Enterprise Funds:				
Economic development revolving fund	452			
Outlays.....	O	110,885	26,100	25,100

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
General Administration—Con.				
Intragovernmental Funds:				
Working capital fund	376			
Outlays.....	0	298		
<i>Trust funds</i>				
Gifts and bequests	376			
Appropriation, permanent, indefinite.....	BA	427	200	200
Outlays.....	0	376	200	200
Total Federal funds General Administration.....	BA	253,081	244,433	81,303
	0	376,144	310,479	267,413
Total Trust funds General Administration.....	BA	427	200	200
	0	376	200	200
Bureau of the Census				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	92,331	94,835	103,970
Outlays.....	0	83,105	101,790	102,965
Periodic censuses and programs	376			
Appropriation, current.....	BA	174,806	346,444	567,211
Outlays.....	0	133,993	344,941	488,283
Total Federal funds Bureau of the Census.....	BA	267,137	441,279	671,181
	0	217,098	446,731	591,248
Economic and Statistical Analysis				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	30,450	32,079	30,832
Outlays.....	0	28,544	32,857	32,468
Total Salaries and expenses.....	BA	30,450	32,079	32,539
	0	28,544	32,857	32,468
<i>Trust funds</i>				
Information products and services	376			
Appropriation, permanent, indefinite.....	BA	40,910	43,000	49,000
Outlays.....	0	34,917	43,000	49,000
Economic Development Assistance				
<i>Regional Development Program</i>				
<i>Federal funds</i>				
General and Special Funds:				
Regional development programs	452			
Outlays.....	0	95	142	

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
Economic Development Assistance—Con.				
<i>Regional Development Program—Con.</i>				
<i>Trust funds</i>				
Regional development commissions	452			
Outlays.....	0	100	238	.....
Promotion of Industry and Commerce				
<i>International Trade Administration</i>				
<i>Federal funds</i>				
General and Special Funds:				
Operations and administration	376			
Appropriation, current.....	BA	201,755	161,432	169,337
Outlays.....	0	187,812	158,357	173,473
Participation in United States expositions	376			
Outlays.....	0	7	441	.....
Total Federal funds International Trade Administration.....	BA	201,755	161,432	169,337
	0	187,819	158,798	173,473
Export Administration				
<i>Federal funds</i>				
General and Special Funds:				
Operations and administration	376			
Appropriation, current.....	BA	.....	37,465	39,313
Outlays.....	0	.....	26,413	35,097
Promotion of Industry and Commerce				
<i>Minority Business Development Agency</i>				
<i>Federal funds</i>				
General and Special Funds:				
Minority business development	376			
Appropriation, current.....	BA	39,845	39,705	.....
Outlays.....	0	44,492	40,561	27,232
United States Travel and Tourism Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	11,547	11,724	11,000
Outlays.....	0	10,882	11,271	11,165
Total Federal funds Promotion of Industry and Commerce.....	BA	51,392	51,429	11,000
	0	55,374	51,832	38,397

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
Science and Technology				
<i>National Oceanic and Atmospheric Administration</i>				
<i>Federal funds</i>				
General and Special Funds:				
Operations, research, and facilities	306			
Appropriation, current.....	BA	1,097,722	1,154,412	1,099,660
				* 21,011
Outlays.....	0	1,048,292	1,175,457	1,168,497
		-----	-----	-----
Total Operations, research, and facilities.....	BA	1,097,722	1,154,412	1,120,671
	0	1,048,292	1,175,457	1,168,497
Construction	306			
Outlays.....	0	375	325	.....
Fisheries promotional fund	376			
Appropriation, current.....	BA	750	2,625	.....
Outlays.....	0	.....	2,196	1,179
Promote and develop fishery products and research pertaining to American fisheries	376			
Appropriation, current.....	BA	-52,550	-47,022	-56,300
Appropriation, permanent, indefinite.....	BA	57,426	56,337	56,300
Outlays.....	0	7,718	16,436	4,869
		-----	-----	-----
Total Promote and develop fishery products and research pertaining to American fisheries...	BA	4,876	9,315	.....
	0	7,718	16,436	4,869
Fishing vessel and gear damage compensation fund	376			
Appropriation, current.....	BA	.....	.....	500
Outlays.....	0	1,114	1,835	500
Fishermen's contingency fund	376			
Appropriation, current.....	BA	750	719	750
Outlays.....	0	779	697	747
Foreign fishing observer fund	376			
Appropriation, current.....	BA	2,000	1,919	2,000
Outlays.....	0	2,322	2,400	1,997
Fisheries loan fund	376			
Outlays.....	0	-44	-188	.....
Public Enterprise Funds:				
Coastal energy impact fund	452			
Outlays.....	0	-12,489	-5,715	-7,280
Federal ship financing fund, fishing vessels	376			
Outlays.....	0	-2,989	-6,418	-4,593

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
Science and Technology—Con.				
National Oceanic and Atmospheric Administration—Con.				
<i>Trust funds</i>				
Aviation weather services program	306			
Appropriation, current.....	BA	29,000	28,291	30,000
Outlays.....	O	29,000	28,291	30,000
Total Federal funds National Oceanic and Atmospheric Administration.....	BA	1,106,098	1,168,990	1,123,921
	O	1,045,078	1,187,025	1,165,916
Total Trust funds National Oceanic and Atmospheric Administration.....	BA	29,000	28,291	30,000
	O	29,000	28,291	30,000
Patent and Trademark Office				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	98,000	120,000	122,504
Outlays.....	O	85,899	112,543	121,377
National Bureau of Standards				
<i>Federal funds</i>				
General and Special Funds:				
Scientific and technical research and services	376			
Appropriation, current.....	BA	121,249	140,788	151,989 ^K
Outlays.....	O	119,158	135,387	149,083
Total Scientific and technical research and services.....	BA	121,249	140,788	151,989
	O	119,158	135,387	149,083
Intragovernmental Funds:				
Working capital fund	376			
Appropriation, current.....	BA	2,119	3,995	6,050 ^K
Outlays.....	O	-6,363	3,057	5,022
Total Working capital fund.....	BA	2,119	3,995	6,050
	O	-6,363	3,057	5,022
Total Federal funds National Bureau of Standards.....	BA	123,368	144,783	158,039
	O	112,795	138,444	154,105

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
Science and Technology—Con.				
National Telecommunications and Information Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	13,206	13,814	..... κ 13,630
Outlays.....	O	12,548	14,681	13,626
Total Salaries and expenses.....	BA	13,206	13,814	13,630
	O	12,548	14,681	13,626
Public telecommunications facilities, planning and construction	503			
Appropriation, current.....	BA	20,500	21,290	.....
Outlays.....	O	21,649	21,850	19,015
Total Federal funds National Telecommunications and Information Administration.....	BA	33,706	35,104	13,630
	O	34,197	36,531	32,641
Total Federal funds Science and Technology.....	BA	1,361,172	1,468,877	1,418,094
	O	1,277,969	1,474,543	1,474,039
Total Trust funds Science and Technology.....	BA	29,000	28,291	30,000
	O	29,000	28,291	30,000
Summary				
Federal funds:				
(As shown in detail above).....	BA	2,164,987	2,436,994	2,422,767
	O	2,143,043	2,501,795	2,612,135
Deductions for offsetting receipts:				
Intrafund transactions	908			
BA		- 578	- 550	- 400
O				
Proprietary receipts from the public	306			
BA		- 9,998	- 24,637	- 26,328
O				
BA	376	- 28,485	- 20,379	- 13,379
O				
Total Federal funds.....	BA	2,125,926	2,391,428	2,382,660
	O	2,103,982	2,456,229	2,572,028
Trust funds:				
(As shown in detail above).....	BA	70,337	71,491	79,200
	O	64,393	71,729	79,200
Deductions for offsetting receipts:				
Proprietary receipts from the public	376			
BA		- 35,026	- 36,980	- 42,140
O				
Total Trust funds.....	BA	35,311	34,511	37,060
	O	29,367	34,749	37,060

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Commerce—Con.				
Summary—Con.				
Interfund transactions	376 BA 0	—5,884	—6,020	—6,860
Total Department of Commerce	BA 0	2,155,353 2,127,465	2,419,919 2,484,958	2,412,860 2,602,228
Department of Defense—Military				
Military Personnel				
<i>Federal funds</i>				
General and Special Funds:				
Military personnel, Army	051			
Appropriation, current.....	BA	23,052,501	23,701,252	24,418,500
Outlays	0	22,229,933	23,630,400	24,319,400
Military personnel, Navy	051			
Appropriation, current.....	BA	17,625,440	18,176,297	18,965,300
Outlays	0	17,070,363	18,056,000	18,863,300
Military personnel, Marine Corps	051			
Appropriation, current.....	BA	5,407,053	5,542,842	5,716,200
Outlays	0	5,291,397	5,477,300	5,650,900
Military personnel, Air Force	051			
Appropriation, current.....	BA	19,535,558	19,815,960	20,094,200
Outlays	0	19,218,330	19,589,100	20,003,800
Reserve personnel, Army	051			
Appropriation, current.....	BA	2,114,539	2,262,885	2,260,000
Outlays	0	2,073,758	2,236,800	2,233,900
Reserve personnel, Navy	051			
Appropriation, current.....	BA	1,394,892	1,512,963	1,621,400
Outlays	0	1,367,007	1,475,900	1,577,900
Reserve personnel, Marine Corps	051			
Appropriation, current.....	BA	277,947	295,411	315,700
Outlays	0	279,117	289,000	309,600
Reserve personnel, Air Force	051			
Appropriation, current.....	BA	569,600	615,081	655,300
Outlays	0	581,007	596,400	642,600
National Guard personnel, Army	051			
Appropriation, current.....	BA	3,083,997	3,234,299	3,325,300
Outlays	0	2,969,295	3,139,300	3,221,000
National Guard personnel, Air Force	051			
Appropriation, current.....	BA	948,578	988,189	1,027,400
Outlays	0	939,366	962,900	1,004,400
Total Federal funds Military Personnel	BA 0	74,010,105 72,019,573	76,145,179 75,453,100	78,399,300 77,826,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Operation and Maintenance				
<i>Federal funds</i>				
General and Special Funds:				
Operation and maintenance, Army	051			
Appropriation, current.....	BA	20,478,310	20,991,558	* 22,085,200
Outlays.....	O	19,968,413	20,889,700	21,269,600
Total Operation and maintenance, Army.....	BA O	20,478,310 19,968,413	20,991,558 20,889,700	22,085,200 21,269,600
Operation and maintenance, Navy	051			
Appropriation, current.....	BA	23,346,965	23,925,675	* 24,945,800
Outlays.....	O	22,293,987	23,274,800	24,130,000
Total Operation and maintenance, Navy.....	BA O	23,346,965 22,293,987	23,925,675 23,274,800	24,945,800 24,130,000
Operation and maintenance, Marine Corps	051			
Appropriation, current.....	BA	1,809,640	1,794,188	* 1,792,000
Outlays.....	O	1,722,191	1,784,200	1,774,600
Total Operation and maintenance, Marine Corps..	BA O	1,809,640 1,722,191	1,794,188 1,784,200	1,792,000 1,774,600
Operation and maintenance, Air Force	051			
Appropriation, current.....	BA	18,954,220	19,740,191	* 21,950,000
Reappropriation.....	BA	7,000		
Outlays.....	O	18,074,100	20,058,200	21,204,600
Total Operation and maintenance, Air Force.....	BA O	18,961,220 18,074,100	19,740,191 20,058,200	21,950,000 21,204,600
Operation and maintenance, Defense agencies	051			
Appropriation, current.....	BA	8,643,218	7,349,451	* 7,725,700
Outlays.....	O	8,260,137	7,860,300	7,559,000
Total Operation and maintenance, Defense agencies.....	BA O	8,643,218 8,260,137	7,349,451 7,860,300	7,725,700 7,559,000
Operation and maintenance, Army Reserve	051			
Appropriation, current.....	BA	770,873	857,540	* 794,900
Outlays.....	O	706,534	798,500	784,200
Total Operation and maintenance, Army Reserve..	BA O	770,873 706,534	857,540 798,500	794,900 784,200

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Operation and Maintenance—Con.				
Operation and maintenance, Navy Reserve	051			
Appropriation, current.....	BA	889,261	929,896	..... κ 979,200
Outlays	O	817,754	863,600	919,800
Total Operation and maintenance, Navy Reserve..	BA	889,261	929,896	979,200
	O	817,754	863,600	919,800
Operation and maintenance, Marine Corps Reserve	051			
Appropriation, current.....	BA	64,167	69,500	..... κ 77,500
Outlays	O	59,321	65,100	72,300
Total Operation and maintenance, Marine Corps Reserve.....	BA	64,167	69,500	77,500
	O	59,321	65,100	72,300
Operation and maintenance, Air Force Reserve	051			
Appropriation, current.....	BA	926,766	1,000,981	..... κ 1,028,500
Outlays	O	831,320	968,300	1,006,300
Total Operation and maintenance, Air Force Reserve.....	BA	926,766	1,000,981	1,028,500
	O	831,320	968,300	1,006,300
Operation and maintenance, Army National Guard	051			
Appropriation, current.....	BA	1,746,258	1,856,542	..... κ 1,797,000
Outlays	O	1,581,240	1,750,800	1,753,600
Total Operation and maintenance, Army National Guard.....	BA	1,746,258	1,856,542	1,797,000
	O	1,581,240	1,750,800	1,753,600
Operation and maintenance, Air National Guard	051			
Appropriation, current.....	BA	1,794,193	1,958,063	..... κ 1,965,400
Outlays	O	1,681,750	1,904,600	1,930,500
Total Operation and maintenance, Air National Guard.....	BA	1,794,193	1,958,063	1,965,400
	O	1,681,750	1,904,600	1,930,500
National Board for the Promotion of Rifle Practice, Army	051			
Appropriation, current.....	BA	4,332	4,099	..... κ 4,300
Outlays	O	3,263	3,800	4,200
Total National Board for the Promotion of Rifle Practice, Army.....	BA	4,332	4,099	4,300
	O	3,263	3,800	4,200

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Operation and Maintenance—Con.				
Claims, Defense	051			
Appropriation, current.....	BA	144,400	193,574	.....
Outlays.....	O	145,691	186,800	6,600
Court of Military Appeals, Defense	051			
Appropriation, current.....	BA	3,237	3,241	.....
Outlays.....	O	2,829	3,100	^K 3,500
Total Court of Military Appeals, Defense.....	BA	3,237	3,241	3,500
	O	2,829	3,100	3,400
Summer olympics	051			
Outlays.....	O	29	.....	.....
Tenth International Pan American games	051			
Appropriation, current.....	BA	15,000	.....	.....
Outlays.....	O	5,409	14,200	3,800
Environmental restoration, Defense	051			
Appropriation, current.....	BA	1,162	.....	500,000
Outlays.....	O	51,526	.....	300,000
Humanitarian assistance	051			
Appropriation, current.....	BA	7,500	10,000	.....
Outlays.....	O	.....	7,300	2,100
Total Federal funds Operation and Maintenance...	BA	79,606,502	80,684,499	85,649,000
	O	76,205,494	80,433,300	82,724,600
Procurement				
<i>Federal funds</i>				
General and Special Funds:				
Aircraft procurement, Army	051			
Appropriation, current.....	BA	2,686,350	2,657,206	.....
Outlays.....	O	3,305,904	2,780,900	^K 2,791,500
Total Aircraft procurement, Army.....	BA	2,686,350	2,657,206	2,791,500
	O	3,305,904	2,780,900	2,772,800
Missile procurement, Army	051			
Appropriation, current.....	BA	2,084,000	2,261,551	.....
Outlays.....	O	2,313,588	2,333,100	^K 2,586,600
Total Missile procurement, Army.....	BA	2,084,000	2,261,551	2,586,600
	O	2,313,588	2,333,100	2,290,800
Procurement of weapons and tracked combat vehicles, Army	051			
Appropriation, current.....	BA	3,591,543	3,093,487	.....
Outlays.....	O	4,173,073	3,250,200	^K 2,960,600
Total Procurement of weapons and tracked combat vehicles, Army.....	BA	3,591,543	3,093,487	2,960,600
	O	4,173,073	3,250,200	3,235,900

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Procurement—Con.				
Procurement of ammunition, Army	051			
Appropriation, current.....	BA	2,014,715	2,266,392	..... K 2,007,800
Outlays.....	O	2,111,295	1,858,700	2,130,400
Total Procurement of ammunition, Army.....	BA	2,014,715	2,266,392	2,007,800
	O	2,111,295	1,858,700	2,130,400
Other procurement, Army	051			
Appropriation, current.....	BA	4,847,894	4,997,024	..... K 4,774,000
Outlays.....	O	3,933,716	4,471,300	4,646,000
Total Other procurement, Army.....	BA	4,847,894	4,997,024	4,774,000
	O	3,933,716	4,471,300	4,646,000
Aircraft procurement, Navy	051			
Appropriation, current.....	BA	9,368,362	8,999,999	..... K 8,980,000
Outlays.....	O	9,614,372	9,681,500	9,126,300
Total Aircraft procurement, Navy.....	BA	9,368,362	8,999,999	8,980,000
	O	9,614,372	9,681,500	9,126,300
Weapons procurement, Navy	051			
Appropriation, current.....	BA	4,991,204	5,445,619	..... K 6,271,800
Outlays.....	O	3,946,350	4,266,800	4,836,300
Total Weapons procurement, Navy.....	BA	4,991,204	5,445,619	6,271,800
	O	3,946,350	4,266,800	4,836,300
Shipbuilding and conversion, Navy	051			
Appropriation, current.....	BA	8,940,489	15,751,055	..... K 9,130,100
Reappropriation.....	BA	101,000	152,300	
Outlays.....	O	9,315,640	9,343,200	10,066,100
Total Shipbuilding and conversion, Navy.....	BA	9,041,489	15,903,355	9,130,100
	O	9,315,640	9,343,200	10,066,100
Other procurement, Navy	051			
Appropriation, current.....	BA	5,802,668	4,473,375	..... K 4,789,700
Outlays.....	O	4,599,603	4,891,200	5,022,000
Total Other procurement, Navy.....	BA	5,802,668	4,473,375	4,789,700
	O	4,599,603	4,891,200	5,022,000
Coastal defense augmentation	051			
Appropriation, current.....	BA	200,000	20,000	.....
Outlays.....	O	47,448	111,700	143,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Procurement—Con.				
Procurement, Marine Corps	051			
Appropriation, current.....	BA	1,435,715	1,232,999	..... K 1,157,300
Outlays.....	O	1,674,330	1,450,900	1,354,800
Total Procurement, Marine Corps.....	BA	1,435,715	1,232,999	1,157,300
	O	1,674,330	1,450,900	1,354,800
Aircraft procurement, Air Force	051			
Appropriation, current.....	BA	16,123,081	11,990,938	..... K 16,630,000
Outlays.....	O	20,036,136	17,176,500	16,090,100
Total Aircraft procurement, Air Force.....	BA	16,123,081	11,990,938	16,630,000
	O	20,036,136	17,176,500	16,090,100
Missile procurement, Air Force	051			
Appropriation, current.....	BA	6,760,818	7,142,825	..... K 8,158,000
Outlays.....	O	6,001,881	6,596,100	7,736,700
Total Missile procurement, Air Force.....	BA	6,760,818	7,142,825	8,158,000
	O	6,001,881	6,596,100	7,736,700
Other procurement, Air Force	051			
Appropriation, current.....	BA	9,075,547	7,953,327	..... K 8,393,500
Outlays.....	O	7,776,845	8,873,600	8,126,100
Total Other procurement, Air Force.....	BA	9,075,547	7,953,327	8,393,500
	O	7,776,845	8,873,600	8,126,100
Procurement, Defense agencies	051			
Appropriation, current.....	BA	1,522,175	1,195,163	..... K 1,216,100
Outlays.....	O	1,338,239	1,370,600	1,302,500
Total Procurement, Defense agencies.....	BA	1,522,175	1,195,163	1,216,100
	O	1,338,239	1,370,600	1,302,500
National guard and reserve equipment	051			
Appropriation, current.....	BA	557,000	1,182,100	.....
Outlays.....	O	506,617	584,900	799,700
Defense production act purchases	051			
Appropriation, current.....	BA	13,000	13,000	..... K 27,500
Outlays.....	O	.....	800	2,100
Total Defense production act purchases.....	BA	13,000	13,000	27,500
	O	.....	800	2,100
NATO cooperative defense programs	051			
Outlays.....	O	.....	100	700
Chemical agents and munitions destruction, De-				
fense	051			
Appropriation, current.....	BA	118,700	198,500	162,900
Outlays.....	O	46,313	124,100	137,300

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Procurement—Con.				
Procurement of aircraft and missiles, Navy 051				
Outlays.....	0	3,146	.....	.....
Procurement of equipment and missiles, Army 051				
Outlays.....	0	-135	.....	.....
Total Federal funds Procurement.....	BA	<u>80,234,261</u>	<u>81,026,860</u>	<u>80,037,400</u>
	O	<u>80,744,361</u>	<u>79,166,200</u>	<u>79,820,400</u>
Research, Development, Test, and Evaluation				
<i>Federal funds</i>				
General and Special Funds:				
Research, development, test, and evaluation, Army 051				
Appropriation, current.....	BA	4,589,101	4,656,659	..... K 5,030,700
Outlays.....	O	4,720,736	4,538,500	4,801,900
Total Research, development, test, and evaluation, Army.....	BA	<u>4,589,101</u>	<u>4,656,659</u>	<u>5,030,700</u>
	O	<u>4,720,736</u>	<u>4,538,500</u>	<u>4,801,900</u>
Research, development, test, and evaluation, Navy 051				
Appropriation, current.....	BA	9,305,050	9,445,422	..... K 9,216,200
Outlays.....	O	9,176,346	8,339,400	8,803,400
Total Research, development, test, and evaluation, Navy.....	BA	<u>9,305,050</u>	<u>9,445,422</u>	<u>9,216,200</u>
	O	<u>9,176,346</u>	<u>8,339,400</u>	<u>8,803,400</u>
Research, development, test, and evaluation, Air Force 051				
Appropriation, current.....	BA	14,902,684	14,687,726	..... K 14,932,100
Outlays.....	O	13,347,496	12,904,800	14,241,900
Total Research, development, test, and evaluation, Air Force.....	BA	<u>14,902,684</u>	<u>14,687,726</u>	<u>14,932,100</u>
	O	<u>13,347,496</u>	<u>12,904,800</u>	<u>14,241,900</u>
Research, development, test, and evaluation, Defense agencies 051				
Appropriation, current.....	BA	6,715,971	7,652,925	..... K 8,667,800
Outlays.....	O	6,268,750	7,175,300	8,182,900
Total Research, development, test, and evaluation, Defense agencies.....	BA	<u>6,715,971</u>	<u>7,652,925</u>	<u>8,667,800</u>
	O	<u>6,268,750</u>	<u>7,175,300</u>	<u>8,182,900</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Research, Development, Test, and Evaluation—Con.				
Developmental test and evaluation, Defense	051			
Appropriation, current.....	BA	119,706	182,116	^K 166,900
Outlays.....	O	78,763	136,800	178,700
Total Developmental test and evaluation, De- fense.....	BA O	119,706 78,763	182,116 136,800	166,900 178,700
Operational test and evaluation, Defense	051			
Appropriation, current.....	BA	11,300	70,221	^K 143,400
Outlays.....	O	4,396	31,900	85,800
Total Operational test and evaluation, Defense	BA O	11,300 4,396	70,221 31,900	143,400 85,800
Total Federal funds Research, Development, Test, and Evaluation	BA O	35,643,812 33,596,487	36,695,069 33,126,700	38,157,100 36,294,600
Military Construction				
<i>Federal funds</i>				
General and Special Funds:				
Military construction, Army	051			
Appropriation, current.....	BA	1,210,902	942,790	^K 930,300
Appropriation, permanent.....	BA		221,000	214,000
Outlays.....	O	1,807,063	1,597,300	1,452,400
Total Military construction, Army.....	BA O	1,210,902 1,807,063	1,163,790 1,597,300	1,144,300 1,452,400
Military construction, Navy	051			
Appropriation, current.....	BA	1,356,603	1,391,309	^K 1,611,200
Outlays.....	O	1,523,160	1,377,400	1,462,900
Total Military construction, Navy.....	BA O	1,356,603 1,523,160	1,391,309 1,377,400	1,611,200 1,462,900
Military construction, Air Force	051			
Appropriation, current.....	BA	1,217,830	1,216,454	^K 1,300,600
Outlays.....	O	1,561,047	1,321,300	1,412,700
Total Military construction, Air Force.....	BA O	1,217,830 1,561,047	1,216,454 1,321,300	1,300,600 1,412,700

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Military Construction—Con.				
Military construction, Defense agencies	051			
Appropriation, current.....	BA	529,770	551,246	κ 712,000
Outlays	O	303,843	436,900	584,200
Total Military construction, Defense agencies	BA	529,770	551,246	712,000
	O	303,843	436,900	584,200
North Atlantic Treaty Organization infrastructure	051			
Appropriation, current.....	BA	232,000	373,000	κ 502,100
Outlays	O	223,010	230,000	230,000
Total North Atlantic Treaty Organization infra- structure.....	BA	232,000	373,000	502,100
	O	223,010	230,000	230,000
Military construction, Army National Guard	051			
Appropriation, current.....	BA	140,879	181,905	κ 138,300
Outlays	O	114,346	112,100	155,600
Total Military construction, Army National Guard.	BA	140,879	181,905	138,300
	O	114,346	112,100	155,600
Military construction, Air National Guard	051			
Appropriation, current.....	BA	148,925	147,791	κ 147,500
Outlays	O	152,961	138,200	133,600
Total Military construction, Air National Guard	BA	148,925	147,791	147,500
	O	152,961	138,200	133,600
Military construction, Army Reserve	051			
Appropriation, current.....	BA	86,753	93,300	κ 79,900
Outlays	O	57,740	74,800	82,700
Total Military construction, Army Reserve.....	BA	86,753	93,300	79,900
	O	57,740	74,800	82,700
Military construction, Naval Reserve	051			
Appropriation, current.....	BA	44,500	72,537	κ 48,400
Outlays	O	45,840	46,600	58,800
Total Military construction, Naval Reserve.....	BA	44,500	72,537	48,400
	O	45,840	46,600	58,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Military Construction—Con.				
Military construction, Air Force Reserve	051			
Appropriation, current.....	BA	58,900	77,300	..... K 58,800
Outlays	0	63,627	58,400	69,300
Total Military construction, Air Force Reserve.....	BA	58,900	77,300	58,800
	0	63,627	58,400	69,300
Foreign currency fluctuations, construction	051			
Appropriation, current.....	BA	66,174	85,000	.....
Outlays	0	.....	25,500	25,500
Total Federal funds Military Construction.....	BA	5,093,236	5,353,632	5,743,100
	0	5,852,637	5,418,500	5,667,700
Family Housing				
<i>Federal funds</i>				
General and Special Funds:				
Family housing, Army	051			
Appropriation, current.....	BA	1,555,961	1,537,965	..... K 1,527,900
Outlays	0	1,444,546	1,487,400	1,587,200
Total Family housing, Army	BA	1,555,961	1,537,965	1,527,900
	0	1,444,546	1,487,400	1,587,200
Family housing, Navy and Marine Corps	051			
Appropriation, current.....	BA	699,563	756,865	..... K 795,300
Outlays	0	624,872	650,200	717,900
Total Family housing, Navy and Marine Corps	BA	699,563	756,865	795,300
	0	624,872	650,200	717,900
Family housing, Air Force	051			
Appropriation, current.....	BA	797,661	828,160	..... K 922,900
Outlays	0	803,672	865,700	903,000
Total Family housing, Air Force	BA	797,661	828,160	922,900
	0	803,672	865,700	903,000
Family housing, Defense agencies	051			
Appropriation, current.....	BA	16,313	20,700	..... K 20,700
Outlays	0	28,411	18,400	20,300
Total Family housing, Defense agencies.....	BA	16,313	20,700	20,700
	0	28,411	18,400	20,300

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Family Housing—Con.				
Public Enterprise Funds:				
Homeowners assistance fund, Defense	051			
Appropriation, current.....	BA	2,000	2,800	2,000
Authority to borrow, permanent	BA	3,999	3,000	3,000
Outlays.....	O	6,080	800	800
Total Homeowners assistance fund, Defense.....	BA	5,999	5,800	5,000
	O	6,080	800	800
Total Federal funds Family Housing	BA	3,075,497	3,149,490	3,271,800
	O	2,907,581	3,022,500	3,229,200
Special Foreign Currency Program				
<i>Federal funds</i>				
General and Special Funds:				
Special foreign currency program	051			
Appropriation, current.....	BA	3,500	.....	.....
Outlays.....	O	1,685	2,800	1,200
Revolving and Management Funds				
<i>Federal funds</i>				
Public Enterprise Funds:				
National defense stockpile transaction fund	051			
Appropriation, current.....	BA	10,000	19,000	.....
Outlays.....	O	—69,425	33,000	—50,000
				^J —40,000
Total National defense stockpile transaction fund	BA	10,000	19,000	.....
	O	—69,425	33,000	—90,000
William Langer jewel bearing plant revolving fund	051			
Outlays.....	O	786	.....	.....
Defense production guarantees	051			
Outlays.....	O	231	.....	.....
Laundry service, Naval Academy	051			
Outlays.....	O	—212	.....	.....
Intragovernmental Funds:				
Army stock fund	051			
Appropriation, current.....	BA	110,100	193,207	.....
Outlays.....	O	273,143	278,200	^K 321,900
Total Army stock fund.....	BA	110,100	193,207	321,900
	O	273,143	278,200	183,700
Navy stock fund	051			
Appropriation, current.....	BA	352,570	329,400	.....
Contract authority, permanent, indefinite	BA	164,902	.....	^K 204,700
Outlays.....	O	677,126	428,200	461,700
Total Navy stock fund.....	BA	517,472	329,400	204,700
	O	677,126	428,200	461,700

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Revolving and Management Funds—Con.				
Marine Corps stock fund	051			
Appropriation, current.....	BA	822		
Outlays.....	O	8,431		
Air Force stock fund	051			
Appropriation, current.....	BA	139,980	226,007	
				^K 206,900
Contract authority, permanent, indefinite	BA	61,661		
Outlays.....	O	301,020	484,700	280,300
Total Air Force stock fund.....	BA	201,641	226,007	206,900
	O	301,020	484,700	280,300
Defense stock fund	051			
Appropriation, current.....	BA	47,200	62,600	
				^K 30,000
Contract authority, permanent, indefinite	BA	1,647,075		
Outlays.....	O	1,033,671	135,200	-9,700
Total Defense stock fund.....	BA	1,694,275	62,600	30,000
	O	1,033,671	135,200	-9,700
Army industrial fund	051			
Outlays.....	O	166,405		
Navy industrial fund	051			
Authority to borrow, permanent	BA	77,200		
Outlays.....	O	846,240		
Marine Corps industrial fund	051			
Outlays.....	O	-8,308		
Air Force industrial fund	051			
Outlays.....	O	151,555		
Defense industrial fund	051			
Outlays.....	O	33,106		
Army management fund	051			
Outlays.....	O	20,637		
Navy management fund	051			
Outlays.....	O	2,425		
Army conventional ammunition working capital fund	051			
Outlays.....	O	16,906		
Total Federal funds Revolving and Management Funds.....	BA	2,611,510	830,214	763,500
	O	3,453,737	1,359,300	826,000
Allowances				
<i>Federal funds</i>				
General and Special Funds:				
Other legislation	051			
Appropriation, current.....	BA			^J - 185,300
Outlays.....	O			^J 33,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Military—Con.				
Allowances—Con.				
Savings from reform of Davis-Bacon and Service Contract Acts 051				
Appropriation, current.....	BA			J — 310,000
Outlays.....	0			J — 196,400
Total Federal funds Allowances.....	BA			— 495,300
	0			— 163,400
Trust Funds				
<i>Trust funds</i>				
Department of the Army trust funds 051				
Appropriation, permanent, indefinite.....	BA	2,347	120	110
Outlays.....	0	101	100	100
Department of the Navy trust funds 051				
Appropriation, permanent, indefinite.....	BA	29,592	23,890	24,010
Outlays.....	0	24,657	23,800	23,900
Department of the Air Force general gift fund 051				
Appropriation, permanent, indefinite.....	BA	137	90	80
Outlays.....	0	3,234	200	100
Surcharge collections, sales of commissary stores, Army 051				
Outlays.....	0	821	2,100	2,100
Department of the Navy trust revolving funds 051				
Outlays.....	0	— 19,915	7,000	3,500
Department of the Air Force trust revolving funds 051				
Outlays.....	0	16,929	9,300	9,300
Total Trust funds Trust Funds.....	BA	32,076	24,100	24,200
	0	25,827	42,500	39,000
Summary				
Federal funds:				
(As shown in detail above).....	BA	280,278,423	283,884,943	291,525,900
	0	274,781,555	277,982,400	286,227,100
Deductions for offsetting receipts:				
Proprietary receipts from the public 051	BA			
	0	— 813,146	— 727,000	— 743,100
Total Federal funds.....	BA	279,465,277	283,157,943	290,782,800
	0	273,968,409	277,255,400	285,484,000
Trust funds:				
(As shown in detail above).....	BA	32,076	24,100	24,200
	0	25,827	42,500	39,000
Interfund transactions 051				
	BA	— 28,203	— 22,900	— 23,000
	0			
Total Department of Defense—Military.....	BA	279,469,150	283,159,143	290,784,000
	0	273,966,033	277,275,000	285,500,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Civil				
Cemeterial Expenses, Army				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	705			
Appropriation, current.....	BA	15,823	8,164	13,195
Outlays.....	0	9,473	13,668	15,953
Public Enterprise Funds:				
Arlington National Cemetary parking fund	705			
Outlays.....	0			- 1,040
Total Federal funds Cemeterial Expenses, Army...	BA	15,823	8,164	13,195
	0	9,473	13,668	14,913
Corps of Engineers—Civil				
<i>Federal funds</i>				
General and Special Funds:				
General investigations	301			
Appropriation, current.....	BA	136,162	138,767	129,271
Outlays.....	0	125,133	139,213	132,645
Construction, general	301			
Appropriation, current.....	BA	1,122,918	1,162,175	1,150,103
Outlays.....	0	950,897	1,116,357	1,167,646
Operation and maintenance, general:				
(Water resources)	301			
(Appropriation, current)	BA	1,342,471	1,241,000	1,201,894
(Outlays)	0	1,297,782	1,265,141	1,208,542
(Recreational resources)	303			
(Appropriation, current)	BA	12,500	12,000	15,000
(Outlays)	0	12,500	12,110	14,340
Total Operation and maintenance, general	BA	1,354,971	1,253,000	1,216,894
	0	1,310,282	1,277,251	1,222,882
General regulatory functions	301			
Appropriation, current.....	BA		55,262	60,427
Outlays.....	0		45,867	59,549
Flood control and coastal emergencies	301			
Appropriation, current.....	BA	10,000	20,000	25,000
Outlays.....	0	38,097	36,290	20,000
General expenses	301			
Appropriation, current.....	BA	118,232	115,200	123,465
Outlays.....	0	112,118	116,416	121,812
Flood control, Mississippi River and tributaries	301			
Appropriation, current.....	BA	310,797	317,704	334,297
Outlays.....	0	281,348	323,340	335,579
Permanent appropriations:				
(Water resources)	301			
(Appropriation, permanent, indefinite).....	BA	7,231	3,000	3,000
(Outlays)	0	10,281	7,181	3,000

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Civil—Con.				
Corps of Engineers—Civil—Con.				
(Other general purpose fiscal assistance) 806				
(Appropriation, permanent, indefinite).....	BA	7,719	6,000	6,000
(Outlays)	O	6,869	5,319	6,000
Total Permanent appropriations.....	BA	14,950	9,000	9,000
	O	17,150	12,500	9,000
Intragovernmental Funds:				
Revolving fund 301				
Appropriation, current.....	BA	12,000		35,174
Outlays	O	-86,435	10,000	28,139
<i>Trust funds</i>				
Inland waterways trust fund 301				
Appropriation, current.....	BA	26,000	38,000	77,467
Outlays	O	33,609	25,452	58,727
Rivers and harbors contributed funds 301				
Appropriation, permanent, indefinite.....	BA	114,943	233,000	241,000
Outlays	O	74,870	233,000	241,000
Harbor maintenance trust fund 301				
Appropriation, current.....	BA	35,000	147,000	156,000
Outlays	O	35,000	122,010	154,470
Summary				
Federal funds:				
(As shown in detail above).....	BA	3,080,030	3,071,108	3,083,631
	O	2,748,590	3,077,234	3,097,252
Deductions for offsetting receipts:				
Proprietary receipts from the public 301	BA	-3,718	-6,100	-6,100
	O			
	303 BA	-11,395	-12,000	-13,000
	O			
Total Federal funds	BA	3,064,917	3,053,008	3,064,531
	O	2,733,477	3,059,134	3,078,152
Trust funds:				
(As shown in detail above).....	BA	175,943	418,000	474,467
	O	143,479	380,462	454,197
Deductions for offsetting receipts:				
Proprietary receipts from the public 301	BA	-119,586	-242,585	-251,400
	O			
	BA			-10,400
	O			
Total Trust funds	BA	56,357	175,415	233,467
	O	23,893	137,877	213,197
Total Corps of Engineers—Civil	BA	3,121,274	3,228,423	3,297,998
	O	2,757,370	3,197,011	3,291,349

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Civil—Con.				
Military Retirement				
<i>Federal funds</i>				
General and Special Funds:				
Payment to military retirement fund	054			
Appropriation, permanent, indefinite	BA	10,524,000	10,285,000	10,648,000
Outlays	O	10,524,000	10,285,000	10,648,000
Retired pay, Defense	602			
Outlays	O	2,603	5,000	3,500
<i>Trust funds</i>				
Military retirement fund	602			
Appropriation, permanent, indefinite	BA	31,919,262	33,562,632	35,059,600
Outlays	O	18,077,875	19,123,400	20,320,200
Summary				
Federal funds:				
(As shown in detail above)	BA	10,524,000	10,285,000	10,648,000
	O	10,526,603	10,290,000	10,651,500
Trust funds:				
(As shown in detail above)	BA	31,919,262	33,562,632	35,059,600
	O	18,077,875	19,123,400	20,320,200
Interfund transactions	054 BA	-10,524,000	-10,285,000	-10,648,000
	O			
Total Military Retirement	BA	31,919,262	33,562,632	35,059,600
	O	18,080,478	19,128,400	20,323,700
Education Benefits				
<i>Federal funds</i>				
General and Special Funds:				
Payment to the Henry M. Jackson Foundation	502			
Appropriation, current	BA	10,000		
Outlays	O	10,000		
<i>Trust funds</i>				
Education benefits fund	702			
Appropriation, permanent, indefinite	BA	275,830	271,100	255,900
Outlays	O	45,265	131,000	200,000
Summary				
Federal funds:				
(As shown in detail above)	BA	10,000		
	O	10,000		
Trust funds:				
(As shown in detail above)	BA	275,830	271,100	255,900
	O	45,265	131,000	200,000
Interfund transactions	702 BA	-250,414	-229,650	-211,800
	O			
Total Education Benefits	BA	35,416	41,450	44,100
	O	-195,149	-98,650	-11,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Civil—Con.				
Soldiers' and Airmen's Home				
<i>Trust funds</i>				
Operation and maintenance	705			
Appropriation, current.....	BA	34,979	35,879	36,643
Outlays.....	O	34,521	35,733	36,479
Capital outlays	705			
Appropriation, current.....	BA	15,284	15,445	13,215
Outlays.....	O	2,116	12,274	17,407
Payment of claims	705			
Appropriation, permanent, indefinite.....	BA	7	5	5
Outlays.....	O	7	5	5
Soldiers' and Airmen's Home revolving fund	705			
Outlays.....	O	-23		
Summary				
Trust funds:				
(As shown in detail above).....	BA	50,270	51,329	49,863
	O	36,621	48,012	53,891
Deductions for offsetting receipts:				
Proprietary receipts from the public	705 BA	-4,640	-4,706	-4,847
	O			
Total Soldiers' and Airmen's Home.....	BA	45,630	46,623	45,016
	O	31,981	43,306	49,044
Forest and Wildlife Conservation, Military Reservations				
<i>Federal funds</i>				
General and Special Funds:				
Forest products program	302			
Appropriation, permanent, indefinite.....	BA	-98	2,600	2,000
Outlays.....	O	170	2,600	2,000
Wildlife conservation	303			
Appropriation, permanent, indefinite.....	BA	1,867	2,030	2,050
Outlays.....	O	1,911	2,240	2,250
Summary				
Federal funds:				
(As shown in detail above).....	BA	1,769	4,630	4,050
	O	2,081	4,840	4,250
Deductions for offsetting receipts:				
Proprietary receipts from the public	302 BA	98	-2,600	-2,000
	O			
	303 BA	-1,867	-2,030	-2,050
	O			
Total Forest and Wildlife Conservation, Military Reservations.....	O	312	210	200
Summary				
Federal funds:				
(As shown in detail above).....	BA	13,631,622	13,368,902	13,748,876
	O	13,296,747	13,385,742	13,767,915

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Defense—Civil—Con.				
Summary—Con.				
Deductions for offsetting receipts:				
Proprietary receipts from the public	301 BA	—3,718	—6,100	—6,100
	O			
	302 BA	98	—2,600	—2,000
	O			
	303 BA	—13,262	—14,030	—15,050
	O			
Total Federal funds	BA	<u>13,614,740</u>	<u>13,346,172</u>	<u>13,725,726</u>
	O	<u>13,279,865</u>	<u>13,363,012</u>	<u>13,744,765</u>
Trust funds:				
(As shown in detail above)	BA	<u>32,421,305</u>	<u>34,303,061</u>	<u>35,839,830</u>
	O	<u>18,303,240</u>	<u>19,682,874</u>	<u>21,028,288</u>
Deductions for offsetting receipts:				
Proprietary receipts from the public	301 BA	—119,586	—242,585	—251,400
	O			10,400
	705 BA	—4,640	—4,706	—4,847
	O			
Total Trust funds	BA	<u>32,297,079</u>	<u>34,055,770</u>	<u>35,593,983</u>
	O	<u>18,179,014</u>	<u>19,435,583</u>	<u>20,782,441</u>
Interfund transactions				
	054 BA	—10,524,000	—10,285,000	—10,648,000
	O			
	702 BA	—250,414	—229,650	—211,800
	O			
Total Department of Defense—Civil	BA	<u>35,137,405</u>	<u>36,887,292</u>	<u>38,459,909</u>
	O	<u>20,684,465</u>	<u>22,283,945</u>	<u>23,667,406</u>

Department of Education

Office of Elementary and Secondary Education

Federal funds

General and Special Funds:

Compensatory education for the disadvantaged	501			
Appropriation, current	BA	<u>3,951,663</u>	<u>4,336,543</u>	4,566,065
Outlays	O	<u>3,209,923</u>	<u>3,840,830</u>	3,810,204
				547,927
Total Compensatory education for the disadvantaged	BA	<u>3,951,663</u>	<u>4,336,543</u>	<u>4,566,065</u>
	O	<u>3,209,923</u>	<u>3,840,830</u>	<u>4,358,131</u>
Impact aid	501			
Appropriation, current	BA	<u>717,500</u>	<u>708,476</u>	<u>592,000</u>
Outlays	O	<u>704,197</u>	<u>756,188</u>	<u>632,229</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Education—Con.				
Office of Elementary and Secondary Education—Con.				
School improvement programs	501			
Appropriation, current.....	BA	939,490	1,040,312	29,729
				✓ 1,100,525
Outlays.....	O	889,478	732,542	934,313
				✓ 132,606
Total School improvement programs.....	BA	939,490	1,040,312	1,130,254
	O	889,478	732,542	1,066,919
Chicago litigation settlement	501			
Reappropriation.....	BA	83,000		
Outlays.....	O		16,600	16,600
Indian education	501			
Appropriation, current.....	BA	64,036	66,326	67,653
Outlays.....	O	39,638	30,929	54,718
Total Federal funds Office of Elementary and Secondary Education.....	BA	5,755,689	6,151,657	6,355,972
	O	4,843,236	5,377,089	6,128,597
Office of Bilingual Education and Minority Languages Affairs				
<i>Federal funds</i>				
General and Special Funds:				
Bilingual, immigrant, and refugee education	501			
Appropriation, current.....	BA	188,981	190,504	15,209
				✓ 185,295
Reappropriation.....	BA		1,247	
Outlays.....	O	141,483	163,454	148,329
				✓ 22,235
Total Bilingual, immigrant, and refugee education.....	BA	188,981	191,751	200,504
	O	141,483	163,454	170,564
Office of Special Education and Rehabilitative Services				
<i>Federal funds</i>				
General and Special Funds:				
Education for the handicapped	501			
Appropriation, current.....	BA	1,741,900	1,869,019	1,916,882
Outlays.....	O	1,339,241	1,800,716	1,863,739
Rehabilitation services and handicapped research				
Appropriation, current.....	BA	1,484,758	1,590,400	1,616,435
Outlays.....	O	1,405,357	1,584,813	1,600,188
Special institutions for the handicapped: (Elementary, secondary, and vocational education)	501			
(Appropriation, current).....	BA	24,907	24,453	24,952
(Outlays).....	O	30,756	28,628	25,198

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Education—Con.				
Office of Special Education and Rehabilitative Services—Con.				
(Higher education)	502			
(Appropriation, current)	BA	74,593	74,602	76,923
(Outlays)	O	91,639	83,074	76,272
Total Special institutions for the handicapped.....	BA	99,500	99,055	101,875
	O	122,395	111,702	101,470
<i>Trust funds</i>				
Promotion of education for the blind	501			
Appropriation, current.....	BA			J — 10
Appropriation, permanent.....	BA	10	10	10
Outlays	O	16	12	10
				J — 5
Total Promotion of education for the blind	BA	10	10	.....
	O	16	12	5
Total Federal funds Office of Special Education and Rehabilitative Services	BA	3,326,158	3,558,474	3,635,192
	O	2,866,993	3,497,231	3,565,397
Total Trust funds Office of Special Education and Rehabilitative Services	BA	10	10	.....
	O	16	12	5
Office of Vocational and Adult Education				
<i>Federal funds</i>				
General and Special Funds:				
Vocational and adult education	501			
Appropriation, current.....	BA	987,700	1,005,557	881,095
				J 150,000
Appropriation, permanent.....	BA	7,148	7,148	7,148
Outlays	O	1,230,527	978,731	895,174
				J 18,000
Total Vocational and adult education	BA	994,848	1,012,705	1,038,243
	O	1,230,527	978,731	913,174
Office of Postsecondary Education				
<i>Federal funds</i>				
General and Special Funds:				
Student financial assistance	502			
Appropriation, current.....	BA	5,483,000	5,544,792	6,020,597
				J 79,000
Outlays	O	4,779,817	5,319,252	5,773,871
				J 15,800
Total Student financial assistance.....	BA	5,483,000	5,544,792	6,099,597
	O	4,779,817	5,319,252	5,789,671

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Education—Con.				
Office of Postsecondary Education—Con.				
Guaranteed student loans	502			
Appropriation, current.....	BA	2,717,000	2,565,000	2,740,358 J -4,760
Outlays	0	2,548,179	2,629,639 J -1,632	2,743,460 J -2,584 W 3,094,482
Total Guaranteed student loans.....	BA 0	2,717,000 2,548,179	2,565,000 2,628,007	5,830,080 5,216,461
Higher education	502			
Appropriation, current.....	BA	482,428	534,471	450,195
Outlays	0	419,105	528,955	486,596
Howard University	502			
Appropriation, current.....	BA	170,230	172,203	172,147 K 3,500
Reappropriation.....	BA			500
Outlays	0	218,218	183,055	173,679
Total Howard University.....	BA 0	170,230 218,218	172,203 183,055	176,147 173,679
Higher education facilities loans	502			
Appropriation, current.....	BA	19,205		
Outlays	0	-84,866	-64,717	7,783 J -27,631
Total Higher education facilities loans	BA 0	19,205 -84,866	-64,717	-19,848
College housing and academic facilities loans	502			
Appropriation, current.....	BA			1,675
Authority to borrow, current.....	BA	60,000	62,231	
Outlays	0		6,208	43,898
Limitation on direct loan obligations.....		(60,000)	(62,231)	
Total College housing and academic facilities loans.....	BA 0	60,000	62,231 6,208	1,675 43,898
Public Enterprise Funds:				
College housing loans	502			
Outlays	0	-558,178	-337,438	7,591 J -197,024
Total College housing loans.....	0	-558,178	-337,438	-189,433
General and Special Funds:				
College construction loan insurance	502			
Appropriation, current.....	BA		19,148	
Outlays	0		19,148	
Total Federal funds Office of Postsecondary Edu- cation	BA 0	8,931,863 7,322,275	8,897,845 8,282,470	12,557,694 11,501,024

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Education—Con.				
Office of Educational Research and Improvement				
<i>Federal funds</i>				
General and Special Funds:				
Education research and statistics	503			
Appropriation, current.....	BA	63,578	67,526	81,000
Outlays.....	O	60,912	85,877	78,057
Libraries	503			
Appropriation, current.....	BA	132,500	135,089	.....
Outlays.....	O	129,062	159,200	76,000
				101,198
				30,400
Total Libraries.....	BA	132,500	135,089	76,000
	O	129,062	159,200	131,598
Total Federal funds Office of Educational Research and Improvement.....	BA	196,078	202,615	157,000
	O	189,974	245,077	209,655
Departmental Management				
<i>Federal funds</i>				
General and Special Funds:				
Program administration:				
(Elementary, secondary and vocational education)	501			
(Appropriation, current).....	BA	17,073	18,949	19,224
(Outlays).....	O	16,905	19,427	18,427
(Higher education)	502			
(Appropriation, current).....	BA	70,513	76,302	87,944
(Outlays).....	O	69,796	78,816	82,993
				4,648
Total (Higher education).....	BA	70,513	76,302	93,544
	O	69,796	78,816	87,641
(Research and general education aids)	503			
(Appropriation, current).....	BA	128,782	125,061	120,655
(Outlays).....	O	126,817	132,129	116,708
(Social services)	506			
(Appropriation, current).....	BA	18,324	20,716	22,026
(Outlays).....	O	18,132	21,220	20,987
Total Program administration.....	BA	234,692	241,028	255,449
	O	231,650	251,592	243,763
Office for civil rights	751			
Appropriation, current.....	BA	43,000	40,530	41,341
Outlays.....	O	38,357	38,899	41,659
Office of the Inspector General	751			
Appropriation, current.....	BA	16,378	17,560	17,911
Outlays.....	O	15,289	16,871	16,950

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Education—Con.				
Departmental Management—Con.				
Education and research overseas:				
(Special foreign currency program) (Research and general education aids) 503				
(Outlays)	0	9	151	.....
(Special foreign currency program) (Social services) 506				
(Outlays)	0	—17	1,173	.....
Total Education and research overseas	0	—8	1,324	.....
<i>Trust funds</i>				
Contributions 503				
Appropriation, permanent, indefinite	BA	673	.....	.....
Outlays	0	34	178	154
Total Federal funds Departmental Management ...	BA	294,070	299,118	314,701
	0	285,288	308,686	302,372
Total Trust funds Departmental Management	BA	673	.....	.....
	0	34	178	154
Summary				
Federal funds:				
(As shown in detail above)	BA	19,687,687	20,314,165	24,259,306
	0	16,879,776	18,852,738	22,790,783
Deductions for offsetting receipts:				
Proprietary receipts from the public 502				
	BA	.....	.....	.....
	0	—80,268	—57,400	—46,482
Total Federal funds	BA	19,607,419	20,256,765	24,212,824
	0	16,799,508	18,795,338	22,744,301
Trust funds:				
(As shown in detail above)	BA	683	10	.....
	0	50	190	159
Total Department of Education	BA	19,608,102	20,256,775	24,212,824
	0	16,799,558	18,795,528	22,744,460

Department of Energy**Atomic Energy Defense Activities***Federal funds***General and Special Funds:**

Atomic energy defense activities 053				
Appropriation, current	BA	7,477,750	7,749,364	8,100,000
Outlays	0	7,451,268	7,630,878	7,945,029

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Energy—Con.				
Energy Programs				
<i>Federal funds</i>				
General and Special Funds:				
General science and research activities	251			
Appropriation, current.....	BA	701,646	804,498	364,986
Outlays.....	O	697,226	795,153	426,136
Energy supply, R&D activities	271			
Appropriation, current.....	BA	1,358,653	1,988,357	1,969,760
Outlays.....	O	1,911,517	2,037,928	2,022,496
Basic research user facilities:				
(General science and basic research)	251			
(Appropriation, current).....	BA			832,130
(Outlays).....	O			677,962
(Energy supply)	271			
(Appropriation, current).....	BA			140,483
(Outlays).....	O			132,671
Total Basic research user facilities.....	BA			972,613
	O			810,633
Uranium supply and enrichment activities	271			
Appropriation, current, indefinite.....	BA	1,209,494	950,000	1,184,000
Outlays.....	O	1,053,006	1,106,350	1,200,780
Fossil energy research and development	271			
Appropriation, current.....	BA	293,171	326,975	166,992
Outlays.....	O	315,702	325,068	300,146
Naval petroleum and oil shale reserves	271			
Appropriation, current.....	BA	122,177	159,663	185,071
Outlays.....	O	149,098	158,350	171,906
Total Naval petroleum and oil shale reserves.....	BA	122,177	159,663	185,071
	O	149,098	158,350	171,906
Energy conservation	272			
Appropriation, current.....	BA	232,362	309,517	89,359
Outlays.....	O	271,296	321,600	306,248
Strategic petroleum reserve	274			
Appropriation, current.....	BA	147,433	164,162	173,421
Outlays.....	O	291,754	251,879	212,312
SPR petroleum	274			
Appropriation, current.....	BA		438,744	333,555
Outlays.....	O	489,878	352,755	684,352
Total SPR petroleum.....	BA		438,744	1,017,907
	O	489,878	352,755	894,801
Energy information administration	276			
Appropriation, current.....	BA	60,301	61,398	62,856
Outlays.....	O	55,749	54,289	60,326
Emergency preparedness	274			
Appropriation, current.....	BA	6,044	6,172	6,154
Outlays.....	O	6,258	6,395	6,157

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Energy—Con.				
Energy Programs—Con.				
Economic regulation	276			
Appropriation, current.....	BA	23,400	21,565	20,772
Outlays.....	O	23,095	21,136	21,006
Federal Energy Regulatory Commission	276			
Appropriation, current, indefinite.....	BA	99,079	100,000	106,760
Outlays.....	O	94,562	105,026	105,746
Geothermal resources development fund	271			
Appropriation, current.....	BA	72	72	75
Outlays.....	O	382	847	775
Clean coal technology	271			
Appropriation, current.....	BA		50,000	
Appropriation, permanent.....	BA			525,000
Outlays.....	O	6,949	55,401	162,741
Total Clean coal technology.....	BA		50,000	525,000
	O	6,949	55,401	162,741
Alternative fuels production	271			
Appropriation, current.....	BA	437		
Outlays.....	O	871	1,173	
Payments to states under Federal Power Act	806			
Appropriation, permanent, indefinite.....	BA	912	1,839	1,909
Outlays.....	O	603	1,839	1,909
Nuclear waste disposal fund	271			
Appropriation, current.....	BA	499,000	360,000	448,832
Outlays.....	O	446,055	421,466	435,091
Public Enterprise Funds:				
Isotope production and distribution fund	271			
Appropriation, current.....	BA			16,243
Outlays.....	O			-209
<i>Trust funds</i>				
Advances for cooperative work	271			
Appropriation, permanent, indefinite.....	BA	152,975	138,200	144,867
Outlays.....	O	170,176	138,200	144,867
Total Federal funds Energy Programs.....	BA	4,754,181	5,742,962	7,312,710
	O	5,814,001	6,016,655	7,139,000
Total Trust funds Energy Programs.....	BA	152,975	138,200	144,867
	O	170,176	138,200	144,867

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate	
Department of Energy—Con.					
Power Marketing Administration					
<i>Federal funds</i>					
General and Special Funds:					
Operation and maintenance, Alaska Power Administration	271				
Appropriation, current.....	BA	2,881	3,026	3,159	
Outlays.....	O	3,471	2,921	3,079	
Total Operation and maintenance, Alaska Power Administration.....		BA O	2,881 3,471	3,026 2,921	3,159 3,079
Public Enterprise Funds:					
Bonneville Power Administration fund	271				
Authority to borrow, permanent, indefinite.....	BA	432,259	165,000	136,000	
Outlays.....	O	48,984	-211,800	-214,300	
Limitation on direct loan obligations.....		(10,000)			
General and Special Funds:					
Operation and maintenance, Southeastern Power Administration	271				
Appropriation, current.....	BA	19,647	27,400	36,267	
Outlays.....	O	19,373	27,990	34,937	
Continuing fund, Southeastern Power Administration	271				
Appropriation, permanent.....	BA	3,772			
Outlays.....	O	3,772			
General and Special Funds:					
Operation and maintenance, Southwestern Power Administration	271				
Appropriation, current.....	BA	25,337	16,648	15,389	
Outlays.....	O	19,633	27,273	25,820	
Construction, rehabilitation, operation and maintenance, Western Area Power Administration	271				
Appropriation, current.....	BA	238,008	249,515	298,413	
Outlays.....	O	191,764	262,557	287,830	
Emergency fund, Western Area Power Administration	271				
Appropriation, permanent.....	BA	225	24		
Outlays.....	O	127			
Public Enterprise Funds:					
Colorado river basins power marketing fund, Western Area Power Administration	271				
Outlays.....	O	-29,549	-55,600	-53,000	
Total Federal funds Power Marketing Administration.....		BA O	722,129 257,575	461,613 53,341	489,228 84,366

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Energy—Con.				
Departmental Administration				
<i>Federal funds</i>				
General and Special Funds:				
Departmental administration	276			
Appropriation, current.....	BA	395,558	395,513	177,814
Outlays.....	O	377,172	398,533	207,653
Special foreign currency program	271			
Outlays.....	O	3		
Total Federal funds Departmental Administration.	BA	395,558	395,513	177,814
	O	377,175	398,533	207,653
Summary				
Federal funds:				
(As shown in detail above).....	BA	13,349,618	14,349,452	16,079,752
	O	13,900,019	14,099,407	15,376,048
Deductions for offsetting receipts:				
Intrafund transactions	908 BA	-90,517	-155,700	-176,400
	O			
Proprietary receipts from the public	271 BA	-2,917,848	-3,047,751	-3,252,840
	O			
	276 BA	-216,053	-383,355	-106,760
	O			
	301 BA		-6,600	-13,859
	O			
Total Federal funds.....	BA	10,125,200	10,756,046	12,529,893
	O	10,675,601	10,506,001	11,826,189
Trust funds:				
(As shown in detail above).....	BA	152,975	138,200	144,867
	O	170,176	138,200	144,867
Deductions for offsetting receipts:				
Proprietary receipts from the public	271 BA	-152,975	-138,200	-144,867
	O			
Total Trust funds.....	O	17,201		
Total Department of Energy.....	BA	10,125,200	10,756,046	12,529,893
	O	10,692,802	10,506,001	11,826,189

Department of Health and Human Services, except Social Security**Health Programs****Public Health Service****Food and Drug Administration***Federal funds***General and Special Funds:**

Program expenses	554			
Appropriation, current.....	BA	448,430	476,116	468,486
Outlays.....	O	418,515	447,827	449,992

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
Food and Drug Administration—Con.				
Buildings and facilities	554			
Appropriation, current.....	BA	1,879	1,450	.....
Outlays.....	O	3,241	7,553	3,479
Public Enterprise Funds:				
Revolving fund for certification and other services	554			
Outlays.....	O	197	.....	.....
Total Federal funds Food and Drug Administration.....	BA	450,309	477,566	468,486
	O	421,953	455,380	453,471
Health Resources and Services Administration				
<i>Federal funds</i>				
General and Special Funds:				
Health resources and services:				
(Health care services)	551			
(Appropriation, current).....	BA	1,328,053	1,347,372	720,834 κ 464,423 w - 390
(Outlays).....	O	1,234,942	1,371,098	1,306,505 w - 390
(Limitation on direct loan obligations).....		(1,000)	(957)	(500)
Total (Health care services).....	BA	1,328,053	1,347,372	1,184,867
	O	1,234,942	1,371,098	1,306,115
(Education and training of health care work force)	553			
(Appropriation, current).....	BA	202,210	208,893	..... κ 40,000
(Outlays).....	O	254,067	155,979	144,122
Total (Education and training of health care work force).....	BA	202,210	208,893	40,000
	O	254,067	155,979	144,122
Total Health resources and services.....	BA	1,530,263	1,556,265	1,224,867
	O	1,489,009	1,527,077	1,450,237
Health education assistance loan subsidies	553			
Limitation on guaranteed loan commitments.....				w (100,000)
Health care improvement	552			
Appropriation, current.....	BA	.....	.....	15,000
Outlays.....	O	.....	.....	.....
Indefinite.....	O	.....	.....	7,800
Total Health care improvement.....	BA	.....	.....	15,000
	O	.....	.....	7,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
Health Resources and Services Administration—Con.				
Public Enterprise Funds:				
Health care quality improvement databank	551			
Appropriation, current.....	BA			2,800
Outlays.....	O			950
Health professions graduate student loan insurance fund	553			
Appropriation, current.....	BA			2,876
				J -2,876
				W 17,452
Outlays.....	O	-3,547	200	18,173
				J -3,532
				W 18,108
Limitation on guaranteed loan commitments.....				(100,000)
				W (-100,000)
Total Health professions graduate student loan insurance fund.....	BA			17,452
	O	-3,547	200	32,749
Health education loans	553			
Outlays.....	O	-556	-400	-400
Nurse training fund	553			
Outlays.....	O	-167	-50	-50
Medical facilities guarantee and loan fund	551			
Appropriation, current.....	BA	20,000	22,000	21,600
Outlays.....	O	14,153	27,754	-50,515
Total Federal funds Health Resources and Services Administration.....	BA	1,550,263	1,578,265	1,281,719
	O	1,498,892	1,554,581	1,440,771
Indian Health Service				
<i>Federal funds</i>				
General and Special Funds:				
Tribal and Federal health services	551			
Appropriation, current.....	BA	869,695	943,297	986,772
Appropriation, permanent.....	BA		3,000	3,000
Outlays.....	O	811,475	860,914	982,864
Total Tribal and Federal health services.....	BA	869,695	946,297	989,772
	O	811,475	860,914	982,864
Indian health facilities	551			
Appropriation, current.....	BA	71,055	62,511	
Outlays.....	O	54,672	63,749	61,179
Total Federal funds Indian Health Service.....	BA	940,750	1,008,808	989,772
	O	866,147	924,663	1,044,043

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
Centers for Disease Control				
<i>Federal funds</i>				
General and Special Funds:				
Disease control, research, and training:				
(Health care services) 551				
(Appropriation, current)	BA	523,971	702,104	407,316
(Outlays)	O	402,556	539,753	480,849
(Health research) 552				
(Appropriation, current)	BA	69,936	69,668	115,830
(Outlays)	O	63,471	78,797	106,010
Total Disease control, research, and training	BA	593,907	771,772	523,146
	O	466,027	618,550	586,859
Total Federal funds Centers for Disease Control ..	BA	593,907	771,772	523,146
	O	466,027	618,550	586,859
National Institutes of Health				
<i>Federal funds</i>				
General and Special Funds:				
National Cancer Institute:				
(Health research) 552				
(Appropriation, current)	BA	1,369,773	1,436,263	1,434,559
(Outlays)	O	1,220,621	1,280,855	1,427,680
(Education and training of health care work force) 553				
(Appropriation, current)	BA	33,064	33,064	33,697
(Outlays)	O	24,896	14,323	21,913
Total National Cancer Institute.....	BA	1,402,837	1,469,327	1,468,256
	O	1,245,517	1,295,178	1,449,593
National Heart, Lung and Blood Institute:				
(Health research) 552				
(Appropriation, current)	BA	889,041	924,080	973,129
(Outlays)	O	781,867	865,255	933,474
(Education and training of health care work force) 553				
(Appropriation, current)	BA	40,960	41,456	42,342
(Outlays)	O	40,264	23,142	34,728
Total National Heart, Lung and Blood Institute....	BA	930,001	965,536	1,015,471
	O	822,131	888,397	968,202
National Institute of Dental Research:				
(Health research) 552				
(Appropriation, current)	BA	112,682	120,771	121,631
(Outlays)	O	98,512	105,152	117,067

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
<i>National Institutes of Health—Con.</i>				
(Education and training of health care work force) 553				
(Appropriation, current)	BA	5,263	5,526	5,526
(Outlays)	O	4,991	5,262	5,354
Total National Institute of Dental Research.....	BA	117,945	126,297	127,157
	O	103,503	110,414	122,421
National Institute of Diabetes and Digestive and Kidney Diseases:				
(Health research) 552				
(Appropriation, current)	BA	489,440	512,956	540,053
(Outlays)	O	452,182	453,386	517,267
(Education and training of health care work force) 553				
(Appropriation, current)	BA	21,684	21,777	22,205
(Outlays)	O	20,033	20,453	21,203
Total National Institute of Diabetes and Digestive and Kidney Diseases.....	BA	511,124	534,733	562,258
	O	472,215	473,839	538,470
National Institute of Neurological and Communicative Disorders and Stroke:				
(Health research) 552				
(Appropriation, current)	BA	475,659	520,088	542,683
(Outlays)	O	410,723	458,884	520,916
(Education and training of health care work force) 553				
(Appropriation, current)	BA	14,574	14,604	14,902
(Outlays)	O	13,590	13,646	14,165
Total National Institute of Neurological and Communicative Disorders and Stroke	BA	490,233	534,692	557,585
	O	424,313	472,530	535,081
National Institute of Allergy and Infectious Diseases:				
(Health research) 552				
(Appropriation, current)	BA	533,613	625,750	421,935
(Outlays)	O	383,925	494,253	532,850
(Education and training of health care work force) 553				
(Appropriation, current)	BA	11,910	13,050	13,149
(Outlays)	O	8,565	7,738	10,224
Total National Institute of Allergy and Infectious Diseases.....	BA	545,523	638,800	435,084
	O	392,490	501,991	543,074
National Institute of General Medical Sciences:				
(Health research) 552				
(Appropriation, current)	BA	504,763	565,058	610,319
(Outlays)	O	413,019	483,126	560,176

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
National Institutes of Health—Con.				
(Education and training of health care work force) 553				
(Appropriation, current)	BA	66,153	67,618	66,409
(Outlays)	O	54,135	33,945	47,395
Total National Institute of General Medical Sciences.....				
	BA	570,916	632,676	676,728
	O	467,154	517,071	607,571
National Institute of Child Health and Human Development:				
(Health research) 552				
(Appropriation, current)	BA	351,205	381,206	382,028
(Outlays)	O	301,110	324,367	362,852
(Education and training of health care work force) 553				
(Appropriation, current)	BA	15,575	15,605	15,917
(Outlays)	O	13,358	12,382	14,358
Total National Institute of Child Health and Human Development.....				
	BA	366,780	396,811	397,945
	O	314,468	336,749	377,210
National Eye Institute:				
(Health research) 552				
(Appropriation, current)	BA	210,752	219,057	223,011
(Outlays)	O	178,826	198,510	215,318
(Education and training of health care work force) 553				
(Appropriation, current)	BA	5,885	5,890	6,010
(Outlays)	O	7,451	5,641	5,763
Total National Eye Institute.....				
	BA	216,637	224,947	229,021
	O	186,277	204,151	221,081
National Institute of Environmental Health Sciences:				
(Health research) 552				
(Appropriation, current)	BA	200,011	206,380	209,457
(Outlays)	O	184,739	227,585	210,251
(Education and training of health care work force) 553				
(Appropriation, current)	BA	9,283	9,286	9,477
(Outlays)	O	8,503	6,007	7,708
Total National Institute of Environmental Health Sciences.....				
	BA	209,294	215,666	218,934
	O	193,242	233,592	217,959
National Institute on Aging:				
(Health research) 552				
(Appropriation, current)	BA	170,386	186,307	196,153
(Outlays)	O	141,967	154,379	178,701

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
National Institutes of Health—Con.				
(Education and training of health care work force) 553				
(Appropriation, current)	BA	7,295	8,439	8,617
(Outlays)	O	6,274	8,641	8,073
Total National Institute on Aging	BA	177,681	194,746	204,770
	O	148,241	163,020	186,774
National Institute of Arthritis and Musculoskeletal and Skin Diseases:				
(Health research) 552				
(Appropriation, current)	BA	132,085	141,751	152,203
(Outlays)	O	28,033	133,777	143,538
(Education and training of health care work force) 553				
(Appropriation, current)	BA	6,628	5,928	6,041
(Outlays)	O	1,404	6,206	6,324
Total National Institute of Arthritis and Musculoskeletal and Skin Diseases	BA	138,713	147,679	158,244
	O	29,437	139,983	149,862
Research resources:				
(Health research) 552				
(Appropriation, current)	BA	321,586	365,910	317,678
(Outlays)	O	284,868	339,951	337,767
(Education and training of health care work force) 553				
(Appropriation, current)	BA	1,273	2,243	2,299
(Outlays)	O	1,127	838	1,990
Total Research resources	BA	322,859	368,153	319,977
	O	285,995	340,789	339,757
National Center for Nursing Research:				
(Health research) 552				
(Appropriation, current)	BA	17,696	20,488	21,451
(Outlays)	O	1,381	18,005	21,072
(Education and training of health care work force) 553				
(Appropriation, current)	BA	2,304	2,892	2,949
(Outlays)	O	180	3,241	2,454
Total National Center for Nursing Research	BA	20,000	23,380	24,400
	O	1,561	21,246	23,526
John E. Fogarty International Center 552				
Appropriation, current	BA	11,420	15,651	11,338
Outlays	O	9,711	13,048	12,103
National Library of Medicine:				
(Health research) 552				
(Appropriation, current)	BA	19,369	21,963	22,817
(Outlays)	O	18,761	22,171	23,390

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
National Institutes of Health—Con.				
(Education and training of health care work force) 553				
(Appropriation, current)	BA	42,469	45,947	47,809
(Outlays)	O	41,009	47,390	46,635
Total National Library of Medicine	BA	61,838	67,910	70,626
	O	59,770	69,561	70,025
Office of the Director:				
(Health research) 552				
(Appropriation, current)	BA	52,288	56,503	47,905
(Outlays)	O	55,473	73,825	68,611
(Education and training of health care work force) 553				
(Appropriation, current)	BA	4,920	5,316	4,508
(Outlays)	O	5,220	9,056	4,406
Total Office of the Director	BA	57,208	61,819	52,413
	O	60,693	82,881	73,017
Buildings and facilities 552				
Appropriation, current	BA	31,900	47,870	5,000
Outlays	O	19,483	35,203	30,499
Intragovernmental Funds:				
National Institutes of Health management fund 552				
Outlays	O	-15,383		
Service and supply fund 552				
Outlays	O	1,376		
Total Federal funds National Institutes of Health.	BA	6,182,909	6,666,693	6,535,207
	O	5,222,194	5,899,643	6,466,225
Alcohol, Drug Abuse, and Mental Health Administration				
<i>Federal funds</i>				
General and Special Funds:				
Alcohol, drug abuse, and mental health:				
(Health care services) 551				
(Appropriation, current)	BA	711,059	791,417	732,562
(Outlays)	O	621,936	713,474	736,469
(Health research) 552				
(Appropriation, current)	BA	614,967	541,620	559,234
(Outlays)	O	488,475	634,538	586,427
(Education and training of health care work force) 553				
(Appropriation, current)	BA	38,644	40,690	35,000
(Outlays)	O	55,610	41,253	36,383
Total Alcohol, drug abuse, and mental health	BA	1,364,670	1,373,727	1,326,796
	O	1,166,021	1,389,265	1,359,279

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
Alcohol, Drug Abuse, and Mental Health Administration—Con.				
Federal subsidy for Saint Elizabeths Hospital	551			
Appropriation, current.....	BA	40,781	65,402	24,000
Outlays.....	0	31,156	17,653	24,000
Construction and renovation, Saint Elizabeths Hospital	551			
Outlays.....	0	2,800	2,357	.....
Total Federal funds Alcohol, Drug Abuse, and Mental Health Administration.....	BA	1,405,451	1,439,129	1,350,796
	0	1,199,977	1,409,275	1,383,279
Office of Assistant Secretary for Health				
<i>Federal funds</i>				
General and Special Funds:				
Public health service management:				
(Health care services) 551				
(Appropriation, current).....	BA	45,593	38,877	26,046
(Outlays).....	0	42,746	38,068	111,342
Total (Health care services).....	BA	45,593	38,877	175,691
	0	42,746	38,068	111,342
(Health research) 552				
(Appropriation, current).....	BA	71,473	67,860	18,500
(Outlays).....	0	63,271	64,561	38,416
Total Public health service management.....	BA	117,066	106,737	194,191
	0	106,017	102,629	149,758
Fund for acquired immune deficiency syndrome research and education:				
(Health care services) 551				
(Appropriation, current).....	BA	.....	.....	400,000
(Outlays).....	0	.....	.....	180,000
(Health research) 552				
(Appropriation, current).....	BA	.....	.....	900,000
(Outlays).....	0	.....	.....	405,000
Total Fund for acquired immune deficiency syndrome research and education.....	BA	.....	.....	1,300,000
	0	.....	.....	585,000
Public health emergency fund 551				
Appropriation, current.....	BA	30,000	.....	.....
Outlays.....	0	.....	23,340	5,100

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Public Health Service—Con.				
Office of Assistant Secretary for Health—Con.				
Retirement pay and medical benefits for commissioned officers	551			
Appropriation, current.....	BA			107,687
Indefinite.....	BA	84,330	89,859	
Outlays.....	O	83,477	88,704	101,383
Total Retirement pay and medical benefits for commissioned officers.....	BA	84,330	89,859	107,687
	O	83,477	88,704	101,383
Scientific activities overseas (special foreign currency program)	552			
Outlays.....	O	1,629	1,466	1,526
Intragovernmental Funds:				
Service and supply fund	551			
Outlays.....	O	-2,631		
<i>Trust funds</i>				
Miscellaneous trust funds	551			
Appropriation, permanent, indefinite.....	BA	28,430	8,124	8,124
Outlays.....	O	22,137	9,674	9,164
Total Federal funds Office of Assistant Secretary for Health.....	BA	231,396	196,596	1,601,878
	O	188,492	216,139	842,767
Total Trust funds Office of Assistant Secretary for Health.....	BA	28,430	8,124	8,124
	O	22,137	9,674	9,164
Total Federal funds Public Health Service.....	BA	11,354,985	12,138,829	12,751,004
	O	9,863,682	11,078,231	12,217,415
Total Trust funds Public Health Service.....	BA	28,430	8,124	8,124
	O	22,137	9,674	9,164
Other Health Programs				
Health Care Financing Administration				
<i>Federal funds</i>				
General and Special Funds:				
Grants to States for Medicaid	551			
Appropriation, current.....	BA	19,769,500	22,946,000	24,732,589
Indefinite.....	BA	1,342,860	610,932	
Appropriation, permanent.....	BA	6,500,000	7,100,000	8,000,000
Outlays.....	O	27,435,204	30,663,632	32,732,589
Total Grants to States for Medicaid.....	BA	27,612,360	30,656,932	32,732,589
	O	27,435,204	30,663,632	32,732,589

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Other Health Programs—Con.				
Health Care Financing Administration— Con.				
Payments to health care trust funds	571			
Appropriation, current.....	BA	20,826,000	25,893,000	32,100,000
				✓ — 205,000
Appropriation, permanent, indefinite.....	BA	457,938	537,000	541,000
Outlays.....	0	21,298,226	26,430,000	32,641,000
				✓ — 205,000
Total Payments to health care trust funds.....	BA	21,283,938	26,430,000	32,436,000
	0	21,298,226	26,430,000	32,436,000
Program management:				
(Health care services)	551			
(Appropriation, current).....	BA	80,706	88,637	83,817
(Outlays).....	0	96,945	75,342	80,995
(Health research)	552			
(Appropriation, current).....	BA	10,000	9,574	11,429
(Outlays).....	0	12,255	7,659	9,813
Total Program management.....	BA	90,706	98,211	95,246
	0	109,200	83,001	90,808
Public Enterprise Funds:				
Health maintenance organization loan and loan guar- antee fund	551			
Authority to borrow, permanent.....	BA	394		
Outlays.....	0	— 10,498	— 15,240	— 29,461
<i>Trust funds</i>				
Federal hospital insurance trust fund	571			
Appropriation, current, indefinite.....	BA			✓ 1,660,000
Appropriation, permanent, indefinite.....	BA	62,734,640	67,857,500	72,794,000
Outlays.....	0	50,803,029	52,483,939	55,782,093
				✓ — 980,000
Administrative expenses: Program management.....		(499,070)	(537,092)	(625,439)
Administrative expenses: Social Security Adminis- tration.....		(286,059)	(279,901)	(285,256)
Administrative expenses: Other.....		(41,047)	(54,933)	(49,476)
Total Federal hospital insurance trust fund.....	BA	62,734,640	67,857,500	74,454,000
	0	50,803,029	52,483,939	54,802,093

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Health Programs—Con.				
Other Health Programs—Con.				
Health Care Financing Administration— Con.				
Federal supplementary medical insurance trust fund 571				
Appropriation, current, indefinite	BA			J — 285,000
Appropriation, permanent, indefinite	BA	27,797,439	34,871,000	42,855,000
Outlays	O	30,836,809	35,172,771	40,025,586
				J — 337,000
Administrative expenses: Program management		(812,697)	(846,824)	(1,037,717)
Administrative expenses: Social Security Administration		(203,306)	(198,929)	(202,734)
Administrative expenses: Other		(16,566)	(20,488)	(18,624)
Total Federal supplementary medical insurance trust fund	BA	27,797,439	34,871,000	42,570,000
	O	30,836,809	35,172,771	39,688,586
Total Federal funds Health Care Financing Administration	BA	48,987,398	57,185,143	65,263,835
	O	48,832,132	57,161,393	65,229,936
Total Trust funds Health Care Financing Administration	BA	90,532,079	102,728,500	117,024,000
	O	81,639,838	87,656,710	94,490,679
Total Federal funds Health Programs	BA	60,342,383	69,323,972	78,014,839
	O	58,695,814	68,239,624	77,447,351
Total Trust funds Health Programs	BA	90,560,509	102,736,624	117,032,124
	O	81,661,975	87,666,384	94,499,843
Social Security Administration				
<i>Federal funds</i>				
General and Special Funds:				
Payments to social security trust funds 651				
Appropriation, current	BA	500,555	105,298	93,631
Appropriation, permanent, indefinite	BA	5,114,630	5,736,533	6,253,165
Outlays	O	5,615,194	5,841,815	6,346,796
Total Payments to social security trust funds	BA	5,615,185	5,841,831	6,346,796
	O	5,615,194	5,841,815	6,346,796
Special benefits for disabled coal miners 601				
Appropriation, current	BA	693,437	663,452	628,581
Appropriation, permanent	BA	270,000	252,450	250,000
Outlays	O	955,230	924,477	885,680
Total Special benefits for disabled coal miners	BA	963,437	915,902	878,581
	O	955,230	924,477	885,680

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Social Security Administration—Con.				
Supplemental security income program	609			
Appropriation, current.....	BA	8,230,068	9,535,384	9,473,953
Indefinite	BA	227,954	270,956	.....
Appropriation, permanent.....	BA	2,339,250	2,765,000	3,000,000
Outlays	O	10,909,274	12,635,573	12,473,953
Administrative expenses: Social Security Administration		(990,450)	(1,179,635)	(1,090,131)
Total Supplemental security income program.....	BA	10,797,272	12,571,340	12,473,953
	O	10,909,274	12,635,573	12,473,953
Total Federal funds Social Security Administration.....	BA	17,375,894	19,329,073	19,699,330
	O	17,479,698	19,401,865	19,706,429
Family Support Administration				
<i>Federal funds</i>				
General and Special Funds:				
Program administration	609			
Appropriation, current.....	BA	93,142	79,464	79,533
Outlays	O	56,181	87,366	85,921
Family support payments to States	609			
Appropriation, current.....	BA	7,550,769	8,644,385	7,855,137
				✓368,000
Indefinite	BA	544,894	.....	.....
Appropriation, permanent.....	BA	2,364,504	2,480,615	2,500,000
Outlays	O	10,539,794	10,785,062	10,772,368
				✓168,000
Total Family support payments to States.....	BA	10,460,167	11,125,000	10,723,137
	O	10,539,794	10,785,062	10,940,368
Low income home energy assistance	609			
Appropriation, current.....	BA	1,822,265	1,531,840	1,187,000
Outlays	O	1,829,115	1,557,978	1,218,036
Refugee and entrant assistance	609			
Appropriation, current.....	BA	339,597	346,933	278,883
Outlays	O	387,058	305,152	295,315
Community services block grant	506			
Appropriation, current.....	BA	405,036	382,290	310,000
Outlays	O	361,080	405,607	349,114
Work incentives	504			
Appropriation, current.....	BA	126,000	92,551	.....
Outlays	O	136,864	95,302	5,553
Interim assistance to States for legalization	506			
Appropriation, permanent.....	BA	.....	930,000	645,000
Outlays	O	.....	929,775	644,966

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Family Support Administration—Con.				
Payments to States from receipts for child support 609				
Appropriation, permanent.....	BA	401	88	
Outlays.....	O	415	187	
Total Federal funds Family Support Administration.....				
	BA	<u>13,246,608</u>	<u>14,488,166</u>	<u>13,223,553</u>
	O	<u>13,310,507</u>	<u>14,166,429</u>	<u>13,539,273</u>
Human Development Services				
<i>Federal funds</i>				
General and Special Funds:				
Social services block grant 506				
Appropriation, current.....	BA	2,700,000	2,700,000	2,700,000
Outlays.....	O	2,687,799	2,684,533	2,700,000
Human development services 506				
Appropriation, current.....	BA	2,100,335	2,455,532	2,430,779 * 26,089
Outlays.....	O	1,958,504	2,389,024	2,450,997
Total Human development services.....	BA	<u>2,100,335</u>	<u>2,455,532</u>	<u>2,456,868</u>
	O	<u>1,958,504</u>	<u>2,389,024</u>	<u>2,450,997</u>
Payments to States for foster care and adoption assistance 506				
Appropriation, current.....	BA	1,061,211	811,178	1,074,907
Outlays.....	O	801,811	995,678	1,014,305
Total Federal funds Human Development Services.....	BA	<u>5,861,546</u>	<u>5,966,710</u>	<u>6,231,775</u>
	O	<u>5,448,114</u>	<u>6,069,235</u>	<u>6,165,302</u>
Departmental Management				
<i>Federal funds</i>				
General and Special Funds:				
General Departmental management 609				
Appropriation, current.....	BA	124,019	67,840	68,160
Outlays.....	O	101,229	73,504	70,436
Office of the Inspector General 609				
Appropriation, current.....	BA	30,516	35,769	46,430
Outlays.....	O	27,708	31,825	41,573
Office for Civil Rights 751				
Appropriation, current.....	BA	15,285	16,343	16,173
Outlays.....	O	15,054	15,500	16,840
Office of Consumer Affairs 506				
Appropriation, current.....	BA	1,768	1,670	1,708
Outlays.....	O	1,627	1,678	1,705
Policy research 609				
Appropriation, current.....	BA	8,200	4,873	5,019
Outlays.....	O	2,803	6,025	5,386

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, except Social Security—Con.				
Departmental Management—Con.				
Intragovernmental Funds:				
Working capital fund	506			
Outlays	0	395		641
Total Federal funds Departmental Management ...	BA	179,788	126,495	137,490
	0	148,816	128,532	136,581
Summary				
Federal funds:				
(As shown in detail above)	BA	97,006,219	109,234,416	117,306,987
	0	95,082,949	108,005,685	116,994,936
Deductions for offsetting receipts:				
Proprietary receipts from the public	551 BA			
	0		-3,000	-3,000
Total Federal funds	BA	97,006,219	109,231,416	117,303,987
	0	95,082,949	108,002,685	116,991,936
Trust funds:				
(As shown in detail above)	BA	90,560,509	102,736,624	117,032,124
	0	81,661,975	87,666,384	94,499,843
Deductions for offsetting receipts:				
Proprietary receipts from the public	551 BA			
	0	-24,817	-6,900	-6,903
	571 BA			
	0	-6,519,845	-8,800,000	-10,563,000
	BA			87,000
	0			
	908 BA			
	0	-8,541		
Total Trust funds	BA	84,007,306	93,929,724	106,549,221
	0	75,108,772	78,859,484	84,016,940
Interfund transactions	571 BA			
	0	-21,298,226	-26,430,000	-32,641,000
	BA			205,000
	0			
Total Department of Health and Human Services, except Social Security	BA	159,715,299	176,731,140	191,417,208
	0	148,893,495	160,432,169	168,572,876

Department of Health and Human Services, Social Security**Social Security***Trust funds*

Federal old-age and survivors insurance trust fund

	651			
Appropriation, permanent, indefinite	BA	¥ 207,525,114	¥ 234,993,587	¥ 255,550,434
Outlays	0	¥ 186,779,742	¥ 198,276,067	¥ 211,321,168
Administrative expenses: Social Security Administration		¥ (1,555,455)	¥ (1,279,757)	¥ (1,465,923)
Administration expenses: Other		¥ (170,476)	¥ (172,631)	¥ (180,218)

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Health and Human Services, Social Security—Con.				
Social Security—Con.				
Federal disability insurance trust fund	651			
Appropriation, permanent, indefinite.....	BA	\$ 20,114,849	\$ 22,316,000	\$ 24,132,000
Outlays.....	O	\$ 21,290,280	\$ 22,260,872	\$ 23,222,657
Limitation on administrative expenses.....		\$ (3,840,000)	\$ (3,524,114)	\$ (3,775,661)
Administrative expenses: Social Security Administration.....		\$ (808,075)	\$ (664,847)	\$ (761,563)
Administrative expenses: Other.....		\$ (25,314)	\$ (24,729)	\$ (25,610)
Total Trust funds Social Security.....	BA	<u>227,639,963</u>	<u>257,309,587</u>	<u>279,682,434</u>
	O	<u>208,070,022</u>	<u>220,536,939</u>	<u>234,543,825</u>
Summary				
Trust funds:				
(As shown in detail above).....	BA	227,639,963	257,309,587	279,682,434
	O	208,070,022	220,536,939	234,543,825
Deductions for offsetting receipts:				
Proprietary receipts from the public	651			
	BA	\$ — 33,429		
	O			
Total Trust funds.....	BA	<u>227,606,534</u>	<u>257,309,587</u>	<u>279,682,434</u>
	O	<u>208,036,593</u>	<u>220,536,939</u>	<u>234,543,825</u>
Interfund transactions	651			
	BA	\$ — 5,614,387	\$ — 5,841,815	\$ — 6,346,796
	O			
Total Department of Health and Human Services, Social Security.....	BA	<u>221,992,147</u>	<u>251,467,772</u>	<u>273,335,638</u>
	O	<u>202,422,206</u>	<u>214,695,124</u>	<u>228,197,029</u>

Department of Housing and Urban Development

Housing Programs

Federal funds

General and Special Funds:

Subsidized housing programs:				
(Community development)	451			
(Appropriation, current).....	BA	299,550	203,663	
(Reappropriation).....	BA	14,385	2,039	
(Outlays).....	O	165,859	323,992	332,879
Total (Community development).....	BA	<u>313,935</u>	<u>205,702</u>	
	O	<u>165,859</u>	<u>323,992</u>	<u>332,879</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Housing Programs—Con.				
(Housing assistance) 604				
(Appropriation, current)	BA	1,211,891	7,367,530	6,533,265
(Contract authority, current)	BA	5,691,040		
(Liquidation of contract authority, permanent) ...		(11,270,366)	(11,554,263)	(12,380,878)
(Outlays)	0	9,785,911	10,629,562	12,068,986
Total (Housing assistance)	BA	6,902,931	7,367,530	6,533,265
	0	9,785,911	10,629,562	12,068,986
Total Subsidized housing programs	BA	7,216,866	7,573,232	6,533,265
	0	9,951,770	10,953,554	12,401,865
Congregate services program 604				
Appropriation, current	BA	3,400	4,224	
Outlays	0	4,273	5,000	5,000
Housing counseling assistance 506				
Appropriation, current	BA	3,500	3,360	
Outlays	0	2,577	3,750	3,430
Supportive housing demonstration program 604				
Appropriation, current	BA	85,000	64,250	75,000
Outlays	0		29,250	45,000
Federal housing administration loan guarantee subsidies 371				
Appropriation, current	BA			^w 903,204
Outlays	0			^w 421,816
Limitation on direct loan obligations				^w (103,350)
Limitation on guaranteed loan commitments				^w (75,000,000)
Housing for the elderly or handicapped loan subsidies 371				
Appropriation, current, indefinite	BA			^w 72,462
Limitation on direct loan obligations				^w (333,465)
Nonprofit sponsor assistance loan subsidies 604				
Appropriation, current, indefinite	BA			^w 139
Outlays	0			
Limitation on direct loan obligations				^w (630)
Manufactured home inspection and monitoring 376				
Appropriation, permanent, indefinite	BA	5,504	5,376	6,475
Outlays	0	5,416	6,300	6,462
Interstate land sales 376				
Appropriation, permanent, indefinite	BA	576	600	600
Outlays	0	587	600	600

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Housing Programs—Con.				
Public Enterprise Funds:				
Federal Housing Administration fund	371			
Appropriation, current.....	BA	125,955	162,866	237,720
Authority to borrow, permanent, indefinite.....	BA	354,449	662,400	719,600
Outlays.....	O	-555,223	280,997	36,028
Limitation on direct loan obligations.....		(73,800)	(79,272)	w 1,163,918 (103,350)
Limitation on guaranteed loan commitments.....		(100,000,000)	(96,000,000)	w (-103,350) (75,000,000) w (-75,000,000)
Total Federal Housing Administration fund.....	BA	480,404	825,266	957,320
	O	-555,223	280,997	1,199,946
Housing for the elderly or handicapped fund	371			
Authority to borrow, current, indefinite.....	BA	533,088	583,683	288,649
Outlays.....	O	404,182	544,705	w -288,649 530,311
Limitation on direct loan obligations.....		(592,661)	(565,776)	(350,175) w (-333,465)
Total Housing for the elderly or handicapped fund.....	BA	533,088	583,683	.....
	O	404,182	544,705	530,311
Rental housing assistance fund	604			
Outlays.....	O	21,902	12,028	-50,000
Flexible Subsidy Fund	604			
Outlays.....	O	-57,305	-29,399	35,000
Nonprofit sponsor assistance	604			
Outlays.....	O	-1	115	40
Limitation on direct loan obligations.....		(998)	(960)	(630) w (-630)
Total Nonprofit sponsor assistance.....	O	-1	115	40
Community disposal operations fund	451			
Outlays.....	O	-136	-55	-50
Homeownership assistance fund	376			
Outlays.....	O	-67	-94	-141
Total Federal funds Housing Programs.....	BA	8,328,338	9,059,991	8,548,465
	O	9,777,975	11,806,751	14,599,279
Public and Indian Housing Programs				
<i>Federal funds</i>				
General and Special Funds:				
Payments for operation of low income housing projects	604			
Appropriation, current.....	BA	1,350,000	1,450,000	1,517,508
Outlays.....	O	1,387,985	1,485,735	1,514,504

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Public and Indian Housing Programs—Con.				
Public Enterprise Funds:				
Low-rent public housing—loans and other expenses 604				
Authority to borrow, permanent, indefinite.....	BA	1,300,000	1,436,500	955,900
Outlays.....	O	1,355,655	1,491,659	1,022,175
Total Federal funds Public and Indian Housing Programs.....	BA O	<u>2,650,000</u> <u>2,743,640</u>	<u>2,886,500</u> <u>2,977,394</u>	<u>2,473,408</u> <u>2,536,679</u>
Government National Mortgage Association				
<i>Federal funds</i>				
General and Special Funds:				
Payment of participation sales insufficiencies 371				
Appropriation, current.....	BA	1,079		
Guarantee of mortgage-backed securities loan guarantee subsidies 371				
Appropriation, current, indefinite.....	BA			w 1,900,000
Outlays.....	O			w 977,579
Limitation on guaranteed loan commitments.....				w (100,000,000)
Public Enterprise Funds:				
Management and liquidating functions fund 371				
Appropriation, permanent, indefinite.....	BA		14,400	269,500
Outlays.....	O	-462,925	-182,281	-6,688
Guarantees of mortgage-backed securities 371				
Outlays.....	O	-233,619	-99,511	-278,048 w 29,109
Limitation on administrative expenses (P.L. 99-177).....		(3,639)		
Limitation on guaranteed loan commitments.....		(150,000,000)	(144,000,000)	(100,000,000) w (-100,000,000)
Total Guarantees of mortgage-backed securities..	O	<u>-233,619</u>	<u>-99,511</u>	<u>-248,939</u>
Participation sales fund:				
(Mortgage credit and deposit insurance) 371				
(Outlays).....	O	-18,211	208,881	
(Other advancement of commerce) 376				
(Outlays).....	O	88,141	30,171	
(Community development) 451				
(Outlays).....	O	1,231	3,030	
(Higher education) 502				
(Outlays).....	O	-10,485	72,011	
(Health research) 552				
(Outlays).....	O	-1,058	8,253	
(Veterans housing) 704				
(Outlays).....	O	-18,884	152,911	
Total Participation sales fund.....	O	<u>40,734</u>	<u>475,257</u>	
Total Federal funds Government National Mortgage Association.....	BA O	<u>1,079</u> <u>-655,810</u>	<u>14,400</u> <u>193,465</u>	<u>2,169,500</u> <u>721,952</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Community Planning and Development				
<i>Federal funds</i>				
General and Special Funds:				
Community development grants	451			
Appropriation, current.....	BA	3,000,000	2,880,000	2,480,000
Outlays.....	O	2,991,283	2,980,000	2,959,000
Limitation on guaranteed loan commitments.....		(150,000)	(144,000)	.....
Urban development action grants	451			
Appropriation, current.....	BA	225,000	216,000	—50,000
Outlays.....	O	354,207	400,000	366,362
Rental rehabilitation grants	451			
Appropriation, current.....	BA	.....	.....	150,000
Outlays.....	O	.....	.....	15,000
Assistance for solar and conservation improvements	272			
Appropriation, current.....	BA	.....	1,500	.....
Reappropriation.....	BA	1,651	200	.....
Outlays.....	O	9,863	3,800	2,103
Total Assistance for solar and conservation improvements.....	BA	1,651	1,700	.....
	O	9,863	3,800	2,103
Urban homesteading	451			
Appropriation, current.....	BA	12,000	14,400	12,000
Outlays.....	O	15,991	16,600	14,087
Emergency shelter grants program	604			
Appropriation, current.....	BA	60,000	8,000	.....
Outlays.....	O	1,657	36,543	29,800
Miscellaneous appropriations	451			
Outlays.....	O	—14	11	.....
Public Enterprise Funds:				
Revolving fund (liquidating programs)	451			
Outlays.....	O	—37,614	—189,743	12,748
Rehabilitation loan fund	451			
Outlays.....	O	—50,674	—11,505	—46,000
Total Federal funds Community Planning and Development.....	BA	3,298,651	3,120,100	2,592,000
	O	3,284,699	3,235,706	3,353,100
Policy Development and Research				
<i>Federal funds</i>				
General and Special Funds:				
Research and technology	451			
Appropriation, current.....	BA	17,000	16,512	18,000
Outlays.....	O	19,459	16,800	17,414
Total Research and technology.....	BA	17,000	16,512	19,000
	O	19,459	16,800	17,414

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Policy Development and Research—Con.				
Supplemental assistance for facilities to assist the homeless	451			
Appropriation, current.....	BA	15,000		
Outlays.....	O		5,000	5,000
Total Federal funds Policy Development and Research.....	BA	32,000	16,512	19,000
	O	19,459	21,800	22,414
Fair Housing and Equal Opportunity				
<i>Federal funds</i>				
General and Special Funds:				
Fair housing assistance	751			
Appropriation, current.....	BA	6,341	4,800	5,000
Outlays.....	O	5,752	8,000	9,440
Fair housing initiatives	751			
Appropriation, current.....	BA			5,000
Outlays.....	O			1,000
Total Federal funds Fair Housing and Equal Opportunity.....	BA	6,341	4,800	10,000
	O	5,752	8,000	10,440
Management and Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses, Including transfer of funds:				
(Community development)	451			
(Appropriation, current).....	BA	193,224	174,888	191,760
(Outlays).....	O	174,308	176,052	191,055
(Housing assistance)	604			
(Appropriation, current).....	BA	113,769	102,974	112,907
(Outlays).....	O	102,632	103,658	112,492
(Federal law enforcement activities)	751			
(Appropriation, current).....	BA	33,430	30,257	33,176
(Outlays).....	O	30,157	30,459	33,054
Total Salaries and expenses, Including transfer of funds.....	BA	340,423	308,119	337,843
	O	307,097	310,169	336,601
New community assistance grants	451			
Outlays.....	O		186	
Intragovernmental Funds:				
Working capital fund	451			
Outlays.....	O	858		

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Housing and Urban Development—Con.				
Management and Administration—Con.				
<i>Trust funds</i>				
Gifts and bequests	451			
Appropriation, permanent, indefinite	BA		5	5
Outlays	O		5	5
Total Federal funds Management and Administration				
	BA	340,423	308,119	337,843
	O	307,955	310,355	336,601
Total Trust funds Management and Administration				
	BA		5	5
	O		5	5
Summary				
Federal funds:				
(As shown in detail above)	BA	14,656,832	15,410,422	16,150,216
	O	15,483,670	18,553,471	21,580,465
Trust funds:				
(As shown in detail above)	BA		5	5
	O		5	5
Total Department of Housing and Urban Development				
	BA	14,656,832	15,410,427	16,150,221
	O	15,483,670	18,553,476	21,580,470

Department of the Interior

Land and Minerals Management

Bureau of Land Management

Federal funds

General and Special Funds:				
Management of lands and resources	302			
Appropriation, current	BA	469,696	425,325	464,487
Outlays	O	449,705	453,496	471,707
Construction and access	302			
Appropriation, current	BA	2,800	3,430	1,338
Outlays	O	6,586	4,215	2,049
Payments in lieu of taxes	806			
Appropriation, current	BA	105,000	105,000	105,000
Outlays	O	104,985	105,008	105,000
Oregon and California grant lands	302			
Appropriation, current	BA	55,818	58,475	57,434
Outlays	O	54,573	55,976	54,664
Special acquisition of lands and minerals	302			
Authority to borrow, permanent	BA	603	1,300	1,300
Outlays	O	603	1,300	1,300
Land acquisition	302			
Appropriation, current	BA	6,220	8,885	100
Outlays	O	1,883	7,539	7,722

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Land and Minerals Management—Con.				
<i>Bureau of Land Management—Con.</i>				
Range improvements	302			
Appropriation, current, indefinite	BA	9,253	8,506	8,506
Outlays	O	9,949	8,109	8,506
Service charges, deposits, and forfeitures	302			
Appropriation, current, indefinite	BA	4,885	6,600	6,000
Outlays	O	5,286	4,845	6,175
Operation and maintenance of quarters	302			
Appropriation, permanent, indefinite	BA	194	250	250
Outlays	O	152	226	250
Miscellaneous permanent appropriations:				
(Conservation and land management)	302			
Appropriation, permanent, indefinite	BA	7,098	6,500	6,500
Outlays	O	6,939	5,713	6,500
(Other general purpose fiscal assistance)	806			
Appropriation, permanent, indefinite	BA	1,369	149,933	77,710
Outlays	O	77,632	73,908	77,876
Total Miscellaneous permanent appropriations	BA	8,467	156,433	84,210
	O	84,571	79,621	84,376
Intragovernmental Funds:				
Working capital fund	302			
Outlays	O	-1,694	-2,515	.....
<i>Trust funds</i>				
Miscellaneous trust funds	302			
Appropriation, current, indefinite	BA	3	100	100
Appropriation, permanent, indefinite	BA	7,237	600	600
Outlays	O	2,913	6,089	700
Total Miscellaneous trust funds	BA	7,240	700	700
	O	2,913	6,089	700
Total Federal funds Bureau of Land Management	BA	662,936	774,204	728,625
	O	716,599	717,820	741,749
Total Trust funds Bureau of Land Management...	BA	7,240	700	700
	O	2,913	6,089	700
Minerals Management Service				
<i>Federal funds</i>				
General and Special Funds:				
Leasing and royalty management	302			
Appropriation, current	BA	161,497	168,717	171,317
Outlays	O	165,977	165,159	170,405

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Land and Minerals Management—Con.				
<i>Minerals Management Service—Con.</i>				
Payments to States from receipts under Mineral Leasing Act 806				
Appropriation, current, indefinite.....	BA			600
Appropriation, permanent, indefinite.....	BA	375,439	412,458	438,522
Outlays.....	O	375,439	412,458	439,122
Total Payments to States from receipts under Mineral Leasing Act.....				
	BA	375,439	412,458	439,122
	O	375,439	412,458	439,122
Total Federal funds Minerals Management Service				
	BA	536,936	581,175	610,439
	O	541,416	577,617	609,527
 <i>Office of Surface Mining Reclamation and Enforcement</i>				
<i>Federal funds</i>				
General and Special Funds:				
Regulation and technology 302				
Appropriation, current.....	BA	100,378	102,125	101,066
Outlays.....	O	85,451	99,540	92,636
Abandoned mine reclamation fund 302				
Appropriation, current.....	BA	218,720	206,380	159,094
Outlays.....	O	239,792	224,546	194,004
Total Federal funds Office of Surface Mining Reclamation and Enforcement.....				
	BA	319,098	308,505	260,160
	O	325,243	324,086	286,640
Total Federal funds Land and Minerals Management.....				
	BA	1,518,970	1,663,884	1,599,224
	O	1,583,258	1,619,523	1,637,916
Total Trust funds Land and Minerals Management.....				
	BA	7,240	700	700
	O	2,913	6,089	700
 Water and Science				
<i>Bureau of Reclamation</i>				
<i>Federal funds</i>				
General and Special Funds:				
Construction program 301				
Appropriation, current.....	BA	607,542	703,716	698,236
Outlays.....	O	638,646	644,698	699,113

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Water and Science—Con.				
Bureau of Reclamation—Con.				
Loan program	301			
Appropriation, current.....	BA	37,480	32,309	19,022 w -7,099
Outlays.....	O	51,894	-70,986	24,138 w -4,366
Limitation on direct loan obligations.....			(31,972)	(17,766) w (-7,099)
Total Loan program.....	BA	37,480	32,309	11,923
	O	51,894	-70,986	19,772
General investigations	301			
Appropriation, current.....	BA	29,409	16,590	12,286
Outlays.....	O	29,461	19,386	13,818
Emergency fund	301			
Appropriation, current.....	BA	1,000	1,000	1,000
Outlays.....	O	1,177	1,182	1,000
Operation and maintenance	301			
Appropriation, current.....	BA	143,375	151,000	183,231
Outlays.....	O	133,133	149,838	176,043
General administrative expenses	301			
Appropriation, current.....	BA	51,200	51,690	50,313
Outlays.....	O	49,989	53,627	50,451
Colorado River dam fund, Boulder Canyon project	301			
Appropriation, current.....	BA	-1,162	-7,003	-2,485
Appropriation, permanent, indefinite.....	BA	39,282	55,680	40,832
Outlays.....	O	20,811	56,031	42,758
Total Colorado River dam fund, Boulder Canyon project.....	BA	38,120	48,677	38,347
	O	20,811	56,031	42,758
Miscellaneous permanent appropriations:				
(Other general purpose fiscal assistance)	806			
(Appropriation, permanent, indefinite).....	BA	306	287	282
(Outlays).....	O	369	372	283
Public Enterprise Funds:				
Lower Colorado River Basin development fund	301			
Outlays.....	O	-632		
Upper Colorado River Basin fund	301			
Outlays.....	O	-3,499		
Intragovernmental Funds:				
Working capital fund	301			
Appropriation, current, indefinite.....	BA	6,400		7,900
Outlays.....	O	5,084	22,587	6,320

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Water and Science—Con.				
Bureau of Reclamation—Con.				
<i>Trust funds</i>				
Reclamation trust funds	301			
Appropriation, permanent, indefinite.....	BA	36,034	51,800	67,101
Outlays.....	O	38,031	42,304	64,041
Total Federal funds Bureau of Reclamation.....	BA	914,832	1,005,269	1,003,518
	O	926,433	876,735	1,009,558
Total Trust funds Bureau of Reclamation.....	BA	36,034	51,800	67,101
	O	38,031	42,304	64,041
Geological Survey				
<i>Federal funds</i>				
General and Special Funds:				
Surveys, investigations and research	306			
Appropriation, current.....	BA	430,943	447,747	425,003
Appropriation, permanent.....	BA	250	250	250
Outlays.....	O	399,840	446,483	426,140
Total Surveys, investigations and research.....	BA	431,193	447,997	425,253
	O	399,840	446,483	426,140
Exploration of national petroleum reserve in Alaska	271			
Outlays.....	O	97	303	200
Operation and maintenance of quarters	306			
Appropriation, permanent.....	BA			
Indefinite.....	BA		75	75
Outlays.....	O	-50	60	65
Total Operation and maintenance of quarters.....	BA		75	75
	O	-50	60	65
<i>Trust funds</i>				
Contributed funds	306			
Appropriation, permanent, indefinite.....	BA	261	300	
Outlays.....	O	243	319	
Total Federal funds Geological Survey.....	BA	431,193	448,072	425,328
	O	399,887	446,846	426,405
Total Trust funds Geological Survey.....	BA	261	300	
	O	243	319	
Bureau of Mines				
<i>Federal funds</i>				
General and Special Funds:				
Mines and minerals	306			
Appropriation, current.....	BA	140,412	146,398	126,605
Outlays.....	O	135,499	147,414	131,991
Public Enterprise Funds:				
Helium fund	306			
Outlays.....	O	-3,396	-3,495	-53,200

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Water and Science—Con.				
Bureau of Mines—Con.				
<i>Trust funds</i>				
Contributed funds	306			
Appropriation, permanent, indefinite.....	BA	713	700	700
Outlays.....	O	805	674	632
Total Federal funds Bureau of Mines.....	BA	140,412	146,398	126,605
	O	132,103	143,919	78,791
Total Trust funds Bureau of Mines.....	BA	713	700	700
	O	805	674	632
Total Federal funds Water and Science.....	BA	1,486,437	1,599,739	1,555,451
	O	1,458,423	1,467,500	1,514,754
Total Trust funds Water and Science.....	BA	37,008	52,800	67,801
	O	39,079	43,297	64,673
Fish and Wildlife and Parks				
United States Fish and Wildlife Service				
<i>Federal funds</i>				
General and Special Funds:				
Resource management	303			
Appropriation, current.....	BA	323,638	339,794	331,863
Outlays.....	O	286,121	337,063	328,803
Construction	303			
Appropriation, current.....	BA	52,348	35,312	7,577
Outlays.....	O	25,630	46,300	29,034
Land acquisition	303			
Appropriation, current.....	BA	57,655	62,004	1,874
Outlays.....	O	39,187	62,290	31,655
Migratory bird conservation account	303			
Appropriation, current.....	BA	7,000	1,000	.....
Appropriation, permanent, indefinite.....	BA	14,690	28,878	29,378
Outlays.....	O	24,722	28,860	29,528
Total Migratory bird conservation account.....	BA	21,690	29,878	29,378
	O	24,722	28,860	29,528
National wildlife refuge fund	806			
Appropriation, current.....	BA	5,645	5,645	5,645
Appropriation, permanent, indefinite.....	BA	5,447	6,057	6,040
Outlays.....	O	11,291	11,461	11,461
Total National wildlife refuge fund.....	BA	11,092	11,702	11,685
	O	11,291	11,461	11,461
Operation and maintenance of quarters	303			
Appropriation, permanent.....	BA	1,655	1,662	1,727
Outlays.....	O	1,396	1,660	1,709

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Fish and Wildlife and Parks—Con.				
<i>United States Fish and Wildlife Service— Con.</i>				
Miscellaneous permanent appropriations	303			
Appropriation, current, indefinite	BA		2,800	
Appropriation, permanent, indefinite	BA	109,732	115,289	119,200
Outlays	O	112,019	173,368	118,827
Total Miscellaneous permanent appropriations	BA	109,732	118,089	119,200
	O	112,019	173,368	118,827
<i>Trust funds</i>				
Sport fish restoration	303			
Appropriation, permanent, indefinite	BA	141,015	161,073	194,760
Outlays	O	85,454	147,827	162,988
Contributed funds	303			
Appropriation, permanent, indefinite	BA	3,670	4,165	4,165
Outlays	O	3,932	4,165	4,165
Total Federal funds United States Fish and Wildlife Service	BA	577,810	598,441	503,304
	O	500,366	661,002	551,017
Total Trust funds United States Fish and Wildlife Service	BA	144,685	165,238	198,925
	O	89,386	151,992	167,153
National Park Service				
<i>Federal funds</i>				
General and Special Funds:				
Operation of the national park system	303			
Appropriation, current	BA	704,481	720,799	733,768
Outlays	O	648,349	723,342	730,526
National recreation and preservation	303			
Appropriation, current	BA	10,928	12,935	10,204
Outlays	O	10,252	14,451	10,477
Construction	303			
Appropriation, current	BA	88,595	120,517	15,003
Outlays	O	100,520	112,208	75,782
Road construction	303			
Outlays	O	492	266	
John F. Kennedy Center for the Performing Arts	303			
Appropriation, current	BA	4,771	4,904	
Outlays	O	3,883	5,986	^κ 5,193
Total John F. Kennedy Center for the Performing Arts	BA	4,771	4,904	5,193
	O	3,883	5,986	5,121
Urban park and recreation fund	303			
Appropriation, current	BA		-1,133	
Outlays	O	4,391	2,798	2,672

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Fish and Wildlife and Parks—Con.				
<i>National Park Service—Con.</i>				
Illinois and Michigan canal national heritage-corridor Commission 303				
Appropriation, current.....	BA	250	250	.....
Outlays.....	O	292	225	125
Jefferson national expansion memorial commission 303				
Appropriation, current.....	BA	75	.....	.....
Outlays.....	O	71	7	.....
National park system visitor facilities fund 303				
Outlays.....	O	583	1,125	.....
Land acquisition 303				
Appropriation, current.....	BA	112,227	90,749	15,779
Contract authority, current.....	BA	.....	.....	30,000
Contract authority, permanent.....	BA	.....	.....	30,000
Outlays.....	O	164,185	166,460	86,973
Total Land acquisition.....	BA	112,227	90,749	15,779
	O	164,185	166,460	86,973
Planning, development, and operation of recreation facilities 303				
Outlays.....	O	5	81	.....
Historic preservation fund 303				
Appropriation, current.....	BA	24,250	28,250	.....
Outlays.....	O	25,069	29,875	13,701
Operation and maintenance of quarters 303				
Appropriation, permanent, indefinite.....	BA	8,829	8,829	8,829
Outlays.....	O	8,081	8,829	8,829
Miscellaneous permanent appropriations 303				
Appropriation, permanent, indefinite.....	BA	937	1,069	1,069
Outlays.....	O	1,970	1,069	1,069
<i>Trust funds</i>				
Construction (trust fund) 401				
Liquidation of contract authority, current.....		(12,500)	(31,000)	(31,000)
Outlays.....	O	12,127	16,800	21,400
Miscellaneous trust funds 303				
Appropriation, permanent, indefinite.....	BA	8,471	14,852	4,453
Outlays.....	O	7,245	17,491	5,103
Total Federal funds National Park Service.....	BA	955,343	987,169	789,845
	O	968,143	1,066,722	935,275
Total Trust funds National Park Service.....	BA	8,471	14,852	4,453
	O	19,372	34,291	26,503
Total Federal funds Fish and Wildlife and Parks..	BA	1,533,153	1,585,610	1,293,149
	O	1,468,509	1,727,724	1,486,292
Total Trust funds Fish and Wildlife and Parks.....	BA	153,156	180,090	203,378
	O	108,758	186,283	193,656

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Indian Affairs				
<i>Bureau of Indian Affairs</i>				
<i>Federal funds</i>				
General and Special Funds:				
Operation of Indian programs:				
(Conservation and land management) 302				
(Appropriation, current).....	BA	119,428	121,233	119,970
(Outlays).....	0	129,828	121,309	123,197
(Area and regional development) 452				
(Appropriation, current).....	BA	516,389	585,253	553,802
(Outlays).....	0	491,878	564,209	558,719
(Elementary, secondary, and vocational education) 501				
(Appropriation, current).....	BA	277,783	239,270	264,644
(Outlays).....	0	308,623	246,395	259,951
Total Operation of Indian programs.....	BA	913,600	945,756	934,116
	0	930,329	931,913	94,203
Construction 452				
Appropriation, current.....	BA	103,601	108,225	56,793
Outlays.....	0	87,002	113,451	78,860
Road construction 452				
Appropriation, current.....	BA	.....	1,000	.....
Outlays.....	0	1,173	4,900	2,100
Payment to the White Earth economic development and tribal government fund 452				
Appropriation, current.....	BA	6,600	59	.....
Outlays.....	0	6,600	59	.....
Miscellaneous payments to Indians 452				
Appropriation, current.....	BA	.....	13,340	13,955
Outlays.....	0	.....	12,166	13,901
Indian direct loan subsidies 452				
Appropriation, current.....	BA	.....	.....	* 3,175
Outlays.....	0	.....	.....	* 3,175
Limitation on direct loan obligations.....				* (13,000)
Indian guaranteed loan subsidies 452				
Appropriation, current.....	BA	.....	.....	* 11,250
Outlays.....	0	.....	.....	* 11,250
Limitation on guaranteed commitments.....				* (45,000)
Operation and maintenance of quarters 452				
Appropriation, permanent.....	BA	6,690	7,000	7,000
Outlays.....	0	8,353	7,000	7,000
Miscellaneous permanent appropriations:				
(Area and regional development) 452				
(Appropriation, permanent, indefinite).....	BA	45,664	46,000	46,000
(Outlays).....	0	39,803	38,800	38,800
(Other general government) 808				
(Appropriation, permanent, indefinite).....	BA	1,048	2,000	2,000
(Outlays).....	0	1,122	2,000	2,000
Total Miscellaneous permanent appropriations.....	BA	46,712	48,000	48,000
	0	40,925	40,800	40,800

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Indian Affairs—Con.				
<i>Bureau of Indian Affairs—Con.</i>				
Public Enterprise Funds:				
Revolving fund for loans	452			
Outlays.....	0	-1,069	3,085	790
				w -12,600
Limitation on direct loan obligations.....		(7,469)		(13,000)
				w (-13,000)
Total Revolving fund for loans.....	0	-1,069	3,085	-11,810
Indian loan guaranty and insurance fund	452			
Appropriation, current.....	BA	2,452	3,085	3,370
				w -752
Outlays.....	0	5,193	11,913	8,571
				w -424
Limitation on guaranteed loan commitments (P.L. 99-177).....				(45,000)
				w (-45,000)
Total Indian loan guaranty and insurance fund....	BA	2,452	3,085	2,618
	0	5,193	11,913	8,147
Liquidation of Hoonah Housing Project revolving fund	452			
Outlays.....	0	1		
<i>Trust funds</i>				
Cooperative fund (papago)	452			
Appropriation, permanent, indefinite.....	BA	1,527	1,175	1,269
Miscellaneous trust funds:				
(Area and regional development)	452			
(Appropriation, current, indefinite).....	BA	969	1,000	
(Appropriation, permanent, indefinite).....	BA	306,253	334,207	338,367
(Outlays).....	0	311,370	332,845	334,983
Total (Area and regional development).....	BA	307,222	335,207	338,367
	0	311,370	332,845	334,983
Total Federal funds Bureau of Indian Affairs.....	BA	1,079,655	1,126,465	1,081,207
	0	1,078,507	1,125,287	1,095,289
Total Trust funds Bureau of Indian Affairs.....	BA	308,749	336,382	339,636
	0	311,370	332,845	334,983
Territorial and International Affairs				
<i>Territorial and International Affairs</i>				
<i>Federal funds</i>				
General and Special Funds:				
Administration of territories	808			
Appropriation, current.....	BA	78,224	78,235	71,477
Outlays.....	0	54,694	72,990	73,619
Trust Territory of the Pacific Islands	808			
Appropriation, current.....	BA	67,387	41,940	2,780
Outlays.....	0	38,469	54,173	18,605

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Territorial and International Affairs—Con.				
<i>Territorial and International Affairs—Con.</i>				
Compact of free association	808			
Appropriation, current.....	BA	191,750	33,620	34,935
Appropriation, permanent, indefinite.....	BA	202,922	291,086	144,179
Outlays.....	O	295,961	324,706	179,114
Total Compact of free association.....	BA	394,672	324,706	179,114
	O	295,961	324,706	179,114
Micronesian claims fund, Trust Territory of the Pacific Islands	808			
Outlays.....	O	5		
Payments to the United States territories, fiscal assistance	806			
Appropriation, permanent, indefinite.....	BA	69,384	70,000	70,000
Outlays.....	O	71,264	70,000	70,000
Total Federal funds Territorial and International Affairs.....	BA	609,667	514,881	323,371
	O	460,393	521,869	341,338
Departmental Offices				
<i>Office of the Secretary</i>				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	306			
Appropriation, current.....	BA	42,883	47,519	51,681
Outlays.....	O	41,766	44,823	51,057
Office of the Secretary (special foreign currency program)	306			
Outlays.....	O	399	3,234	
Construction management	306			
Appropriation, current.....	BA	684	1,800	1,800
Outlays.....	O	726	1,726	1,800
Intragovernmental Funds:				
Working capital fund	306			
Outlays.....	O	-2,698		
Total Federal funds Office of the Secretary.....	BA	43,567	49,319	53,481
	O	40,193	49,783	52,857
Office of the Solicitor				
<i>Federal funds</i>				
General and Special Funds:				
Office of the Solicitor	306			
Appropriation, current.....	BA	21,280	23,053	25,325
Outlays.....	O	19,386	22,851	25,098

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Departmental Offices—Con.				
<i>Office of Inspector General</i>				
<i>Federal funds</i>				
General and Special Funds:				
Office of Inspector General	306			
Appropriation, current.....	BA	16,725	17,757	18,816
Outlays.....	O	15,883	17,928	18,710
Total Federal funds Departmental Offices	BA	81,572	90,129	97,622
	O	75,462	90,562	96,665
Office of Inspector General				
<i>Federal funds</i>				
General and Special Funds:				
Operation and maintenance of quarters	306			
Appropriation, permanent.....	BA	36		
Outlays.....	O	25	11	
Summary				
Federal funds:				
(As shown in detail above).....	BA	6,309,490	6,580,708	5,950,024
	O	6,124,577	6,552,476	6,172,254
Deductions for offsetting receipts:				
Intrafund transactions	306			
	BA	-250	-250	-250
	O			
	908			
	BA	-634	-390	-390
	O			
Proprietary receipts from the public	301			
	BA	-137,534	-152,144	-144,053
	O			
	302			
	BA	-960,941	-1,034,250	-1,073,909
	O			
	303			
	BA	-41,692	-82,191	-85,556
	O			
	306			
	BA	-165	-78	-78
	O			
	452			
	BA	-51,721	-52,610	-52,610
	O			
	908			
	BA	-9,918	-12,032	-12,757
	O			
Total Federal funds	BA	5,106,635	5,246,763	4,580,421
	O	4,921,722	5,218,531	4,802,651
Trust funds:				
(As shown in detail above).....	BA	506,153	569,972	611,515
	O	462,120	568,514	594,012
Deductions for offsetting receipts:				
Proprietary receipts from the public	301			
	BA	-36,034	-51,800	-67,101
	O			
	302			
	BA	-7,240	-700	-700
	O			

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Interior—Con.				
Summary—Con.				
303	BA	-3,670	-4,165	-4,165
	O			
306	BA	-974	-1,000	-700
	O			
452	BA	-187,021	-194,540	-196,500
	O			
908	BA	-66,654	-78,060	-79,260
	O			
Total Trust funds	BA	204,560	239,707	263,089
	O	160,527	238,249	245,586
Interfund transactions	808 BA	-32,626	-50,000	-50,000
	O			
Total Department of the Interior	BA	5,278,569	5,436,470	4,793,510
	O	5,049,623	5,406,780	4,998,237

Department of Justice

General Administration

Federal funds

General and Special Funds:

Salaries and expenses	751			
Appropriation, current.....	BA	75,953	88,360	^K 100,802
Outlays	O	68,445	90,863	99,535
Total Salaries and expenses	BA	75,953	88,360	100,802
	O	68,445	90,863	99,535

Intragovernmental Funds:

Working capital fund	751			
Outlays	O	-5,321		
Total Federal funds General Administration	BA	75,953	88,360	100,802
	O	63,124	90,863	99,535

United States Parole Commission

Federal funds

General and Special Funds:

Salaries and expenses	751			
Appropriation, current.....	BA	10,539	11,665	^K 10,893
Outlays	O	9,912	11,485	11,001
Total Salaries and expenses	BA	10,539	11,665	10,893
	O	9,912	11,485	11,001

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Justice—Con.				
Legal Activities				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses, General Legal Activities				
	752			
Appropriation, current.....	BA	221,893	238,209	.....
Outlays.....	0	223,197	236,240	^K 270,186
				266,142
Total Salaries and expenses, General Legal Activities.....	BA	221,893	238,209	270,186
	0	223,197	236,240	266,142
Salaries and expenses, Antitrust Division	752			
Appropriation, current.....	BA	43,845	44,937	47,021
Outlays.....	0	42,622	44,730	46,491
Salaries and expenses, Foreign Claims Settlement Commission	153			
Appropriation, current.....	BA	564	500	472
Outlays.....	0	489	399	374
Payment of Vietnam and U.S.S. Pueblo prisoner of war claims	153			
Outlays.....	0	.....	10	10
Salaries and expenses, United States Attorneys	752			
Appropriation, current.....	BA	357,328	380,339	.....
Outlays.....	0	336,472	361,065	^K 424,418
				411,229
Total Salaries and expenses, United States Attorneys.....	BA	357,328	380,339	424,418
	0	336,472	361,065	411,229
Salaries and expenses, United States Marshals Service	752			
Appropriation, current.....	BA	164,445	183,168	207,582
Outlays.....	0	156,488	181,024	205,141
Support of United States prisoners	752			
Appropriation, current.....	BA	69,630	73,746	.....
Outlays.....	0	67,003	69,367	^K 118,265
				100,045
Total Support of United States prisoners.....	BA	69,630	73,746	118,265
	0	67,003	69,367	100,045
Fees and expenses of witnesses	752			
Appropriation, current.....	BA	52,087	52,015	.....
Outlays.....	0	39,314	44,543	^K 51,569
				46,753
Total Fees and expenses of witnesses.....	BA	52,087	52,015	51,569
	0	39,314	44,543	46,753
Salaries and expenses, Community Relations Service	752			
Appropriation, current.....	BA	29,786	27,858	28,815
Outlays.....	0	27,387	25,861	27,279

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Justice—Con.				
Legal Activities—Con.				
Independent counsel	752			
Appropriation, current.....	BA		7,000	.....
Appropriation, permanent, indefinite.....	BA			7,000
Outlays.....	0		7,000	7,000
Total Independent counsel.....	BA		7,000	7,000
	0		7,000	7,000
United States trustees system fund	752			
Appropriation, current.....	BA	23,743	47,370	59,493
Outlays.....	0	9,077	44,921	58,731
Assets forfeiture fund	752			
Appropriation, current, indefinite.....	BA	119,736	140,000	.....
Outlays.....	0	75,155	100,800	144,200
Total Assets forfeiture fund.....	BA	119,736	140,000	200,000
	0	75,155	100,800	144,200
Total Federal funds Legal Activities.....	BA	1,083,057	1,195,142	1,414,821
	0	977,204	1,115,960	1,313,395
Interagency Law Enforcement				
<i>Federal funds</i>				
General and Special Funds:				
Organized crime drug enforcement	751			
Outlays.....	0	4,834	214	.....
Federal Bureau of Investigation				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	1,298,303	1,388,492	.....
Outlays.....	0	1,216,054	1,320,415	^κ 1,503,307
Total Salaries and expenses.....	BA	1,298,303	1,388,492	1,503,307
	0	1,216,054	1,320,415	1,459,376
Drug Enforcement Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	490,193	494,076	.....
Outlays.....	0	411,742	465,393	^κ 538,072
Total Salaries and expenses.....	BA	490,193	494,076	538,072
	0	411,742	465,393	509,277
<i>Trust funds</i>				
Drug abuse prevention and control gift fund	751			
Outlays.....	0		3	.....

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Justice—Con.				
Immigration and Naturalization Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	745,590	741,114	..... K 859,276
Outlays.....	O	567,443	727,536	826,293
Total Salaries and expenses.....	BA	745,590	741,114	859,276
	O	567,443	727,536	826,293
Immigration legalization	751			
Appropriation, current, indefinite.....	BA	97,994		
Appropriation, permanent, indefinite.....	BA		143,650	89,786
Outlays.....	O	82,920	140,810	93,591
Total Immigration legalization.....	BA	97,994	143,650	89,786
	O	82,920	140,810	93,591
Immigration user fee	751			
Appropriation, current, indefinite.....	BA	39,304		
Appropriation, permanent, indefinite.....	BA		75,000	75,057
Outlays.....	O	38,182	69,750	75,051
Total Immigration user fee.....	BA	39,304	75,000	75,057
	O	38,182	69,750	75,051
Total Federal funds Immigration and Naturalization Service.....	BA	882,888	959,764	1,024,119
	O	688,545	938,096	994,935
Federal Prison System				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	753			
Appropriation, current.....	BA	647,792	719,814	..... K 933,709
Outlays.....	O	612,531	714,796	918,380
Total Salaries and expenses.....	BA	647,792	719,814	933,709
	O	612,531	714,796	918,380
National Institute of Corrections	754			
Appropriation, current.....	BA	9,149	9,590	..... K 9,821
Outlays.....	O	12,901	9,255	9,305
Total National Institute of Corrections.....	BA	9,149	9,590	9,821
	O	12,901	9,255	9,305
Buildings and facilities	753			
Appropriation, current.....	BA	219,249	201,676	..... K 436,554
Outlays.....	O	98,229	127,189	173,177
Total Buildings and facilities.....	BA	219,249	201,676	436,554
	O	98,229	127,189	173,177

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Justice—Con.				
Federal Prison System—Con.				
Intragovernmental Funds:				
Federal Prison Industries, Incorporated	753			
Authority to borrow, current, indefinite	BA			20,000
Outlays	0	774		20,000
Limitation on administrative expenses		(1,974)	(2,347)	(2,374)
Limitation on vocational expenses		(7,029)	(7,571)	(7,677)
Total Federal Prison Industries, Incorporated	BA			20,000
	0	774		20,000
<i>Trust funds</i>				
Commissary funds, Federal prisons (trust revolving fund)	753			
Outlays	0	— 509		
Total Federal funds Federal Prison System	BA	876,190	931,080	1,400,084
	0	724,435	851,240	1,120,862
Total Trust funds Federal Prison System	0	— 509		
Office of Justice Programs				
<i>Federal funds</i>				
General and Special Funds:				
Justice assistance	754			
Appropriation, current	BA	415,632	229,075	78,017
Outlays	0	186,789	279,627	203,315
Crime victims fund	754			
Appropriation, permanent, indefinite	BA	77,446	85,000	85,000
Outlays	0	50,647	77,494	82,247
Public Enterprise Funds:				
Revolving fund	754			
Outlays	0	— 16	63	
Total Federal funds Office of Justice Programs	BA	493,078	314,075	163,017
	0	237,420	357,184	285,562
Summary				
Federal funds:				
(As shown in detail above)	BA	5,210,201	5,382,654	6,155,115
	0	4,333,270	5,150,850	5,793,943
Deductions for offsetting receipts:				
Intrafund transactions	908 BA			
	0	176		
Total Federal funds	BA	5,210,377	5,382,654	6,155,115
	0	4,333,446	5,150,850	5,793,943
Trust funds:				
(As shown in detail above)	0	— 509	3	
Total Department of Justice	BA	5,210,377	5,382,654	6,155,115
	0	4,332,937	5,150,853	5,793,943

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Labor				
Employment and Training Administration				
<i>Federal funds</i>				
General and Special Funds:				
Program administration	504			
Appropriation, current.....	BA	67,363	70,872	72,289
Outlays.....	0	63,405	71,202	73,969
Training and employment services	504			
Appropriation, current.....	BA	3,705,913	3,805,133	3,430,824
Outlays.....	0	3,604,063	3,717,077	3,807,835
Worker readjustment:				
(Training and employment)	504			
(Appropriation, current).....	BA			948,000
(Outlays).....	0			29,388
(Trade adjustment assistance)	603			
(Appropriation, current).....	BA			134,000
(Outlays).....	0			102,000
(Outlays).....	0			134,000
(Outlays).....	0			102,000
Total (Trade adjustment assistance).....	BA			32,000
Total Worker readjustment.....	0			32,000
Total Worker readjustment.....	BA			980,000
Total Worker readjustment.....	0			61,388
Community service employment for older Americans	504			
Appropriation, current.....	BA	336,000	331,260	336,000
Outlays.....	0	311,759	328,847	332,884
Federal unemployment benefits and allowances	603			
Appropriation, current.....	BA	118,000	141,000	
Outlays.....	0	108,208	151,478	2,000
State unemployment insurance and employment service operations:				
(Training and employment)	504			
(Appropriation, current).....	BA	23,400	22,403	21,500
(Outlays).....	0	37,953	23,177	22,566
Advances to the unemployment trust fund and other funds:				
(General retirement and disability insurance) (excluding social security)	601			
(Appropriation, current).....	BA		30,000	124,000
(Outlays).....	0	67,776	30,000	124,000
(Unemployment compensation)	603			
(Outlays).....	0	100,500		
Total Advances to the unemployment trust fund and other funds.....	BA		30,000	124,000
Total Advances to the unemployment trust fund and other funds.....	0	168,276	30,000	124,000
<i>Trust funds</i>				
Gifts and bequests	504			
Appropriation, permanent, indefinite.....	BA	1	10	10
Outlays.....	0		10	10

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Labor—Con.				
Employment and Training Administration—				
Con.				
Unemployment trust fund:				
(Training and employment) 504				
(Appropriation, permanent, indefinite).....	BA	966,868	960,002	904,237
(Outlays)	O	929,662	985,127	938,545
(Veterans employment and training).....		(139,510)	(139,614)	(142,406)
(Employment and Training Administration: Program administration).....		(15,559)	(16,740)	(18,414)
(Bureau of Labor Statistics: Salaries and expenses)		(37,872)	(41,569)	(46,323)
(State unemployment insurance and employment service operations)		(773,927)	(762,079)	(697,094)
(Unemployment compensation) 603				
(Appropriation, permanent, indefinite).....	BA	26,645,674	25,239,998	25,195,763
(Outlays)	O	19,596,848	16,514,873	17,561,455
(Office of the Inspector General)		(6,040)	(6,201)	(5,701)
(Limitation on railroad unemployment insurance administration fund)		(15,156)	(13,830)	(13,678)
(Employment and Training Administration: Program administration).....		(29,204)	(27,640)	(28,193)
(State unemployment insurance and employment service operations)		(1,632,974)	(1,656,326)	(1,675,100)
(Departmental Management: Salaries and expenses).....		(263)	(274)	(285)
Total Unemployment trust fund	BA	27,612,542	26,200,000	26,100,000
	O	20,526,510	17,500,000	18,500,000
Total Federal funds Employment and Training Administration.....	BA	4,250,676	4,400,668	4,964,613
	O	4,293,664	4,321,781	4,424,642
Total Trust funds Employment and Training Administration.....	BA	27,612,543	26,200,010	26,100,010
	O	20,526,510	17,500,010	18,500,010
Labor-Management Services				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 505				
Appropriation, current.....	BA	62,275	76,776	73,059
Outlays.....	O	56,662	74,016	74,064
Pension Benefit Guaranty Corporation				
<i>Federal funds</i>				
Public Enterprise Funds:				
Pension Benefit Guaranty Corporation fund 601				
Outlays.....	O	- 71,987	- 571,257	- 504,460
Limitation on administration		(35,836)	(38,329)	(54,232)

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Labor—Con.				
Employment Standards Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	505			
Appropriation, current.....	BA	191,050	207,709	214,489
Outlays.....	0	176,084	201,915	212,498
Special benefits:				
(General retirement and disability insurance) (excluding social security) 601				
(Appropriation, current).....	BA	4,200	4,000	4,000
(Outlays).....	0	4,110	4,000	4,000
(Federal employee retirement and disability) 602				
(Appropriation, current).....	BA	225,594	205,000	253,000
(Outlays).....	0	205,772	205,000	253,000
Total Special benefits.....	BA	229,794	209,000	257,000
	0	209,882	209,000	257,000
<i>Trust funds</i>				
Black lung disability trust fund 601				
Appropriation, current.....	BA	235,740	663,139	674,244
Indefinite.....	BA	520	39,556	756
Outlays.....	0	642,774	612,608	729,000
Administrative limitation: ESA, salaries and expenses.....		(26,346)	(28,217)	(30,210)
Administrative limitation: Departmental Management, salaries and expenses.....		(22,095)	(25,924)	(24,054)
Administrative limitation: Office of the Inspector General.....		(612)	(506)	(515)
Total Black lung disability trust fund.....	BA	236,260	702,695	675,000
	0	642,774	612,608	729,000
Special workers' compensation expenses 601				
Appropriation, permanent, indefinite.....	BA	74,794	80,000	87,000
Outlays.....	0	71,984	74,000	81,000
Limitation on administrative expenses.....		(441)	(467)	(526)
Total Federal funds Employment Standards Administration.....	BA	420,844	416,709	471,489
	0	385,966	410,915	469,498
Total Trust funds Employment Standards Administration.....	BA	311,054	782,695	762,000
	0	714,758	686,608	810,000
Occupational Safety and Health Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	554			
Appropriation, current.....	BA	225,811	235,474	244,851
Outlays.....	0	214,508	228,727	236,402

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Labor—Con.				
Mine Safety and Health Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	554			
Appropriation, current.....	BA	156,480	160,193	164,597
Outlays.....	O	146,716	159,857	162,598
Bureau of Labor Statistics				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	505			
Appropriation, current.....	BA	167,925	176,481	190,397
Outlays.....	O	154,024	178,386	190,834
Departmental Management				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	505			
Appropriation, current.....	BA	109,455	114,929	117,339
Outlays.....	O	98,765	112,945	117,719
Office of the Inspector General	505			
Appropriation, current.....	BA	35,389	37,051	39,497
Outlays.....	O	34,181	35,720	38,011
Special foreign currency program	505			
Appropriation, current.....	BA	47		
Outlays.....	O	23	35	
Intragovernmental Funds:				
Working capital fund	505			
Outlays.....	O	-193	273	2,810
Total Federal funds Departmental Management ...	BA	144,891	151,980	156,836
	O	132,776	148,973	158,540
Summary				
Federal funds:				
(As shown in detail above).....	BA	5,428,902	5,618,281	6,265,842
	O	5,312,329	4,951,398	5,212,118
Deductions for offsetting receipts:				
Proprietary receipts from the public	908			
	BA	-312,458	-156,000	-70,000
	O			
Total Federal funds.....	BA	5,116,444	5,462,281	6,195,842
	O	4,999,871	4,795,398	5,142,118
Trust funds:				
(As shown in detail above).....	BA	27,923,597	26,982,705	26,862,010
	O	21,241,268	18,186,618	19,310,010
Deductions for offsetting receipts:				
Proprietary receipts from the public	908			
	BA	-2,315	-2,000	-2,000
	O			
Total Trust funds.....	BA	27,921,282	26,980,705	26,860,010
	O	21,238,953	18,184,618	19,308,010

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Labor—Con.				
Summary—Con.				
Interfund transactions	601 BA	— 67,776	— 68,800	— 124,000
	O			
	603 BA	— 2,718,237	— 902,000	— 1,220,000
	O			
Total Department of Labor.....	BA	<u>30,251,713</u>	<u>31,472,186</u>	<u>31,711,852</u>
	O	<u>23,452,811</u>	<u>22,009,216</u>	<u>23,106,128</u>

Department of State

Administration of Foreign Affairs				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	153			
Appropriation, current.....	BA	1,612,384	1,694,000	1,799,000
Outlays.....	O	1,496,607	1,659,765	1,780,174
Acquisition and maintenance of buildings abroad				
	153			
Appropriation, current.....	BA	449,480	313,100	240,021
Outlays.....	O	257,348	339,829	340,755
Acquisition and maintenance of buildings abroad (special foreign currency program)				
	153			
Outlays.....	O	5,991	5,500	4,000
Representation allowances	153			
Appropriation, current.....	BA	4,460	4,500	4,590
Outlays.....	O	4,583	4,374	4,519
Protection of foreign missions and officials	153			
Appropriation, current.....	BA	9,100	9,000	9,100
Outlays.....	O	16,967	8,050	8,640
Emergencies in the diplomatic and consular service	153			
Appropriation, current.....	BA	4,000	4,000	4,500
Outlays.....	O	2,616	3,672	3,857
				^w — 412
				^w — 412
Total Emergencies in the diplomatic and consular service.....	BA	<u>4,000</u>	<u>4,000</u>	<u>4,088</u>
	O	<u>2,616</u>	<u>3,672</u>	<u>3,445</u>
Payment to the American Institute in Taiwan	153			
Appropriation, current.....	BA	9,379	11,000	10,890
Outlays.....	O	9,908	10,242	10,863
Payment to the Foreign Service retirement and disability fund	153			
Appropriation, current.....	BA	127,398	86,000	107,684
Appropriation, permanent, indefinite.....	BA	173,300	167,400	159,900
Outlays.....	O	300,698	253,400	267,584
Total Payment to the Foreign Service retirement and disability fund.....	BA	<u>300,698</u>	<u>253,400</u>	<u>267,584</u>
	O	<u>300,698</u>	<u>253,400</u>	<u>267,584</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of State—Con.				
Administration of Foreign Affairs—Con.				
Intragovernmental Funds:				
Working capital fund	153			
Outlays.....	0	-2,709		
<i>Trust funds</i>				
Foreign Service retirement and disability fund	602			
Appropriation, permanent, indefinite.....	BA	766,844	726,145	785,442
Outlays.....	0	240,371	271,562	292,763
Miscellaneous trust funds	153			
Appropriation, permanent, indefinite.....	BA	1,951	3,200	3,200
Outlays.....	0	1,829	3,200	3,200
Total Federal funds Administration of Foreign Affairs.....	BA	2,389,501	2,289,000	2,335,273
	0	2,092,009	2,284,832	2,419,980
Total Trust funds Administration of Foreign Affairs.....	BA	768,795	729,345	788,642
	0	242,200	274,762	295,963
International Organizations and Conferences				
<i>Federal funds</i>				
General and Special Funds:				
Contributions to international organizations	153			
Appropriation, current.....	BA	385,269	480,000	489,906
Outlays.....	0	323,900	529,843	487,971
Contributions for international peacekeeping activities	153			
Appropriation, current.....	BA	29,400	29,400	29,000
Outlays.....	0	29,498	29,400	29,000
International conferences and contingencies	153			
Appropriation, current.....	BA	5,460	6,000	6,000
Outlays.....	0	7,089	6,155	5,946
Total Federal funds International Organizations and Conferences.....	BA	420,129	515,400	524,906
	0	360,487	565,398	522,917
International Commissions				
International Boundary and Water Commission, United States and Mexico:				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses, IBWC	301			
Appropriation, current.....	BA	10,800	10,261	10,466
Outlays.....	0	10,060	10,336	10,438

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of State—Con.				
International Commissions—Con.				
Construction, IBWC	301			
Appropriation, current.....	BA	3,900	3,166	5,800
Outlays.....	O	787	1,728	6,344
Total Federal funds International Boundary and Water Commission, United States and Mexico:.....	BA O	14,700 10,847	13,427 12,064	16,266 16,782
<i>Federal funds</i>				
General and Special Funds:				
American sections, international commissions	301			
Appropriation, current.....	BA	4,174	4,316	4,400
Outlays.....	O	2,849	4,101	4,282
International fisheries commissions	302			
Appropriation, current.....	BA	10,800	10,548	10,760
Outlays.....	O	9,680	10,548	10,760
Total Federal funds International Commissions.....	BA O	29,674 23,376	28,291 26,713	31,426 31,824
Other				
<i>Federal funds</i>				
General and Special Funds:				
Migration and refugee assistance	151			
Appropriation, current.....	BA	346,856	338,450	^K 340,000
Outlays.....	O	329,056	325,277	326,545
Total Migration and refugee assistance.....	BA O	346,856 329,056	338,450 325,277	340,000 326,545
United States emergency refugee and migration as- sistance fund	151			
Appropriation, current.....	BA	14,000		
Outlays.....	O	12,281	9,250	9,240
International narcotics control	151			
Appropriation, current.....	BA	118,445	98,750	^K 101,000
Outlays.....	O	59,591	87,295	92,198
Total International narcotics control.....	BA O	118,445 59,591	98,750 87,295	101,000 92,198
Anti-terrorism assistance	152			
Appropriation, current.....	BA	9,840	9,840	^K 9,840
Outlays.....	O	11,178	8,753	9,112
Total Anti-terrorism assistance.....	BA O	9,840 11,178	9,840 8,753	9,840 9,112

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of State—Con.				
Other—Con.				
U.S. bilateral science and technology agreements				
	153			
Appropriation, current.....	BA	1,900	1,900	2,000
Outlays.....	O	1,900	1,900	2,000
Soviet-East European research and training				
	153			
Appropriation, current.....	BA	4,600	4,600	5,000
Outlays.....	O	4,209	7,801	4,840
Payment to the Asia Foundation				
	153			
Appropriation, current.....	BA	8,800	13,700	8,000
Outlays.....	O	10,194	12,687	8,855
Counterterrorism research and development				
	153			
Outlays.....	O		5,000	5,000
International Center, Washington, D.C.				
	153			
Appropriation, permanent.....	BA	11,428	945	410
Outlays.....	O	1,283	945	410
Fishermen's protective fund				
	376			
Appropriation, current.....	BA		959	
Outlays.....	O		1,038	
Fishermen's guaranty fund				
	376			
Appropriation, current.....	BA	450	1,725	900
Appropriation, permanent, indefinite.....	BA			900
Outlays.....	O	165	1,725	1,800
Total Fishermen's guaranty fund.....	BA	450	1,725	1,800
	O	165	1,725	1,800
Total Federal funds Other.....	BA	516,319	470,869	468,050
	O	429,857	461,671	460,000
Summary				
Federal funds:				
(As shown in detail above).....	BA	3,355,623	3,303,560	3,359,655
	O	2,905,729	3,338,614	3,434,721
Deductions for offsetting receipts:				
Intrafund transactions	908 BA	-8	-20	-20
	O			
Proprietary receipts from the public	153 BA	-11,428	-945	-410
	O			
	376 BA	-442	-1,725	-900
	O			
Total Federal funds.....	BA	3,343,745	3,300,870	3,358,325
	O	2,893,851	3,335,924	3,433,391
Trust funds:				
(As shown in detail above).....	BA	768,795	729,345	788,642
	O	242,200	274,762	295,963
Deductions for offsetting receipts:				
Intrafund transactions	602 BA	-1,599	-1,400	-1,400
	O			
Total Trust funds.....	BA	767,196	727,945	787,242
	O	240,601	273,362	294,563

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of State—Con.				
Summary—Con.				
Interfund transactions	153 BA	—346,199	—288,532	—308,116
	O			
	803 BA	—44	—41	—41
	O			
Total Department of State	BA	<u>3,764,698</u>	<u>3,740,242</u>	<u>3,837,410</u>
	O	<u>2,788,209</u>	<u>3,320,713</u>	<u>3,419,797</u>
Department of Transportation				
Federal Highway Administration				
<i>Federal funds</i>				
General and Special Funds:				
Motor carrier safety	401			
Appropriation, current.....	BA	19,515	22,790	24,577
Outlays.....	O	17,828	21,972	24,308
Railroad-highway crossings demonstration projects				
	401			
Appropriation, current.....	BA	3,917	2,597	.....
Outlays.....	O	3,101	5,719	6,708
Access highways to public recreation areas on certain lakes	401			
Appropriation, current.....	BA	5,000	1,786	.....
Outlays.....	O	5,234	6,357	7,494
Waste isolation pilot project	401			
Appropriation, current.....	BA	10,000	15,504	.....
Outlays.....	O	7,252	11,101	9,699
Expressway gap closing demonstration project	401			
Appropriation, current.....	BA	6,200	7,648	.....
Outlays.....	O	.....	4,030	5,840
Miscellaneous appropriations	401			
Appropriation, current.....	BA	1,887	11,970	.....
Outlays.....	O	57,122	57,394	55,290
<i>Trust funds</i>				
Federal-aid highways	401			
Contract authority, current.....	BA	13,379,038	.....	.....
Contract authority, permanent.....	BA	100,000	13,706,319	13,701,929
Liquidation of contract authority, current.....		(13,130,000)	(13,400,000)	(12,700,000)
Outlays.....	O	12,613,993	13,188,000	13,232,000
Limitation on program level (obligations).....		(12,350,000)	(11,780,000)	(11,398,000)
Total Federal-aid highways.....	BA	<u>13,479,038</u>	<u>13,706,319</u>	<u>13,701,929</u>
	O	<u>12,613,993</u>	<u>13,188,000</u>	<u>13,232,000</u>

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Federal Highway Administration—Con.				
Highway-related safety grants	401			
Contract authority, current	BA	10,000		
Contract authority, permanent	BA		10,000	10,000
Liquidation of contract authority, current		(12,000)	(9,900)	(10,000)
Outlays	O	9,050	9,381	10,768
Limitation on program level (obligations)		(10,000)	(9,405)	(10,000)
Total Highway-related safety grants	BA	10,000	10,000	10,000
	O	9,050	9,381	10,768
Baltimore-Washington Parkway	401			
Appropriation, current	BA	10,000	14,250	
Outlays	O	202	7,850	7,539
Trust fund share of other highway programs	401			
Appropriation, current	BA	7,833	5,193	
Outlays	O	10,281	12,639	13,762
Highway safety research and development	401			
Appropriation, current	BA	7,000	6,650	
Outlays	O	7,496	7,830	7,056
Motor carrier safety grants	401			
Appropriation, current	BA	269		
Contract authority, current	BA	50,000		
Contract authority, permanent	BA		50,000	60,000
Liquidation of contract authority, current		(35,000)	(50,000)	(50,000)
Outlays	O	26,343	40,447	48,620
Limitation on program level (obligations)			(46,992)	(60,000)
Total Motor carrier safety grants	BA	50,269	50,000	60,000
	O	26,343	40,447	48,620
Miscellaneous trust funds	151			
Appropriation, permanent	BA	4,741	1,356	3,695
Contract authority, permanent	BA	441		
Liquidation of contract authority, permanent		(141)	(905)	
Outlays	O	5,975	2,292	3,998
Total Miscellaneous trust funds	BA	5,182	1,356	3,695
	O	5,975	2,292	3,998
Miscellaneous highway trust funds	401			
Appropriation, current	BA	50,800	41,989	
Outlays	O	1,037	24,763	28,020
Right-of-way revolving fund (trust revolving fund)	401			
Outlays	O	-26,899		
Limitation on direct loan obligations		(47,850)	(45,457)	(47,850)
Total Federal funds Federal Highway Administration	BA	46,519	62,295	24,577
	O	90,537	106,573	109,339
Total Trust funds Federal Highway Administration	BA	13,620,122	13,835,757	13,775,624
	O	12,647,478	13,293,202	13,351,763

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
National Highway Traffic Safety Administration				
<i>Federal funds</i>				
General and Special Funds:				
Operations and research	401			
Appropriation, current.....	BA	55,767	62,534	63,124 [*]
Outlays.....	O	59,217	65,647	65,665
Total Operations and research.....	BA	55,767	62,534	63,124
	O	59,217	65,647	65,665
Miscellaneous safety programs	401			
Outlays.....	O	652	1,400	1,400
<i>Trust funds</i>				
Operations and research (trust fund share)	401			
Appropriation, current.....	BA	34,172	30,346	31,414
Outlays.....	O	33,366	34,225	32,006
Highway traffic safety grants	401			
Contract authority, current.....	BA	121,000		
Contract authority, permanent.....	BA		126,000	126,000
Reappropriation.....	BA		94,085	
Liquidation of contract authority, current.....		(127,000)	(135,000)	(130,500)
Outlays.....	O	114,773	121,393	127,570
Limitation on program level (obligations).....		(137,150)	(128,483)	(128,500)
Total Highway traffic safety grants.....	BA	121,000	220,085	126,000
	O	114,773	121,393	127,570
Total Federal funds National Highway Traffic Safety Administration.....	BA	55,767	62,534	63,124
	O	59,869	67,047	67,065
Total Trust funds National Highway Traffic Safety Administration.....	BA	155,172	250,431	157,414
	O	148,139	155,618	159,576
Federal Railroad Administration				
<i>Federal funds</i>				
General and Special Funds:				
Office of the Administrator	401			
Appropriation, current.....	BA	23,375	22,877	18,292
Outlays.....	O	38,314	41,484	34,201
Railroad safety	401			
Appropriation, current.....	BA	27,165	27,968	28,518 [*]
Outlays.....	O	28,273	28,374	28,408
Total Railroad safety.....	BA	27,165	27,968	28,518
	O	28,273	28,374	28,408
Railroad safety research and development	401			
Appropriation, current.....	BA	9,581	9,286	9,297
Outlays.....	O	10,868	12,572	11,435

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Federal Railroad Administration—Con.				
Conrail labor protection	603			
Outlays.....	0	-240		
Commuter rail service	401			
Appropriation, current.....	BA	5,000		
Outlays.....	0		10,000	
Settlements of railroad litigation	401			
Appropriation, current.....	BA	6,543		
Outlays.....	0	6,543	-38,951	
Northeast corridor improvement program	401			
Appropriation, current.....	BA	16,962	26,600	
Outlays.....	0	95,113	67,755	45,510
Grants to National Railroad Passenger Corporation	401			
Appropriation, current.....	BA	594,791	580,800	
Outlays.....	0	597,311	599,760	29,040
Public Enterprise Funds:				
Alaska Railroad revolving fund	401			
Outlays.....	0	3,143	600	
Regional rail reorganization program	401			
Authority to borrow, permanent, indefinite.....	BA	15,033	2,774	540
Outlays.....	0	15,033	2,774	540
Railroad rehabilitation and improvement financing funds	401			
Authority to borrow, current.....	BA	13,002		
Authority to borrow, permanent, indefinite.....	BA	7,490	1,000	
Outlays.....	0	12,109	-196,924	-123,044
Limitation on direct loan obligations.....		(6,500)		
Total Railroad rehabilitation and improvement financing funds.....	BA	20,492	1,000	
	0	12,109	-196,924	-123,044
Total Federal funds Federal Railroad Administration.....	BA	718,942	671,305	56,647
	0	806,467	527,444	26,090
Urban Mass Transportation Administration				
<i>Federal funds</i>				
General and Special Funds:				
Administrative expenses	401			
Appropriation, current.....	BA	31,000	31,882	
Outlays.....	0	29,037	32,494	3,200
Research, training, and human resources	401			
Appropriation, current.....	BA	17,400	12,217	
Outlays.....	0	21,666	20,665	15,943
Interstate transfer grants-transit	401			
Appropriation, current.....	BA	200,000	123,500	
Outlays.....	0	264,069	238,525	185,875
Washington metro	401			
Appropriation, current.....	BA	201,120	180,500	128,000
Outlays.....	0	150,265	159,025	164,450

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Urban Mass Transportation Administration—				
Con.				
Formula grants	401			
Appropriation, current.....	BA	2,000,000	1,736,453	.....
Outlays.....	0	1,821,826	2,130,580	1,610,575
Miscellaneous expired accounts	401			
Outlays.....	0	345,026	200,000	200,000
<i>Trust funds</i>				
Formula transit grants	401			
Contract authority, current.....	BA			✓ 1,394,000
Liquidation of contract authority, current.....				✓ (500,000)
Outlays.....	0			✓ 413,000
Limitation on program level (obligations).....				✓ (1,394,000)
Discretionary grants	401			
Contract authority, current.....	BA			✓ - 1,250,000
Contract authority, permanent.....	BA	1,097,000	1,200,000	1,250,000
Liquidation of contract authority, current.....		(1,100,000)	(1,100,000)	(400,000)
Outlays.....	0	667,534	753,275	867,111
Limitation on program level (obligations).....		(1,002,500)	(1,130,500)	(1,250,000)
				✓ (- 1,250,000)
Total Discretionary grants.....	BA	1,097,000	1,200,000	.....
	0	667,534	753,275	762,705
Total Federal funds Urban Mass Transportation Administration.....	BA	2,449,520	2,084,552	128,000
	0	2,631,889	2,781,289	2,180,043
Total Trust funds Urban Mass Transportation Administration.....	BA	1,097,000	1,200,000	1,394,000
	0	667,534	753,275	1,175,705
Federal Aviation Administration				
<i>Federal funds</i>				
General and Special Funds:				
Operations	402			
Appropriation, current.....	BA	2,302,832	2,322,565	1,966,500
Outlays.....	0	2,215,334	2,293,604	1,936,405
Headquarters administration	402			
Appropriation, current.....	BA	35,121	35,520	37,057
Outlays.....	0	40,194	38,677	39,231
Facilities, engineering and development	402			
Outlays.....	0	615	3,196	.....
Operation and maintenance, Metropolitan Washington Airports	402			
Appropriation, current.....	BA	22,760	.....	.....
Outlays.....	0	26,078	.....	.....
Construction, Metropolitan Washington Airports	402			
Outlays.....	0	11,629	.....	.....

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Federal Aviation Administration—Con.				
Aircraft purchase loan guarantee program	402			
Authority to borrow, current.....	BA	470	464	238
Outlays.....	O	573	470	238
Public Enterprise Funds:				
Aviation insurance revolving fund	402			
Outlays.....	O	-1,186	-2,800	-2,800
<i>Trust funds</i>				
Grants-in-aid for airports (Airport and airway trust fund)	402			
Contract authority, current.....	BA	-148,000	1,700,000	.....
Contract authority, permanent.....	BA	1,017,200	.....	1,700,000
Liquidation of contract authority, current.....		(1,020,000)	(1,063,000)	(1,110,000)
Outlays.....	O	916,912	979,022	1,110,333
Limitation on program level (obligations).....		(1,025,000)	(1,268,725)	(1,200,000)
Total Grants-in-aid for airports (Airport and airway trust fund).....	BA	869,200	1,700,000	1,700,000
	O	916,912	979,022	1,110,333
Facilities and equipment (Airport and airway trust fund)	402			
Appropriation, current.....	BA	804,584	1,108,056	1,600,000
Outlays.....	O	891,811	986,720	1,073,241
Research, engineering and development (Airport and airway trust fund)	402			
Appropriation, current.....	BA	141,700	153,425	155,000
Outlays.....	O	170,359	185,982	165,811
Trust fund share of FAA operations	402			
Appropriation, current.....	BA	621,168	827,455	1,477,500
Appropriation, permanent, indefinite.....	BA	17	.....	750
Outlays.....	O	622,432	826,590	1,479,035
Total Trust fund share of FAA operations.....	BA	621,185	827,455	1,478,250
	O	622,432	826,590	1,479,035
Total Federal funds Federal Aviation Administration.....	BA	2,361,183	2,358,549	2,003,795
	O	2,293,237	2,333,147	1,973,074
Total Trust funds Federal Aviation Administration.....	BA	2,436,669	3,788,936	4,933,250
	O	2,601,514	2,978,314	3,828,420
Coast Guard				
<i>Federal funds</i>				
General and Special Funds:				
Operating expenses	403			
Appropriation, current.....	BA	1,802,275	1,767,506	.....
Outlays.....	O	1,707,189	1,782,380	2,070,506 ^K
Total Operating expenses.....	BA	1,802,275	1,767,506	2,070,506
	O	1,707,189	1,782,380	2,095,056

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Coast Guard—Con.				
Acquisition, construction, and improvements	403			
Appropriation, current.....	BA	298,000	247,000	..... K 348,000
Outlays	0	388,978	407,398	313,820
Total Acquisition, construction, and improve- ments	BA 0	298,000 388,978	247,000 407,398	348,000 313,820
Alteration of bridges	403			
Appropriation, current.....	BA	.....	940	..... K 8,500
Outlays	0	276	12,716	9,030
Total Alteration of bridges	BA 0	..... 276	940 12,716	8,500 9,030
Retired pay	403			
Appropriation, current.....	BA	356,000	386,700	..... K 410,800
Outlays	0	349,944	427,582	410,800
Total Retired pay	BA 0	356,000 349,944	386,700 427,582	410,800 410,800
Reserve training	403			
Appropriation, current.....	BA	64,400	62,880	..... K 68,500
Outlays	0	64,775	61,257	67,141
Total Reserve training.....	BA 0	64,400 64,775	62,880 61,257	68,500 67,141
Research, development, test, and evaluation	403			
Appropriation, current.....	BA	20,000	19,000	..... K 19,000
Outlays	0	17,807	18,475	19,480
Total Research, development, test, and evalua- tion.....	BA 0	20,000 17,807	19,000 18,475	19,000 19,480
Pollution fund	304			
Appropriation, permanent, indefinite.....	BA	4,805	5,300	5,700
Outlays	0	6,146	7,789	6,300
Offshore oil pollution compensation fund	304			
Appropriation, current.....	BA	1,000	.....	.....
Outlays	0	129	243	245
Deepwater port liability fund	304			
Appropriation, current, indefinite.....	BA	1,000	.....	.....
Outlays	0	.....	1	.....
Intragovernmental Funds:				
Coast Guard supply fund	403			
Outlays	0	-6,664	400	400
Coast Guard yard fund	403			
Outlays	0	10,818	14,826	5,000

See footnotes at end of table.

THE FEDERAL PROGRAM BY AGENCY AND ACCOUNT 6f-125

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Coast Guard—Con.				
<i>Trust funds</i>				
Boat safety	403			
Appropriation, current.....	BA	47,581	44,100	45,000
Outlays.....	O	41,815	52,115	42,165
Limitation on program level (obligations).....		(30,000)	(21,375)	.....
Coast Guard general gift fund	403			
Appropriation, permanent, indefinite.....	BA	.....	80	80
Outlays.....	O	.....	50	80
Miscellaneous trust revolving funds	403			
Outlays.....	O	84	25	25
Total Federal funds Coast Guard.....	BA	2,547,480	2,489,326	2,931,006
	O	2,539,398	2,733,067	2,927,272
Total Trust funds Coast Guard.....	BA	47,581	44,180	45,080
	O	41,899	52,190	42,270
Maritime Administration				
<i>Federal funds</i>				
General and Special Funds:				
Ship construction	403			
Outlays.....	O	421	4,890	.....
Operating-differential subsidies	403			
Appropriation, current.....	BA	.....	.....	72,920
Indefinite.....	BA	.....	.....	.....
Contract authority, current, indefinite.....	BA	.....	.....	151,520
Liquidation of contract authority, current.....		(228,285)	(213,300)	(248,900)
Outlays.....	O	227,426	213,300	(46,530)
		.....	.....	248,900
		.....	.....	26,390
Total Operating-differential subsidies.....	BA	.....	.....	224,440
	O	227,426	213,300	275,290
Ocean freight differential	403			
Appropriation, current.....	BA	.....	505	.....
Authority to borrow, current.....	BA	.....	.....	6,921
Authority to borrow, permanent.....	BA	24,338	60,800	68,921
Outlays.....	O	21,813	63,830	68,921
		.....	.....	6,921
Total Ocean freight differential.....	BA	24,338	61,305	62,000
	O	21,813	63,830	62,000
Research and development	403			
Appropriation, current.....	BA	3,500	.....	.....
Outlays.....	O	7,237	9,000	488
Federal ship financing fund loan subsidies	403			
Appropriation, current, indefinite.....	BA	.....	.....	90
Outlays.....	O	.....	.....	90
Operations and training	403			
Appropriation, current.....	BA	64,000	75,521	74,100
Outlays.....	O	68,632	77,193	75,937

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Maritime Administration—Con.				
Ready reserve force	054			
Appropriation, current.....	BA			110,751
Outlays.....	0			53,287
Public Enterprise Funds:				
Federal ship financing fund	403			
Authority to borrow, permanent, indefinite.....	BA	420,000		
Outlays.....	0	416,766	52,640	—15,600 w —4,950
Total Federal ship financing fund.....	BA	420,000		
	0	416,766	52,640	—20,550
Vessel operations revolving fund	403			
Outlays.....	0	115,231		
War risk insurance revolving fund	403			
Outlays.....	0	—889	—900	—900
<i>Trust funds</i>				
Special studies, services and projects	403			
Appropriation, permanent, indefinite.....	BA	30	100	100
Outlays.....	0		100	100
Gifts and bequests	403			
Appropriation, permanent, indefinite.....	BA	2	15	15
Outlays.....	0	1	15	15
Total Federal funds Maritime Administration.....	BA	511,838	136,826	471,381
	0	856,637	419,953	445,642
Total Trust funds Maritime Administration.....	BA	32	115	115
	0	1	115	115
Saint Lawrence Seaway Development Corporation				
<i>Federal funds</i>				
Public Enterprise Funds:				
Saint Lawrence Seaway Development Corporation				
	403			
Appropriation, current.....	BA	2,000		
Outlays.....	0	1,650	1,000	
Limitation on administrative expenses.....		(1,985)	(2,016)	(2,130)
<i>Trust funds</i>				
Operations and maintenance	403			
Appropriation, current.....	BA	4,000	10,806	11,500
Outlays.....	0	4,000	10,806	11,500
				j —11,500 j —11,500
Total Operations and maintenance.....	BA	4,000	10,806	
	0	4,000	10,806	

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Office of the Inspector General				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	407			
Appropriation, current.....	BA	27,200	27,898	29,639
Outlays.....	0	25,962	28,264	29,403
Research and Special Programs Administration				
<i>Federal funds</i>				
General and Special Funds:				
Research and special programs	407			
Appropriation, current.....	BA	19,950	12,832	5,735
Outlays.....	0	20,151	15,148	14,632
Total Research and special programs.....	BA	19,950	12,832	15,559
	0	20,151	15,148	14,632
Pipeline safety	407			
Appropriation, current.....	BA		8,550	.....
Outlays.....	0		8,489	9,716
Total Pipeline safety.....	BA		8,550	9,723
	0		8,489	9,716
Intragovernmental Funds:				
Working capital fund, Transportation Systems Center	407			
Outlays.....	0	-14,032		
Total Federal funds Research and Special Programs Administration.....	BA	19,950	21,382	25,282
	0	6,119	23,637	24,348
Office of the Secretary				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	407			
Appropriation, current.....	BA	51,000	35,992	58,205
Outlays.....	0	45,404	58,217	60,520
Transportation, planning, research and development	407			
Appropriation, current.....	BA	3,349	4,987	6,700
Outlays.....	0	4,694	4,280	6,279
Activities transferred from salaries and expenses, Interstate Commerce Commission	401			
Appropriation, current.....	BA			16,926
Outlays.....	0			15,233
Payments to air carriers, DOT	402			
Appropriation, current.....	BA	30,000	23,750	.....
Outlays.....	0	26,408	23,638	4,598

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of Transportation—Con.				
Office of the Secretary—Con.				
Intragovernmental Funds:				
Working capital fund	407			
Appropriation, current.....	BA		1,805	3,705
Outlays.....	O	-8,426	3,305	5,205
<i>Trust funds</i>				
Gifts and bequests	407			
Appropriation, permanent, indefinite.....	BA	91		
Outlays.....	O	3,904	383	
Total Federal funds Office of the Secretary.....	BA	84,349	66,534	85,536
	O	68,080	89,440	91,835
Total Trust funds Office of the Secretary.....	BA	91		
	O	3,904	383	
Summary				
Federal funds:				
(As shown in detail above).....	BA	8,824,748	7,981,201	5,818,987
	O	9,379,845	9,110,861	7,874,111
Deductions for offsetting receipts:				
Intrafund transactions	908			
	BA			
	O	-8,478	-8,354	-9,711
Proprietary receipts from the public	304			
	BA		-4,300	-4,700
	O			
	402			
	BA	-36,582		
	O			
	403			
	BA	-3,308	-8,528	-8,538
	O			
	407			
	BA	-9,212	-8,550	-9,723
	O			
Total Federal funds.....	BA	8,767,168	7,951,469	5,786,315
	O	9,322,265	9,081,129	7,841,439
Trust funds:				
(As shown in detail above).....	BA	17,360,667	19,130,225	20,305,483
	O	16,114,469	17,243,903	18,557,849
Deductions for offsetting receipts:				
Proprietary receipts from the public	151			
	BA			
	O	-2,617	-1,221	-2,960
	401			
	BA	-3,231	-1,011	-720
	O			
	403			
	BA	-30	-100	-100
	O			
Total Trust funds.....	BA	17,354,789	19,127,893	20,301,703
	O	16,108,591	17,241,571	18,554,069
Total Department of Transportation.....	BA	26,121,957	27,079,362	26,088,018
	O	25,430,856	26,322,700	26,395,508

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury				
Departmental Offices				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	803			
Appropriation, current.....	BA	80,947	79,103	83,681
Outlays.....	0	73,638	90,903	84,063
Federal Financing Bank administrative expenses	803			
Appropriation, current.....	BA			2,000
Outlays.....	0			1,940
Presidential election campaign fund	808			
Appropriation, permanent, indefinite.....	BA	33,179	41,000	40,000
Outlays.....	0	17,384	150,383	7,231
Public Enterprise Funds:				
Exchange stabilization fund	155			
Outlays.....	0	-1,410,142	-175,704	-168,093
Intragovernmental Funds:				
Working capital fund	803			
Outlays.....	0	-32,337	31,489	
<i>Trust funds</i>				
Gifts and bequests	803			
Appropriation, permanent, indefinite.....	BA	208	150	150
Outlays.....	0	-1,398	600	450
Total Federal funds Departmental Offices.....	BA	114,126	120,103	125,681
	0	-1,351,457	97,071	-74,859
Total Trust funds Departmental Offices.....	BA	208	150	150
	0	-1,398	600	450
Office of Revenue Sharing				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	806			
Appropriation, current.....	BA	5,560		
Outlays.....	0	3,809	1,733	
<i>Trust funds</i>				
State and local government fiscal assistance trust fund	806			
Outlays.....	0	76,346		
Federal Law Enforcement Training Center				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	29,666	28,672	26,525
Outlays.....	0	19,110	39,268	26,740

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Federal Law Enforcement Training Center—				
Con.				
Construction, Federal Law Enforcement Training Center 751				
Outlays	0	1	221	
Total Federal funds Federal Law Enforcement Training Center	BA 0	<u>29,666</u> 19,111	<u>28,672</u> 39,489	<u>26,525</u> 26,740
Financial Management Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 803				
Appropriation, current	BA	243,181	265,000	280,461
Outlays	0	230,886	269,149	278,451
Payments to the farm credit system financial assistance corporation 351				
Appropriation, current, indefinite	BA			175,000
Outlays	0			175,000
Claims, judgments, and relief acts 808				
Appropriation, permanent, indefinite	BA	360,824	328,020	313,020
Outlays	0	360,742	328,121	313,020
Interest on uninvested funds 908				
Appropriation, current, indefinite	BA			w 177,309
Appropriation, permanent, indefinite	BA	20,969	17,757	17,907
Outlays	0	19,254	17,757	w 177,309
Total Interest on uninvested funds	BA 0	<u>20,969</u> 19,254	<u>17,757</u> 17,757	<u>195,216</u> 195,216
Restitution of forgone interest 908				
Appropriation, current, indefinite	BA	43,883	11,328	
Outlays	0	50,447	11,328	
Energy security reserve 271				
Appropriation, current	BA	-596,942		
Outlays	0	55,854	104,106	158,600
Biomass energy development 271				
Outlays	0	198,088	1,510	1,445
<i>Trust funds</i>				
St Lawrence Seaway toll rebate program 808				
Appropriation, current	BA	3,998	9,880	10,800
Outlays	0	3,998	9,682	10,584
Miscellaneous trust funds:				
(Other veterans benefits and services) 705				
(Appropriation, permanent, indefinite)	BA	-4	14	14
(Outlays)	0	-7		58

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Financial Management Service—Con.				
(Other general government)	808			
(Appropriation, permanent, indefinite).....	BA	111	66	64
(Outlays)	O	18	96	44
Total Miscellaneous trust funds	BA	107	80	78
	O	11	96	102
Total Federal funds Financial Management Service	BA	71,915	622,105	963,697
	O	915,271	731,971	1,121,732
Total Trust funds Financial Management Service	BA	4,105	9,960	10,878
	O	4,009	9,778	10,686
Federal Financing Bank				
<i>Federal funds</i>				
Intragovernmental Funds:				
Federal Financing Bank	803			
Outlays	O	-478,199	-138,641	-172,790
				-2,000
Total Federal Financing Bank	O	-478,199	-138,641	-174,790
Credit Financing Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	803			
Appropriation, current	BA			4,326
Outlays	O			4,239
Public Enterprise Funds:				
Federal credit direct loan revolving fund	871			
Authority to borrow, current, indefinite	BA			3,431,595
Authority to borrow, permanent, indefinite	BA			
Outlays	O			1,981,058
Total Federal credit direct loan revolving fund	BA			3,431,595
	O			1,981,058
Federal credit guaranteed loan revolving fund	871			
Outlays	O			8,262,711
Total Federal funds Credit Financing Service	BA			3,435,921
	O			6,277,414
Bureau of Alcohol, Tobacco and Firearms				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current	BA	198,463	217,531	218,503
Outlays	O	178,572	217,024	218,406

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Bureau of Alcohol, Tobacco and Firearms—				
Con.				
Internal revenue collections for Puerto Rico	806			
Appropriation, permanent, indefinite	BA	185,044	205,000	205,000
Outlays	O	224,671	205,000	205,000
Total Federal funds Bureau of Alcohol, Tobacco and Firearms	BA	383,507	422,531	423,503
	O	403,243	422,024	423,406
United States Customs Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current	BA	840,186	966,000	966,903
Appropriation, permanent, indefinite	BA	79,400	88,500	96,100
Outlays	O	852,196	1,024,742	1,054,982
Total Salaries and expenses	BA	919,586	1,054,500	1,063,003
	O	852,196	1,024,742	1,054,982
Operation and maintenance, air interdiction program	751			
Appropriation, current	BA	166,830	140,000	142,262
Outlays	O	67,256	128,055	136,338
Payments to the Government of Puerto Rico	751			
Appropriation, current	BA	7,800	7,800	.....
Outlays	O	7,800	7,800	.....
Customs forfeiture fund	803			
Appropriation, current	BA	.....	10,000	10,000
Outlays	O	-9,861	10,000	10,000
Customs services at small airports	808			
Appropriation, current, indefinite	BA	.....	486	1,588
Outlays	O	.....	486	1,588
Miscellaneous permanent appropriations	806			
Appropriation, permanent, indefinite	BA	106,779	105,000	108,000
Outlays	O	96,880	105,000	108,000
<i>Trust funds</i>				
Refunds, transfers and expenses, unclaimed, abandoned and seized goods	803			
Appropriation, permanent, indefinite	BA	16,217	17,061	17,230
Outlays	O	14,759	17,061	17,230
Total Federal funds United States Customs Service	BA	1,200,995	1,317,786	1,324,853
	O	1,014,271	1,276,083	1,310,908
Total Trust funds United States Customs Service	BA	16,217	17,061	17,230
	O	14,759	17,061	17,230

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Bureau of Engraving and Printing				
<i>Federal funds</i>				
Intragovernmental Funds:				
Bureau of Engraving and Printing fund	803			
Outlays.....	0	-40,529	-15,314	-17,850
United States Mint				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	803			
Appropriation, current.....	BA	42,930	42,000	47,869 ^K
Outlays.....	0	19,392	49,439	46,989
Total Salaries and expenses.....	BA	42,930	42,000	47,869
	0	19,392	49,439	46,989
Expansion and improvements	803			
Appropriation, current.....	BA	694		
Outlays.....	0	1,077	3,386	
Coinage profit fund	803			
Appropriation, permanent, indefinite.....	BA	34,975	54,157	17,789
Outlays.....	0	50,148	54,157	17,789
Total Federal funds United States Mint.....	BA	78,599	96,157	65,658
	0	70,617	106,982	64,778
Bureau of the Public Debt				
<i>Federal funds</i>				
General and Special Funds:				
Administering the public debt	803			
Appropriation, current.....	BA	199,622	215,000	242,840
Outlays.....	0	194,887	212,043	236,827
Payment of Government losses in shipment	803			
Appropriation, current.....	BA		390	960
Outlays.....	0	47	390	960
Total Federal funds Bureau of the Public Debt....	BA	199,622	215,390	243,800
	0	194,934	212,433	237,787
Internal Revenue Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	803			
Appropriation, current.....	BA	90,820	87,165	94,547
Outlays.....	0	79,546	99,833	92,923
Processing tax returns	803			
Appropriation, current.....	BA	1,492,608	1,723,305	1,850,134
Outlays.....	0	1,344,329	1,669,306	1,813,814
Examinations and appeals	803			
Appropriation, current.....	BA	1,635,907	1,775,598	1,864,819
Outlays.....	0	1,575,599	1,796,253	1,857,681

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Internal Revenue Service—Con.				
Investigation, collection and taxpayer service	803			
Appropriation, current.....	BA	1,225,347	1,472,812	1,490,225
Outlays.....	O	1,162,379	1,495,660	1,488,483
Payment where earned income credit exceeds liability for tax	609			
Appropriation, permanent, indefinite.....	BA	1,409,932	2,893,000	3,897,000
Outlays.....	O	1,409,932	2,893,000	3,897,000
Refunding internal revenue collections, interest	908			
Appropriation, permanent, indefinite.....	BA	1,941,323	1,756,000	1,793,000
Outlays.....	O	1,941,323	1,756,000	1,793,000
Public Enterprise Funds:				
Federal tax lien revolving fund	803			
Outlays.....	O	231	— 147	2,150
Total Federal funds Internal Revenue Service.....	BA	7,795,937	9,707,880	10,989,725
	O	7,513,339	9,709,905	10,945,051
United States Secret Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	334,109	367,000	352,000
Outlays.....	O	292,565	389,394	350,343
Contribution for annuity benefits	751			
Appropriation, permanent, indefinite.....	BA	16,959	15,000	18,000
Outlays.....	O	19,750	15,000	18,000
Total Federal funds United States Secret Service.....	BA	351,068	382,000	370,000
	O	312,315	404,394	368,343
Comptroller of the Currency				
<i>Trust funds</i>				
Assessment funds	376			
Outlays.....	O	— 22,929	— 5,824	— 5,649
Interest on the Public Debt				
<i>Federal funds</i>				
General and Special Funds:				
Interest on the public debt paid to trust funds	901			
Appropriation, current.....	BA			✓ 51,990
Appropriation, permanent.....	BA	33,416,028	39,895,773	47,153,141
Outlays.....	O	33,416,028	39,895,773	47,153,141
				✓ 51,990
Total Interest on the public debt paid to trust funds.....	BA	33,416,028	39,895,773	47,205,131
	O	33,416,028	39,895,773	47,205,131

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Interest on the Public Debt—Con.				
Other interest on the public debt	901			
Appropriation, permanent.....	BA	161,858,878	170,162,000	173,062,000
Outlays.....	O	161,858,878	170,162,000	173,062,000
Total Federal funds Interest on the Public Debt...	BA	<u>195,274,906</u>	<u>210,057,773</u>	<u>220,267,131</u>
	O	<u>195,274,906</u>	<u>210,057,773</u>	<u>220,267,131</u>
Summary				
Federal funds:				
(As shown in detail above).....	BA	205,505,901	222,970,397	238,236,494
	O	203,851,631	222,905,903	228,220,963
Deductions for offsetting receipts:				
Intrafund transactions	403			
	BA			
	O		-85,583	
	803			
	BA			
	O		-99	-99
	808			
	BA			
	O		-40	-40
	809			
	BA			
	O	-19,043	-30	-30
	908			
	BA			
	O	-19,628,963	-19,217,923	-18,681,394
Interfund transactions from off-budget counts	ac-651			
	BA			
	O	-684,833	-819,951	-774,353
Proprietary receipts from the public	151			
	BA			
	O	-42,349	-40,000	-40,000
	155			
	BA			
	O	-88,668	-90,441	-92,250
	304			
	BA			
	O	831		
	751			
	BA			
	O		-680,274	-707,485
	BA			
	O		680,274	707,485
	803			
	BA			
	O	-72,029	-105,124	-72,335
	808			
	BA			
	O		-486	-1,588
	809			
	BA			
	O	-603,800	-1,098,000	-500,000
	901			
	BA			
	O	-25,508	-5,430	-5,430
	908			
	BA			
	O	-2,070,687	-2,103,991	-1,875,370
Total Federal funds.....	BA	<u>182,270,852</u>	<u>199,403,299</u>	<u>216,193,605</u>
	O	<u>180,616,582</u>	<u>199,338,805</u>	<u>206,178,074</u>
Trust funds:				
(As shown in detail above).....	BA	20,530	27,171	28,258
	O	70,787	21,615	22,717

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Department of the Treasury—Con.				
Summary—Con.				
Interfund transactions	601 BA	—239,154	—227,621	—227,000
	O			
	803 BA	—195,699	—235,166	—243,327
	O			
Total Department of the Treasury.....	BA	<u>181,856,529</u>	<u>198,967,683</u>	<u>215,751,536</u>
	O	<u>180,252,516</u>	<u>198,897,633</u>	<u>205,730,464</u>
Environmental Protection Agency				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	304			
Appropriation, current.....	BA	727,107	765,000	510,697
				κ 289,303
Outlays.....	O	674,379	748,859	791,500
Total Salaries and expenses.....	BA	<u>727,107</u>	<u>765,000</u>	<u>800,000</u>
	O	<u>674,379</u>	<u>748,859</u>	<u>791,500</u>
Research and development:				
(Energy supply)	271			
(Appropriation, current).....	BA	52,645	50,252	.....
				κ 50,179
(Outlays).....	O	50,616	50,236	45,943
Total (Energy supply).....	BA	<u>52,645</u>	<u>50,252</u>	<u>50,179</u>
	O	<u>50,616</u>	<u>50,236</u>	<u>45,943</u>
(Pollution control and abatement)	304			
(Appropriation, current).....	BA	144,855	136,098	.....
				κ 146,821
(Outlays).....	O	155,623	145,092	124,563
Total (Pollution control and abatement).....	BA	<u>144,855</u>	<u>136,098</u>	<u>146,821</u>
	O	<u>155,623</u>	<u>145,092</u>	<u>124,563</u>
Total Research and development.....	BA	<u>197,500</u>	<u>186,350</u>	<u>197,000</u>
	O	<u>206,239</u>	<u>195,328</u>	<u>170,506</u>
Abatement, control, and compliance	304			
Appropriation, current.....	BA	609,685	606,192	238,849
				κ 385,151
Outlays.....	O	576,419	593,927	631,631
Total Abatement, control, and compliance.....	BA	<u>609,685</u>	<u>606,192</u>	<u>624,000</u>
	O	<u>576,419</u>	<u>593,927</u>	<u>631,631</u>
Buildings and facilities	304			
Appropriation, current.....	BA	7,500	23,500	8,000
Outlays.....	O	5,060	9,995	18,110
Construction grants	304			
Appropriation, current.....	BA	2,361,000	2,304,000	1,500,000
Outlays.....	O	2,920,339	2,566,000	2,377,500

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Environmental Protection Agency—Con.				
Scientific activities overseas (Special foreign currency program) 304				
Outlays.....	0	163	275	275
Operations, research, and facilities 304				
Outlays.....	0	89	1,050	250
Payment to the hazardous substance superfund 304				
Appropriation, current.....	BA	535,955	239,100	.....
Outlays.....	0	535,955	239,100	.....
Public Enterprise Funds:				
Revolving fund for certification and other services 304				
Outlays.....	0	-422	-500	-500
<i>Trust funds</i>				
Hazardous substance superfund 304				
Appropriation, current.....	BA	1,411,300	1,128,000	1,600,000
Outlays.....	0	541,305	778,000	1,205,000
Limitation on administrative expenses.....		(135,000)	(182,400)	.....
Leaking underground storage tank trust fund 304				
Appropriation, current.....	BA	50,000	14,400	50,000
Outlays.....	0	1,330	23,330	31,820
Limitation on administrative expenses.....		(7,000)	(4,800)	.....
Miscellaneous contributed funds 304				
Appropriation, permanent, indefinite.....	BA	19	10	10
Outlays.....	0	23	50	10
Summary				
Federal funds:				
(As shown in detail above).....	BA	4,438,747	4,124,142	3,129,000
	0	4,918,221	4,354,034	3,989,272
Deductions for offsetting receipts:				
Proprietary receipts from the public 304	BA			
	0	-846	-9,000	-24,000
Total Federal funds.....	BA	4,437,901	4,115,142	3,105,000
	0	4,917,375	4,345,034	3,965,272
Trust funds:				
(As shown in detail above).....	BA	1,461,319	1,142,410	1,650,010
	0	542,658	801,380	1,236,830
Deductions for offsetting receipts:				
Proprietary receipts from the public 304	BA			
	0	-18,886	-52,010	-70,010
Total Trust funds.....	BA	1,442,433	1,090,400	1,580,000
	0	523,772	749,370	1,166,820
Interfund transactions 304	BA			
	0	-536,786	-241,862	-4,803
Total Environmental Protection Agency.....	BA	5,343,548	4,963,680	4,680,197
	0	4,904,361	4,852,542	5,127,289

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
General Services Administration				
Real Property Activities				
<i>Federal funds</i>				
Intragovernmental Funds:				
Federal buildings fund	804			
Outlays.....	0	-83,714	-132,812	-54,959
Limitation on program level (obligations).....		(2,457,477)	(2,854,052)	(3,182,681)
Personal Property Activities				
<i>Federal funds</i>				
General and Special Funds:				
Federal supply service	804			
Appropriation, current.....	BA	164,485	69,600	47,829
Outlays.....	0	157,889	70,398	48,482
Expenses of transportation audit contracts	804			
Appropriation, permanent.....	BA	10,506	13,040	15,000
Outlays.....	0	7,597	13,040	15,000
Intragovernmental Funds:				
General supply fund	804			
Outlays.....	0	-31,993		
Total Federal funds Personal Property Activities..	BA	174,991	82,640	62,829
	0	133,493	83,438	63,482
Information Resources Management Service				
<i>Federal funds</i>				
General and Special Funds:				
Operating expenses, information resources management service	804			
Appropriation, current.....	BA	29,128	31,193	36,835
Outlays.....	0	20,282	30,834	35,989
Intragovernmental Funds:				
Information technology fund	804			
Outlays.....	0	-76,526	4,495	
Total Federal funds Information Resources Management Service.....	BA	29,128	31,193	36,835
	0	-56,244	35,329	35,989
Federal Property Resources Activities				
<i>Federal funds</i>				
General and Special Funds:				
Operating expenses, federal property resources service	804			
Appropriation, current.....	BA	7,574	12,000	12,109
Reappropriation.....	BA	1,858		
Outlays.....	0	9,161	10,232	12,073
Total Operating expenses, federal property resources service.....	BA	9,432	12,000	12,109
	0	9,161	10,232	12,073
Real property relocation	804			
Appropriation, current.....	BA		5,000	50,000
Outlays.....	0		2,500	27,500

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
General Services Administration—Con.				
Federal Property Resources Activities—Con.				
Expenses, disposal of surplus real and related personal property 804				
Appropriation, permanent, indefinite.....	BA	1,874	3,668	3,668
Outlays.....	O	1,722	3,668	3,668
 Total Federal funds Federal Property Resources Activities.....	BA	<u>11,306</u>	<u>20,668</u>	<u>65,777</u>
	O	<u>10,883</u>	<u>16,400</u>	<u>43,241</u>
General Activities				
<i>Federal funds</i>				
General and Special Funds:				
General management and administration, salaries and expenses 804				
Appropriation, current.....	BA	119,573	122,500	122,774
Outlays.....	O	104,075	121,672	122,695
Economic Opportunity Act close-out activities 506				
Outlays.....	O	8	9	.....
Office of Inspector General 804				
Appropriation, current.....	BA	21,681	24,334	25,400
Outlays.....	O	19,747	24,062	25,304
Allowances and office staff for former Presidents 802				
Appropriation, current.....	BA	1,177	1,198	1,431
Outlays.....	O	1,005	1,195	1,408
Expenses, presidential transition 802				
Appropriation, current.....	BA	.....	.....	3,000
Outlays.....	O	.....	.....	3,000
Public Enterprise Funds:				
Consumer information center fund 376				
Appropriation, current.....	BA	1,286	1,279	1,354
Outlays.....	O	1,209	433	1,477
Intragovernmental Funds:				
Working capital fund 804				
Outlays.....	O	-812	.....	.....
<i>Trust funds</i>				
Unconditional gifts of real, personal, or other property 804				
Outlays.....	O	.....	.....	1
Total Federal funds General Activities.....	BA	<u>143,717</u>	<u>149,311</u>	<u>153,959</u>
	O	<u>125,232</u>	<u>147,371</u>	<u>153,884</u>
Total Trust funds General Activities.....	O	.....	.....	1
Summary				
Federal funds:				
(As shown in detail above).....	BA	359,142	283,812	319,400
	O	129,650	149,726	241,637

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
General Services Administration—Con.				
Summary—Con.				
Deductions for offsetting receipts:				
Proprietary receipts from the public	804 BA			
	O	—78,287	—285,000	—287,000
Total Federal funds.....	BA	280,855	—1,188	32,400
	O	51,363	—135,274	—45,363
Trust funds:				
(As shown in detail above).....	O			1
Total General Services Administration.....	BA	280,855	—1,188	32,400
	O	51,363	—135,274	—45,362
National Aeronautics and Space Administration				
<i>Federal funds</i>				
General and Special Funds:				
Research and development:				
(Space flight)	253			
(Appropriation, current).....	BA	911,100	907,000	.....
				κ 1,598,500
(Appropriation, permanent).....	BA			.....
(Outlays).....	O	560,240	849,109	1,290,209
Total (Space flight).....	BA	911,100	907,000	1,598,500
	O	560,240	849,109	1,290,209
(Space science, applications, and technology)	254			
(Appropriation, current).....	BA	1,829,000	1,913,450	.....
				κ 2,373,000
(Outlays).....	O	1,499,032	1,814,347	2,074,363
Total (Space science, applications, and technology).....	BA	1,829,000	1,913,450	2,373,000
	O	1,499,032	1,814,347	2,074,363
(Supporting space activities)	255			
(Appropriation, current).....	BA	17,100	17,900	.....
				κ 18,800
(Outlays).....	O	14,885	16,988	18,410
Total (Supporting space activities).....	BA	17,100	17,900	18,800
	O	14,885	16,988	18,410
(Air transportation)	402			
(Appropriation, current).....	BA	396,500	361,050	.....
				κ 456,400
(Outlays).....	O	362,065	358,031	416,035
Total (Air transportation).....	BA	396,500	361,050	456,400
	O	362,065	358,031	416,035
Total Research and development.....	BA	3,153,700	3,199,400	4,446,700
	O	2,436,222	3,038,475	3,799,017

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
National Aeronautics and Space Administration—Con.				
Space flight, control, and data communications:				
(Space flight) 253				
(Appropriation, current)	BA	5,254,100	2,926,300	κ 3,805,900
(Outlays)	O	2,873,306	3,554,510	4,153,773
Total (Space flight)	BA	5,254,100	2,926,300	3,805,900
	O	2,873,306	3,554,510	4,153,773
(Supporting space activities) 255				
(Appropriation, current)	BA	845,400	884,400	κ 1,035,300
(Outlays)	O	723,992	715,767	955,530
Total (Supporting space activities)	BA	845,400	884,400	1,035,300
	O	723,992	715,767	955,530
Total Space flight, control, and data communica- tions	BA	6,099,500	3,810,700	4,841,200
	O	3,597,298	4,270,277	5,109,303
Construction of facilities:				
(Space flight) 253				
(Appropriation, current)	BA	15,780	17,200	κ 62,100
(Outlays)	O	40,613	18,877	22,179
Total (Space flight)	BA	15,780	17,200	62,100
	O	40,613	18,877	22,179
(Space science, applications, and technology) 254				
(Appropriation, current)	BA	16,850	8,600	κ 32,300
(Outlays)	O	7,153	13,413	11,142
Total (Space science, applications, and technolo- gy)	BA	16,850	8,600	32,300
	O	7,153	13,413	11,142
(Supporting space activities) 255				
(Appropriation, current)	BA	117,870	109,672	κ 126,900
(Outlays)	O	81,977	102,083	108,033
Total (Supporting space activities)	BA	117,870	109,672	126,900
	O	81,977	102,083	108,033

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
National Aeronautics and Space Administration—Con.				
(Air transportation)	402			
(Appropriation, current)	BA	18,800	42,800	κ 63,800
(Reappropriation, indefinite)	BA	48,058		
(Outlays)	0	19,228	19,107	31,588
Total (Air transportation)	BA	66,858	42,800	63,800
	0	19,228	19,107	31,588
Total Construction of facilities	BA	217,358	178,272	285,100
	0	148,971	153,480	172,942
Research and program management:				
(Space flight)	253			
(Appropriation, current)	BA	683,000	832,036	κ 892,358
(Outlays)	0	662,510	757,748	884,331
Total (Space flight)	BA	683,000	832,036	892,358
	0	662,510	757,748	884,331
(Space science, applications, and technology)	254			
(Appropriation, current)	BA	451,600	521,968	κ 592,966
(Outlays)	0	436,191	524,181	587,244
Total (Space science, applications, and technology)	BA	451,600	521,968	592,966
	0	436,191	524,181	587,244
(Supporting space activities)	255			
(Appropriation, current)	BA	56,400	64,545	κ 77,886
(Outlays)	0	56,645	67,731	75,554
Total (Supporting space activities)	BA	56,400	64,545	77,886
	0	56,645	67,731	75,554
(Air transportation)	402			
(Appropriation, current)	BA	261,500	319,540	κ 351,790
(Outlays)	0	253,604	299,997	349,269
Total (Air transportation)	BA	261,500	319,540	351,790
	0	253,604	299,997	349,269
Total Research and program management	BA	1,452,500	1,738,089	1,915,000
	0	1,408,950	1,649,657	1,896,398
<i>Trust funds</i>				
Miscellaneous trust funds	255			
Appropriation, permanent, indefinite	BA	28		
Outlays	0	1		

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
National Aeronautics and Space Administration—Con.				
Summary				
Federal funds:				
(As shown in detail above).....	BA	10,923,058	8,926,461	11,488,000
	O	7,591,441	9,111,889	10,977,660
Trust funds:				
(As shown in detail above).....	BA	28		
	O	1		
Total National Aeronautics and Space Administration.....	BA	10,923,086	8,926,461	11,488,000
	O	7,591,442	9,111,889	10,977,660

Office of Personnel Management

<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	805			
Appropriation, current.....	BA	100,129	101,834	107,477
Outlays.....	O	122,764	97,571	107,195
Limitation payable under trust funds.....		(62,747)	(67,746)	(77,017)
Government payment for annuitants, employees health benefits	551			
Appropriation, current.....	BA	1,459,000	1,728,931	2,374,414
Outlays.....	O	1,591,707	2,096,892	2,426,520
Payment to civil service retirement and disability fund	805			
Appropriation, current.....	BA	4,557,000	4,720,913	4,858,668
Appropriation, permanent, indefinite.....	BA	11,246,400	11,058,470	12,026,695
Outlays.....	O	15,803,400	15,779,383	16,885,363
Total Payment to civil service retirement and disability fund.....	BA	15,803,400	15,779,383	16,885,363
	O	15,803,400	15,779,383	16,885,363
Intragovernmental Funds:				
Revolving fund	805			
Outlays.....	O	-18,719	4,244	-14,898
<i>Trust funds</i>				
Civil service retirement and disability fund	602			
Appropriation, current, indefinite.....	BA			4,100
Appropriation, permanent, indefinite.....	BA	43,248,827	45,821,997	48,004,756
Outlays.....	O	25,798,311	27,311,927	29,271,953
Administrative expenses (discretionary).....		(52,726)	(56,075)	(65,187)
Total Civil service retirement and disability fund.....	BA	43,248,827	45,821,997	48,008,856
	O	25,798,311	27,311,927	29,271,953
Employees health benefits fund	551			
Outlays.....	O	204,443	-262,813	-513,367

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Office of Personnel Management—Con.				
Employees life insurance fund	602			
Outlays.....	0	— 702,311	— 722,009	— 769,402 * 18,000
Total Employees life insurance fund.....	0	— 702,311	— 722,009	— 751,402
Retired employees health benefits fund	551			
Outlays.....	0	2,392	795	377
Summary				
Federal funds:				
(As shown in detail above).....	BA	17,362,529	17,670,148	19,367,254
	0	17,499,152	17,978,090	19,404,180
Trust funds:				
(As shown in detail above).....	BA	43,248,827	45,821,997	48,008,856
	0	25,302,835	26,327,900	28,007,561
Interfund transactions	602 BA			
	0	— 32,642	— 34,000	— 35,000
	805 BA			
	0	— 15,803,400	— 15,779,383	— 16,885,363
	BA			
	0			
Total Office of Personnel Management.....	BA	44,775,314	47,678,762	50,455,747
	0	26,965,945	28,492,607	30,491,378
Small Business Administration				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	201,800	215,832	249,080
Outlays.....	0	281,699	308,223	330,853
White House Conference on Small Business	376			
Outlays.....	0	663	113	
Business loan subsidies	376			
Appropriation, current.....	BA			* 327,252
Outlays.....	0			* 163,626
Limitation on guaranteed loan commitments.....				* (3,596,300)
Disaster loan subsidies	453			
Appropriation, current.....	BA			* 37,736
Outlays.....	0			* 18,868

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Small Business Administration—Con.				
Public Enterprise Funds:				
Business loan and investment fund 376				
Appropriation, current.....	BA	256,200	176,000	130,000 J 14,000 W 9,000
Authority to borrow, current.....	BA	7,087		
Authority to borrow, permanent, indefinite.....	BA	114,905	60,000	
Outlays.....	0	-2,655	92,705	-309,364 J 14,700 W 9,000
Limitation on direct loan obligations.....		(85,782)	(85,000)	
Limitation on guaranteed loan commitments.....				(3,596,300) W (-3,596,000)
Total Business loan and investment fund.....	BA	378,192	236,000	153,000
	0	-2,655	92,705	-285,664
Disaster loan fund 453				
Outlays.....	0	-361,988	-150,324	-484,000 W -109,000
Total Disaster loan fund.....	0	-361,988	-150,324	-593,000
Lease guarantees revolving fund 376				
Outlays.....	0	456	700	700 J -700
Total Lease guarantees revolving fund.....	0	456	700	
Surety bond guarantees revolving fund 376				
Appropriation, current.....	BA	9,497	9,497	11,000
Outlays.....	0	8,855	14,800	10,700
Pollution control equipment contract guarantee revolving fund 376				
Appropriation, current.....	BA	14,245	13,656	14,000 J -14,000
Outlays.....	0	8,392	14,000	14,000 J -14,000
Total Pollution control equipment contract guarantee revolving fund.....	BA	14,245	13,656	
	0	8,392	14,000	
Summary				
Federal funds:				
Total Small Business Administration.....	BA	603,734	474,985	778,068
	0	-64,578	280,217	-354,617

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Veterans Administration				
<i>Federal funds</i>				
General and Special Funds:				
Compensation	701			
Appropriation, current.....	BA	10,504,963	10,352,000	10,749,100
				✓ 360,900
Outlays	O	10,502,353	10,357,900	10,671,000
				✓ 324,800
Total Compensation.....	BA	10,504,963	10,352,000	11,110,000
	O	10,502,353	10,357,900	10,995,800
Pensions	701			
Appropriation, current.....	BA	3,794,219	3,840,600	3,865,200
Outlays	O	3,793,200	3,835,800	3,863,600
Burial benefits and miscellaneous assistance	701			
Appropriation, current.....	BA	123,318	141,687	144,800
				✓ -4,350
Outlays	O	130,730	141,688	144,800
				✓ -4,350
Total Burial benefits and miscellaneous assist- ance.....	BA	123,318	141,687	140,450
	O	130,730	141,688	140,450
Reinstated entitlement program for survivors under Public Law 97-377	701			
Outlays	O	-2,845	8,034	.....
Readjustment benefits	702			
Appropriation, current.....	BA	763,250	625,700	597,600
Outlays	O	776,401	654,100	606,100
Veterans job training	702			
Appropriation, current.....	BA	30,000	.....	.....
Outlays	O	38,005	31,737	4,651
Veterans insurance and indemnities	701			
Appropriation, current.....	BA	4,770	14,290	9,220
				✓ 4,250
Outlays	O	4,856	14,290	9,220
				✓ 4,250
Total Veterans insurance and indemnities	BA	4,770	14,290	13,470
	O	4,856	14,290	13,470
Medical care	703			
Appropriation, current.....	BA	9,728,203	10,094,808	10,327,546
				✓ 23,999
Reappropriation.....	BA	.....	24,849	.....
Outlays	O	9,499,750	10,083,229	10,296,229
				✓ 23,999
Total Medical care	BA	9,728,203	10,119,657	10,351,545
	O	9,499,750	10,083,229	10,320,228
Medical and prosthetic research	703			
Appropriation, current.....	BA	212,798	192,899	204,241
Outlays	O	195,123	208,703	202,154

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Veterans Administration—Con.				
Medical administration and miscellaneous operating expenses	703			
Appropriation, current.....	BA	41,769	46,628	47,909
Outlays.....	O	40,265	43,463	46,956
General operating expenses	705			
Appropriation, current.....	BA	770,500	762,810	771,316
Reappropriation.....	BA	.....	12,000	.....
Outlays.....	O	720,224	800,924	771,596
Total General operating expenses.....	BA	770,500	774,810	771,316
	O	720,224	800,924	771,596
Construction, major projects	703			
Appropriation, current.....	BA	382,708	402,884	367,755
Outlays.....	O	376,207	441,391	413,109
Construction, minor projects	703			
Appropriation, current.....	BA	80,000	115,942	123,881
Outlays.....	O	158,571	127,369	123,769
Grants for construction of state extended care facilities	703			
Appropriation, current.....	BA	42,400	40,320	42,000
Outlays.....	O	26,046	33,137	35,651
Grants to the Republic of the Philippines	703			
Appropriation, current.....	BA	500	480	500
Outlays.....	O	268	580	530
Grants for the construction of State veterans cemeteries	705			
Appropriation, current.....	BA	.....	.....	9,000
Outlays.....	O	1,185	2,164	5,000
Assistance for health manpower training institutions	703			
Outlays.....	O	191	393	.....
Loan guaranty revolving fund subsidies	704			
Appropriation, current, indefinite.....	BA	.....	.....	w 1,337,100
Outlays.....	O	.....	.....	w 1,127,800
Direct loan revolving fund subsidies	704			
Appropriation, current.....	BA	.....	.....	w 150
Outlays.....	O	.....	.....	w 126
Limitation on direct loan obligations.....		.....	.....	w (1,000)
Vocational rehabilitation revolving fund subsidies	702			
Appropriation, current.....	BA	.....	.....	w 100
Outlays.....	O	.....	.....	w 100
Public Enterprise Funds:				
Loan guaranty revolving fund	704			
Appropriation, current.....	BA	100,000	389,800	658,000
		.....	.....	w — 246,500
Appropriation, permanent, indefinite.....	BA	.....	365,700	.....
Outlays.....	O	382,059	568,100	683,000
		.....	.....	w — 246,500
Total Loan guaranty revolving fund.....	BA	100,000	755,500	411,500
	O	382,059	568,100	436,500

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Veterans Administration—Con.				
Direct loan revolving fund	704			
Outlays.....	0	-33,064	-67,000	-26,800 w -1,300
Limitation on direct loan obligations.....		(1,000)	(1,000)	(1,000) w (-1,000)
Total Direct loan revolving fund.....	0	-33,064	-67,000	-28,100
Canteen service revolving fund	705			
Outlays.....	0	-3,246	735	371
Service-disabled veterans insurance fund	701			
Outlays.....	0	1,984	-1,961	4,105
Veterans reopened insurance fund	701			
Outlays.....	0	-7,580	-5,640	-2,700
Education loan fund	702			
Outlays.....	0	-9,871	-7,928	-5,840 j -17
Total Education loan fund.....	0	-9,871	-7,928	-5,857
Vocational rehabilitation revolving fund	702			
Outlays.....	0	-12	8	8 w -302
Total Vocational rehabilitation revolving fund.....	0	-12	8	-294
Servicemen's group life insurance fund	701			
Outlays.....	0	-12,879	-11,420	-11,490
Special therapeutic and rehabilitation activities fund	703			
Outlays.....	0	17	-10	-10
Parking garage revolving fund	703			
Appropriation, current.....	BA	26,000	3,936	9,000
Outlays.....	0	2,378	2,553	7,945
Intragovernmental Funds:				
Supply fund	705			
Outlays.....	0	-23,338		
<i>Trust funds</i>				
Post-Vietnam era veterans education account	702			
Appropriation, permanent, indefinite.....	BA	233,106	241,400	167,255
Outlays.....	0	283,607	300,200	256,200
General post fund, national homes	705			
Appropriation, permanent, indefinite.....	BA	21,431	22,000	22,500
Outlays.....	0	20,617	21,000	21,500
National service life insurance fund	701			
Appropriation, permanent, indefinite.....	BA	1,390,514	1,421,200	1,425,500
Outlays.....	0	1,034,060	1,077,220	1,132,190
United States government life insurance fund	701			
Appropriation, permanent, indefinite.....	BA	17,552	15,880	14,070
Outlays.....	0	40,325	38,240	35,090
Veterans special life insurance fund	701			
Outlays.....	0	-78,213	-77,440	-75,700

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Veterans Administration—Con.				
Summary				
Federal funds:				
(As shown in detail above).....	BA	26,605,398	27,427,333	29,402,717
	O	26,556,978	27,262,339	29,071,560
Deductions for offsetting receipts:				
Proprietary receipts from the public	702 BA	-195,542	-210,000	-210,000
	O			
	703 BA	-33,004	-113,000	-138,000
	O			
Total Federal funds	BA	26,376,852	27,104,333	29,054,717
	O	26,328,432	26,939,339	28,723,560
Trust funds:				
(As shown in detail above).....	BA	1,662,603	1,700,480	1,629,325
	O	1,300,396	1,359,220	1,369,280
Deductions for offsetting receipts:				
Proprietary receipts from the public	701 BA	-442,177	-430,490	-417,350
	O			
	702 BA	-146,636	-83,525	-26,280
	O			
Total Trust funds	BA	1,073,790	1,186,465	1,185,695
	O	711,583	845,205	925,650
Interfund transactions				
	701 BA	-1,507	-3,502	-2,231
	O			
	702 BA	-86,470	-157,875	-140,975
	O			
Total Veterans Administration	BA	27,362,665	28,129,421	30,097,206
	O	26,952,038	27,623,167	29,506,004

Other Independent Agencies

ACTION

Federal funds

General and Special Funds:

Operating expenses	506			
Appropriation, current.....	BA	156,287	163,085	165,991
Outlays.....	O	158,530	160,161	164,605

Administrative Conference of the United States

Federal funds

General and Special Funds:

Salaries and expenses	751			
Appropriation, current.....	BA	1,483	1,865	1,865
Outlays.....	O	1,332	1,786	1,865

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Advisory Committee on Federal Pay				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	805			
Appropriation, current.....	BA	203	200	205
Outlays.....	0	175	189	204
Advisory Council on Historic Preservation				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	303			
Appropriation, current.....	BA	1,533	1,719	1,781
Outlays.....	0	1,389	1,877	1,780
<i>Trust funds</i>				
Donations	303			
Appropriation, permanent, indefinite.....	BA	2	5	5
Outlays.....	0	2	6	5
American Battle Monuments Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	705			
Appropriation, current.....	BA	14,813	12,408	15,085
Outlays.....	0	12,414	13,709	14,530
<i>Trust funds</i>				
Contributions	705			
Appropriation, current, indefinite.....	BA	1,503	844	.....
Appropriation, permanent, indefinite.....	BA	79	80	2,249
Outlays.....	0	75	192	192
Total Contributions.....	BA	1,582	924	2,249
	0	75	192	192
Architectural and Transportation Barriers Compliance Board				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current.....	BA	1,890	1,891	2,000
Outlays.....	0	2,048	1,917	1,971
Arms Control and Disarmament Agency				
<i>Federal funds</i>				
General and Special Funds:				
Arms control and disarmament activities	153			
Appropriation, current.....	BA	29,300	30,100	32,000
Outlays.....	0	26,444	28,695	29,176

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Barry Goldwater Scholarship and Excellence in Education Foundation				
<i>Federal funds</i>				
General and Special Funds:				
Payment to the Barry Goldwater Scholarship and Excellence in Education Foundation	502			
Appropriation, current.....	BA	40,000		
Outlays.....	O	40,000		
<i>Trust funds</i>				
Barry Goldwater Scholarship and Excellence in Education Foundation	502			
Appropriation, current.....	BA	40,000		
Appropriation, permanent, indefinite.....	BA	2,378	2,257	2,983
Outlays.....	O		180	755
Total Barry Goldwater Scholarship and Excellence in Education Foundation.....	BA	42,378	2,257	2,983
	O		180	755
Summary				
Federal funds:				
(As shown in detail above).....	BA	40,000		
	O	40,000		
Trust funds:				
(As shown in detail above).....	BA	42,378	2,257	2,983
	O		180	755
Interfund transactions	502			
	BA	-40,000		
	O			
Total Barry Goldwater Scholarship and Excellence in Education Foundation.....	BA	42,378	2,257	2,983
	O		180	755
Board for International Broadcasting				
<i>Federal funds</i>				
General and Special Funds:				
Grants and expenses	154			
Appropriation, current.....	BA	173,195	185,000	192,100
Outlays.....	O	156,477	201,300	204,450
Israel relay station	154			
Appropriation, current.....	BA		34,000	35,000
Outlays.....	O		24,548	29,790
Total Federal funds Board for International Broadcasting.....	BA	173,195	219,000	227,100
	O	156,477	225,848	234,240

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Central Intelligence Agency				
<i>Federal funds</i>				
General and Special Funds:				
Payment to the Central Intelligence Agency retirement and disability fund 054				
Appropriation, current.....	BA	125,800	134,700	144,500
Outlays.....	0	125,800	134,700	144,500
Enhanced security countermeasures capabilities 054				
Outlays.....	0	23,740	6,708	3,350
Total Federal funds Central Intelligence Agency...	BA	125,800	134,700	144,500
	0	149,540	141,408	147,850
Commission of Fine Arts				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 451				
Appropriation, current.....	BA	450	443	451
Outlays.....	0	375	505	450
National capital arts and cultural affairs 503				
Appropriation, current.....	BA	4,000	4,500	.....
Outlays.....	0	4,015	4,500	.....
Total Federal funds Commission of Fine Arts.....	BA	4,450	4,943	451
	0	4,390	5,005	450
Commission on Civil Rights				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 751				
Appropriation, current.....	BA	7,519	5,707	13,376
Outlays.....	0	7,213	6,842	12,226
Committee for Purchase from the Blind and other Severely Handicapped				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 505				
Appropriation, current.....	BA	778	850	862
Outlays.....	0	757	864	864
Commodity Futures Trading Commission				
<i>Federal funds</i>				
General and Special Funds:				
Commodity Futures Trading Commission 376				
Appropriation, current.....	BA	29,761	32,813	35,547
Outlays.....	0	29,019	32,416	35,192

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Community Services Administration				
<i>Federal funds</i>				
General and Special Funds:				
Community services program	506			
Outlays	0	-2,520	-2,000	-500
Consumer Product Safety Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	554			
Appropriation, current	BA	34,600	32,696	32,917
Outlays	0	32,585	32,922	32,884
Corporation for Public Broadcasting				
<i>Federal funds</i>				
General and Special Funds:				
Public broadcasting fund	503			
Appropriation, permanent	BA	200,000	214,000	228,000
Outlays	0	200,000	214,000	214,000
District of Columbia				
<i>Federal funds</i>				
General and Special Funds:				
Federal payment to the District of Columbia	806			
Appropriation, current	BA	560,380	530,000	499,370
				K 5,500
Appropriation, permanent	BA	20,000	20,000	20,000
Outlays	0	560,380	552,457	526,870
Total Federal payment to the District of Columbia	BA	580,380	550,000	524,870
	0	560,380	552,457	526,870
Summary				
Federal funds:				
(As shown in detail above)	BA	580,380	550,000	524,870
	0	560,380	552,457	526,870
Deductions for offsetting receipts:				
Proprietary receipts from the public	806			
Proprietary receipts from the public	BA	-293,201	-29,770	-31,372
	0			
Total District of Columbia	BA	287,179	520,230	493,498
	0	267,179	522,687	495,498
Equal Employment Opportunity Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	751			
Appropriation, current	BA	169,529	179,812	194,624
Outlays	0	158,024	184,787	193,169

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Export-Import Bank of the United States				
<i>Federal funds</i>				
General and Special Funds:				
Export-Import Bank loan subsidies	155			
Appropriation, current.....	BA		110,000	w 336,000
Outlays.....	0			w 166,472
Limitation on direct loan obligations.....				w (705,000)
Limitation on guaranteed loan commitments.....				w (10,200,000)
Public Enterprise Funds:				
Export-Import Bank of the United States	155			
Appropriation, current.....	BA	78,129	110,000	
Outlays.....	0	-2,299,986	-985,400	-1,084,300
				w -85,600
Limitation on administrative expenses.....		(18,357)	(19,500)	(21,800)
Limitation on direct loan obligations.....		(677,066)	(692,934)	(705,000)
Limitation on guaranteed loan commitments.....		(11,355,000)	(14,601,476)	(10,200,000)
				w (-10,200,000)
Total Export-Import Bank of the United States....	BA	78,129	110,000	
	0	-2,299,986	-985,400	-1,169,900
Total Federal funds Export-Import Bank of the United States.....	BA	78,129	110,000	336,000
	0	-2,299,986	-985,400	-1,003,428
Farm Credit Administration				
<i>Federal funds</i>				
Public Enterprise Funds:				
Revolving fund for administrative expenses	351			
Outlays.....	0	-4,082	8,326	
Limitation on administrative expenses.....		(39,420)	(35,000)	(38,100)
Federal Communications Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	96,954	99,613	
				k 104,700
Reappropriation.....	BA		2,870	
Outlays.....	0	88,364	102,057	104,074
Total Salaries and expenses.....	BA	96,954	102,483	104,700
	0	88,364	102,057	104,074
Summary				
Federal funds:				
(As shown in detail above).....	BA	96,954	102,483	104,700
	0	88,364	102,057	104,074

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Federal Communications Commission—Con.				
Deductions for offsetting receipts:				
Proprietary receipts from the public	376 BA	-9,494	-27,500	-32,500
	O			
Total Federal Communications Commission	BA	87,460	74,983	72,200
	O	78,870	74,557	71,574
Federal Deposit Insurance Corporation				
<i>Trust funds</i>				
Federal Deposit Insurance Corporation	371			
Authority to borrow, permanent, indefinite	BA	1,099,289	903,000	27,000
Outlays	O	-1,437,849	2,268,000	502,000
Federal Election Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	808			
Appropriation, current	BA	12,883	14,174	15,433
Outlays	O	12,722	14,037	15,307
Federal Emergency Management Agency				
<i>Federal funds</i>				
General and Special Funds:				
Disaster relief	453			
Appropriation, current	BA	120,000	120,000	200,000 ^K
Outlays	O	219,112	171,199	260,000
Total Disaster relief	BA	120,000	120,000	200,000
	O	219,112	171,199	260,000
Salaries and expenses:				
(Defense-related activities)	054			
(Appropriation, current)	BA	69,989	71,020	49,709
(Outlays)	O	62,970	70,354	77,354
Total (Defense-related activities)	BA	69,989	71,020	77,964
	O	62,970	70,354	77,354
(Disaster relief and insurance)	453			
(Appropriation, current)	BA	54,011	54,821	41,673
(Outlays)	O	57,455	62,056	64,951
Total (Disaster relief and insurance)	BA	54,011	54,821	57,638
	O	57,455	62,056	64,951
Total Salaries and expenses	BA	124,000	125,841	135,602
	O	120,425	132,410	142,305

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Federal Emergency Management Agency— Con.				
Emergency management planning and assistance:				
(Defense-related activities) 054				
(Appropriation, current)	BA	236,216	246,312	130,116 * 132,138
(Outlays)	0	226,595	237,465	247,253
Total (Defense-related activities)	BA	236,216	246,312	262,254
	0	226,595	237,465	247,253
(Disaster relief and insurance) 453				
(Appropriation, current)	BA	25,784	26,184	8,532 * 12,008
(Outlays)	0	70,735	68,540	65,427
Total (Disaster relief and insurance)	BA	25,784	26,184	20,540
	0	70,735	68,540	65,427
Total Emergency management planning and assistance	BA	262,000	272,496	282,794
	0	297,330	306,005	312,680
Emergency food distribution and shelter program				
605				
Appropriation, current	BA	125,000	114,000	80,000 * 80,000
Outlays	0	114,128	124,872	80,000
Total Emergency food distribution and shelter program	BA	125,000	114,000	80,000
	0	114,128	124,872	80,000
Public Enterprise Funds:				
National insurance development fund 451				
Authority to borrow, permanent, indefinite	BA	13,179	16,891	16,335
Outlays	0	11,905	16,286	16,446
National flood insurance fund 453				
Outlays	0	-218,635	-107,004	-69,796
<i>Trust funds</i>				
Bequests and gifts 453				
Appropriation, permanent, indefinite	BA	62	63	60
Outlays	0	17	55	50
Gift and bequests, fire administration 451				
Outlays	0	2	1	.....
Total Federal funds Federal Emergency Management Agency	BA	644,179	649,228	714,731
	0	544,265	643,768	741,635
Total Trust funds Federal Emergency Management Agency	BA	62	63	60
	0	19	56	50

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Federal Home Loan Bank Board				
<i>Federal funds</i>				
Public Enterprise Funds:				
Federal Home Loan Bank Board revolving fund				
	371			
Outlays.....	0	-12,265		
Limitation on administrative expenses.....		(27,022)	(30,313)	(31,942)
Federal Savings and Loan Insurance Corporation fund				
	371			
Authority to borrow, permanent, indefinite.....	BA	1,600,000	3,986,000	2,000,000
Outlays.....	0	4,767,007	2,188,717	950,885
Limitation on administrative expenses.....		(1,208)	(1,610)	(1,667)
Total Federal funds Federal Home Loan Bank Board.....	BA 0	<u>1,600,000</u> <u>4,754,742</u>	<u>3,986,000</u> <u>2,188,717</u>	<u>2,000,000</u> <u>950,885</u>
Federal Labor Relations Authority				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses				
	805			
Appropriation, current.....	BA	16,550	17,576	17,540
Outlays.....	0	16,213	17,224	17,365
Federal Maritime Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses				
	403			
Appropriation, current.....	BA	11,947	13,585	15,150
Outlays.....	0	11,586	13,824	14,993
Federal Mediation and Conciliation Service				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses				
	505			
Appropriation, current.....	BA	23,892	24,510	24,937
Outlays.....	0	22,572	24,292	24,509
Federal Mine Safety and Health Review Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses				
	554			
Appropriation, current.....	BA	3,785	3,906	4,079
Outlays.....	0	3,570	3,896	4,029

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Federal Retirement Thrift Investment Board				
<i>Federal funds</i>				
General and Special Funds:				
Program expenses	803			
Appropriation, current.....	BA	5,250		
Appropriation, permanent, indefinite.....	BA	934	16,618	15,908
Outlays.....	O	5,533	17,262	15,908
Limitation on administrative expenses.....				(15,308)
Total Program expenses.....	BA	6,184	16,618	15,908
	O	5,533	17,262	15,908
General and Special Funds:				
Payment from the general fund	602			
Appropriation, permanent, indefinite.....	BA	149,500		
Outlays.....	O	149,500		
Summary				
Federal funds:				
(As shown in detail above).....	BA	155,684	16,618	15,908
	O	155,033	17,262	15,908
Deductions for offsetting receipts:				
Proprietary receipts from the public	803			
Proprietary receipts from the public.....	BA	-934	-16,618	-15,908
	O			
Total Federal Retirement Thrift Investment Board.....	BA	154,750		
	O	154,099	644	
Federal Trade Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	65,000	66,243	^J 450
				^K 67,503
Outlays.....	O	66,067	66,138	67,396
				^J 446
Total Salaries and expenses.....	BA	65,000	66,243	67,953
	O	66,067	66,138	67,842
Harry S Truman Scholarship Foundation				
<i>Trust funds</i>				
Harry S Truman memorial scholarship trust fund				
	502			
Appropriation, permanent, indefinite.....	BA	2,838	4,431	4,416
Outlays.....	O	2,717	2,958	3,017

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Historical and Memorial Agencies				
Christopher Columbus Quincentenary Jubilee Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current.....	BA	220	212	220
Outlays.....	O	254	239	219
<i>Trust funds</i>				
Gifts and donations	376			
Appropriation, permanent.....	BA	85	.....	.....
Outlays.....	O	30	56	.....
Commission on the Bicentennial of the U.S. Constitution				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	808			
Appropriation, current.....	BA	13,200	21,000	11,436
Outlays.....	O	11,874	10,975	7,000
<i>Trust funds</i>				
Gifts and donations	808			
Appropriation, permanent, indefinite.....	BA	-4	30	30
Outlays.....	O	-216	30	30
Franklin Delano Roosevelt Memorial Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	808			
Appropriation, current.....	BA	5	28	28
Outlays.....	O	23	28	28
Total Federal funds Historical and Memorial Agencies.....	BA	13,425	21,240	11,684
	O	12,151	11,242	7,247
Total Trust funds Historical and Memorial Agencies.....	BA	81	30	30
	O	-186	86	30
Institute of American Indian and Alaska Native Culture and Arts Development				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	502			
Appropriation, current.....	BA	.....	.....	2,467
Outlays.....	O	.....	.....	2,220
<i>Trust funds</i>				
Endowment fund	502			
Appropriation, permanent, indefinite.....	BA	.....	.....	500
Outlays.....	O	.....	.....	500

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Institute of American Indian and Alaska Native Culture and Arts Development—Con.				
<i>Summary</i>				
Federal funds:				
(As shown in detail above).....	BA			2,467
	0			2,220
Trust funds:				
(As shown in detail above).....	BA			500
	0			500
Deductions for offsetting receipts:				
Proprietary receipts from the public	908 BA			
	0			
Total Trust funds.....	BA			500
	0			500
Interfund transactions	502 BA			
	0			- 250
Total Institute of American Indian and Alaska Native Culture and Arts Development.....	BA			2,717
	0			2,470
Intelligence Community Staff				
<i>Federal funds</i>				
General and Special Funds:				
Intelligence community staff	054			
Appropriation, current.....	BA	21,893	23,057	23,745
Outlays.....	0	20,743	22,167	23,200
Intragovernmental Agencies				
Advisory Commission on Intergovernmental Relations				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	808			
Appropriation, current.....	BA	1,750	1,378	1,275
Outlays.....	0	1,620	1,434	1,290
<i>Trust funds</i>				
Contributions	808			
Appropriation, permanent, indefinite.....	BA	122	130	155
Outlays.....	0	97	130	155
Appalachian Regional Commission				
<i>Federal funds</i>				
General and Special Funds:				
Appalachian regional development programs	452			
Appropriation, current.....	BA	105,000	107,000	
Outlays.....	0	147,682	129,000	112,705

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Intragovernmental Agencies—Con.				
Appalachian Regional Commission—Con.				
<i>Trust funds</i>				
Miscellaneous trust funds	452			
Appropriation, permanent, indefinite	BA	3,500	3,700	1,247
Outlays	O	3,830	4,240	3,087
Summary				
Federal funds:				
(As shown in detail above)	BA	105,000	107,000	.....
	O	147,682	129,000	112,705
Trust funds:				
(As shown in detail above)	BA	3,500	3,700	1,247
	O	3,830	4,240	3,087
Deductions for offsetting receipts:				
Proprietary receipts from the public	452			
	BA	-1,750	-1,850	-623
	O			
Total Trust funds	BA	1,750	1,850	624
	O	2,080	2,390	2,464
Interfund transactions	452			
	BA	-1,750	-1,850	-624
	O			
Total Appalachian Regional Commission	BA	105,000	107,000	.....
	O	148,012	129,540	114,545
Delaware River Basin Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	301			
Appropriation, current	BA	185	203	205
Outlays	O	155	211	205
Contribution to Delaware River Basin Commission	301			
Appropriation, current	BA	200	263	263
Outlays	O	200	263	263
Total Federal funds Delaware River Basin Commission	BA	385	466	468
	O	355	474	468
Interstate Commission on the Potomac River Basin				
<i>Federal funds</i>				
General and Special Funds:				
Contribution to Interstate Commission on the Potomac River Basin	304			
Appropriation, current	BA	79	379	.....
Outlays	O	79	379	.....

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Intragovernmental Agencies—Con.				
Susquehanna River Basin Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	301			
Appropriation, current.....	BA	179	197	192
Outlays.....	O	139	197	192
Contribution to Susquehanna River Basin Commission	301			
Appropriation, current.....	BA	240	249	262
Outlays.....	O	240	249	262
Total Federal funds Susquehanna River Basin Commission.....	BA	419	446	454
	O	379	446	454
Washington Metropolitan Area Transit Authority				
<i>Federal funds</i>				
General and Special Funds:				
Interest payments	401			
Appropriation, current.....	BA	51,664	49,080	51,664
Outlays.....	O	51,664	54,080	56,664
Total Federal funds Intragovernmental Agencies ..	BA	159,297	158,749	53,861
	O	201,779	185,813	171,581
Total Trust funds Intragovernmental Agencies	BA	1,872	1,980	779
	O	2,177	2,520	2,619
Interfund transactions	452			
	BA	-1,750	-1,850	-624
	O			
Total Intragovernmental Agencies	BA	159,419	158,879	54,016
	O	202,206	186,483	173,576
International Trade Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	153			
Appropriation, current.....	BA	33,900	34,750	* 37,069
Outlays.....	O	27,294	35,233	35,952
Total Salaries and expenses.....	BA	33,900	34,750	37,069
	O	27,294	35,233	35,952

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Interstate Commerce Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	401			
Appropriation, current.....	BA	46,802	44,294	44,216 J — 29,803
Outlays.....	0	42,385	42,541	44,223 J — 31,251
Total Salaries and expenses.....	BA	46,802	44,294	14,413
	0	42,385	42,541	12,972
James Madison Memorial Fellowship Foundation				
<i>Federal funds</i>				
General and Special Funds:				
James Madison Memorial Fellowship Foundation	502			
Appropriation, permanent, indefinite.....	BA		13,200	10,000
Outlays.....	0		13,200	10,000
<i>Trust funds</i>				
James Madison Memorial Fellowship Trust Fund	502			
Appropriation, permanent, indefinite.....	BA		10,759	22,146
Outlays.....	0		125	250
Summary				
Federal funds:				
(As shown in detail above).....	BA		13,200	10,000
	0		13,200	10,000
Trust funds:				
(As shown in detail above).....	BA		10,759	22,146
	0		125	250
Interfund transactions	502			
	BA		-10,000	-10,000
	0			
Total James Madison Memorial Fellowship Foundation.....	BA		13,959	22,146
	0		3,325	250
Japan-United States Friendship Commission				
<i>Trust funds</i>				
Japan-United States friendship trust fund	154			
Appropriation, current.....	BA	1,408	1,200	1,415
Outlays.....	0	3,225	2,608	2,615

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Legal Services Corporation				
<i>Federal funds</i>				
General and Special Funds:				
Payment to the Legal Services Corporation	752			
Appropriation, current.....	BA	305,500	305,500	250,000
Outlays.....	0	308,931	296,285	257,160
Marine Mammal Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	302			
Appropriation, current.....	BA	910	953	933
Outlays.....	0	960	947	936
Merit Systems Protection Board				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	805			
Appropriation, current.....	BA	19,412	20,957	20,488
Outlays.....	0	18,543	20,747	19,873
Limitation payable under transfers from trust funds		(1,200)	(1,200)	(1,400)
Office of the Special Counsel	805			
Appropriation, current.....	BA	4,475	4,673	4,761
Outlays.....	0	4,323	4,537	4,713
Total Federal funds Merit Systems Protection Board.....	BA	23,887	25,630	25,249
	0	22,866	25,284	24,586
National Afro-American History and Culture Commission				
<i>Federal funds</i>				
General and Special Funds:				
National Center for the Study of Afro-American History and Culture	503			
Reappropriation.....	BA	139		
Outlays.....	0	70	72	
National Archives and Records Administration				
<i>Federal funds</i>				
General and Special Funds:				
Operating expenses	804			
Appropriation, current.....	BA	101,659	116,000	117,862
Outlays.....	0	95,988	112,864	117,490
<i>Trust funds</i>				
National archives gift fund	804			
Appropriation, permanent, indefinite.....	BA	21	475	256
Outlays.....	0	-12	395	461
National archives trust fund	804			
Outlays.....	0	519	-652	-723

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
National Archives and Records Administration—Con.				
<i>Summary</i>				
Federal funds:				
(As shown in detail above).....	BA	101,659	116,000	117,862
	O	95,988	112,864	117,490
Trust funds:				
(As shown in detail above).....	BA	21	475	256
	O	507	-257	-262
Deductions for offsetting receipts:				
Proprietary receipts from the public	908 BA			
	O		-158	-169
Total Trust funds	BA	21	317	87
	O	507	-415	-431
Total National Archives and Records Administration.....	BA	101,680	116,317	117,949
	O	96,495	112,449	117,059
National Capital Planning Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	451			
Appropriation, current.....	BA	2,684	2,948	2,962
Outlays.....	O	2,512	3,182	2,961
National Commission on Agricultural Finance				
<i>Federal funds</i>				
General and Special Funds:				
National Commission on Agricultural Finance	352			
Appropriation, current.....	BA	100		
Outlays.....	O		100	
National Commission on Libraries and Information Science				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	503			
Appropriation, current.....	BA	683	718	755
Outlays.....	O	512	799	752
Trust funds				
Contributions	503			
Appropriation, permanent.....	BA	-1	16	
Outlays.....	O	-1	22	

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
National Council on the Handicapped				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	506			
Appropriation, current.....	BA	860	892	974
Outlays.....	0	793	946	923
<i>Trust funds</i>				
Gifts and donations	506			
Appropriation, permanent, indefinite.....	BA	1		
Outlays.....	0	2		
National Credit Union Administration				
<i>Federal funds</i>				
Public Enterprise Funds:				
Operating fund	371			
Outlays.....	0	2,721	-711	473
Credit union share insurance fund	371			
Outlays.....	0	-197,641	-277,000	-320,000
Central liquidity facility	371			
Outlays.....	0	7,342	25,000	25,000
Limitation on administrative expenses.....		(797)	(813)	(880)
Limitation on direct loan obligations.....		(600,000)	(600,000)	(600,000)
Community development credit union revolving loan fund	452			
Outlays.....	0	-1,350	-67	
Total Federal funds National Credit Union Administration.....	0	-188,928	-252,778	-294,527
National Foundation on the Arts and the Humanities				
<i>National Endowment for the Arts</i>				
<i>Federal funds</i>				
General and Special Funds:				
National endowment for the arts: Grants and administration	503			
Appropriation, current.....	BA	165,281	167,731	167,731
Outlays.....	0	154,490	169,677	177,380
<i>Trust funds</i>				
Gifts and donations (arts)	503			
Appropriation, permanent, indefinite.....	BA	38	30	30
Outlays.....	0	31	144	37
<i>National Endowment for the Humanities</i>				
<i>Federal funds</i>				
General and Special Funds:				
National endowment for the humanities: Grants and administration	503			
Appropriation, current.....	BA	138,890	140,435	140,435
Outlays.....	0	131,088	145,681	139,876

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
National Foundation on the Arts and the Humanities—Con.				
<i>National Endowment for the Humanities—Con.</i>				
<i>Trust funds</i>				
Gifts and donations (humanities) 503				
Appropriation, permanent, indefinite.....	BA	77	77	580
Outlays.....	O	141	102	455
<i>Institute of Museum Services</i>				
<i>Federal funds</i>				
General and Special Funds:				
Institute of Museum Services: 503				
Appropriation, current.....	BA	21,250	21,944	21,944
Outlays.....	O	20,441	22,048	21,743
<i>Trust funds</i>				
Gifts and donations 503				
Appropriation, permanent, indefinite.....	BA	10	51	.....
Outlays.....	O	13	57	.....
Total Federal funds National Foundation on the Arts and the Humanities.....	BA	325,421	330,110	330,110
	O	306,019	337,406	338,999
Total Trust funds National Foundation on the Arts and the Humanities.....	BA	125	158	610
	O	185	303	492
National Institute of Building Sciences				
<i>Trust funds</i>				
National Institute of Building Sciences trust fund				
376				
Appropriation, permanent, indefinite.....	BA	374	500	500
Outlays.....	O	753	374	500
National Labor Relations Board				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 505				
Appropriation, current.....	BA	132,247	133,097	138,647
Outlays.....	O	126,592	133,913	139,836
National Mediation Board				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses 505				
Appropriation, current.....	BA	6,505	7,004	6,551
Outlays.....	O	5,480	6,066	6,602

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
National Science Foundation				
<i>Federal funds</i>				
General and Special Funds:				
Research and related activities	251			
Appropriation, current.....	BA	1,406,150	1,453,000	K 1,603,000
Outlays.....	O	1,353,346	1,420,274	1,526,104
Total Research and related activities	BA	1,406,150	1,453,000	1,603,000
	O	1,353,346	1,420,274	1,526,104
Science and Technology Centers	251			
Appropriation, current.....	BA			K 150,000
Outlays.....	O			15,000
U.S. Antarctic program	251			
Appropriation, current.....	BA	117,000	124,800	K 141,000
Outlays.....	O	106,437	122,784	133,039
Total U.S. Antarctic program	BA	117,000	124,800	141,000
	O	106,437	122,784	133,039
Scientific activities overseas (special foreign currency program)	251			
Appropriation, current.....	BA	700		
Outlays.....	O	1,214	2,963	602
Science and engineering education activities	251			
Appropriation, current.....	BA	99,000	139,200	K 156,000
Outlays.....	O	85,494	110,917	126,996
Total Science and engineering education activities	BA	99,000	139,200	156,000
	O	85,494	110,917	126,996
<i>Trust funds</i>				
Donations	251			
Appropriation, permanent, indefinite.....	BA	15,708	16,000	16,000
Outlays.....	O	15,905	16,000	16,000
Total Federal funds National Science Foundation	BA	1,622,850	1,717,000	2,050,000
	O	1,546,491	1,656,938	1,801,741
Total Trust funds National Science Foundation	BA	15,708	16,000	16,000
	O	15,905	16,000	16,000
National Transportation Safety Board				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	407			
Appropriation, current.....	BA	22,240	24,000	K 24,617
Outlays.....	O	22,625	23,824	24,496
Total Salaries and expenses.....	BA	22,240	24,000	24,617
	O	22,625	23,824	24,496

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Neighborhood Reinvestment Corporation				
<i>Federal funds</i>				
General and Special Funds:				
Payment to the Neighborhood Reinvestment Corporation	451			
Appropriation, current.....	BA	19,000	18,720	19,094
Outlays.....	O	19,000	18,720	19,094
Nuclear Regulatory Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	276			
Appropriation, current.....	BA	401,000	392,800	450,000
Outlays.....	O	392,624	404,210	435,700
Occupational Safety and Health Review Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	554			
Appropriation, current.....	BA	5,750	5,885	6,002
Outlays.....	O	5,126	5,852	5,935
Panama Canal Commission				
<i>Federal funds</i>				
Public Enterprise Funds:				
Panama Canal revolving fund	403			
Appropriation, current.....	BA	439,186	287,962	
Appropriation, permanent, indefinite.....	BA	7,000	1,701	
Outlays.....	O	456,449	276,919	2,855
Limitation on administrative expenses.....				(50,287)
Total Panama Canal revolving fund.....	BA	446,186	289,663	
	O	456,449	276,919	2,855
Summary				
Federal funds:				
(As shown in detail above).....	BA	446,186	289,663	
	O	456,449	276,919	2,855
Deductions for offsetting receipts:				
Proprietary receipts from the public	403			
	BA	—441,233	—112,765	
	O			
Total Panama Canal Commission.....	BA	4,953	176,898	
	O	15,216	164,154	2,855

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.			
Pennsylvania Avenue Development Corporation			
<i>Federal funds</i>			
General and Special Funds:			
Salaries and expenses	451		
Appropriation, current.....	BA 2,397	2,516	2,353 ^K
Outlays.....	0 2,214	2,410	2,145
Total Salaries and expenses.....	BA 2,397	2,516	2,353
	0 2,214	2,410	2,145
Public development	451		
Appropriation, current.....	BA 3,924	3,000	3,095
Outlays.....	0 6,100	5,250	6,271
Public Enterprise Funds:			
Land acquisition and development fund	451		
Appropriation, current, indefinite.....	BA .....	.....	.....
Outlays.....	0 2,274	1,000	5,000
<i>Trust funds</i>			
Gifts and donations	451		
Appropriation, permanent, indefinite.....	BA 1,202	.....	.....
Outlays.....	0 755	455	.....
Total Federal funds Pennsylvania Avenue Development Corporation.....	BA 6,321	5,516	5,448
	0 10,588	8,660	13,416
Total Trust funds Pennsylvania Avenue Development Corporation.....	BA 1,202	.....	.....
	0 755	455	.....
Postal Service			
<i>Federal funds</i>			
General and Special Funds:			
Payment to the Postal Service fund	372		
Appropriation, current.....	BA 650,000	517,001	527,482
Outlays.....	0 650,000	517,001	527,482
			J — 508,459
			J — 508,459
Total Payment to the Postal Service fund.....	BA 650,000	517,001	19,023
	0 650,000	517,001	19,023

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Postal Service—Con.				
Public Enterprise Funds:				
Postal Service	372			
Authority to borrow, current, indefinite.....	BA			157,000
Authority to borrow, permanent, indefinite.....	BA	2,293,953	1,182,120	2,236,062
Outlays.....	O	942,629	1,705,760	655,579
Capital limitation.....			(625,000)	(1,995,000)
Total Postal Service.....	BA	2,293,953	1,182,120	2,393,062
	O	942,629	1,705,760	655,579
Total Federal funds Postal Service.....	BA	2,943,953	1,699,121	2,412,085
	O	1,592,629	2,222,761	674,602
Railroad Retirement Board				
<i>Federal funds</i>				
General and Special Funds:				
Federal windfall subsidy	601			
Appropriation, current.....	BA	380,057	352,635	308,347
Appropriation, permanent.....	BA			28,000
Outlays.....	O	373,338	352,323	330,185
Total Federal windfall subsidy.....	BA	380,057	352,635	336,347
	O	373,338	352,323	330,185
Federal payments to the railroad retirement ac- counts	601			
Appropriation, current.....	BA	3,043	2,788	2,938
				L — 261,000
Appropriation, permanent, indefinite.....	BA	2,409,169	2,725,700	2,886,300
Outlays.....	O	2,410,576	2,731,509	2,889,238
				L — 261,000
Total Federal payments to the railroad retire- ment accounts.....	BA	2,412,212	2,728,488	2,628,238
	O	2,410,576	2,731,509	2,628,238
Milwaukee railroad restructuring, administration	603			
Outlays.....	O	1,633		
<i>Trust funds</i>				
Rail Industry Pension Fund	601			
Appropriation, permanent, indefinite.....	BA	2,810,422	3,097,158	2,956,337
				L — 273,200
Outlays.....	O	2,253,303	2,358,564	2,468,558
Limitation on administration.....		(58,520)	(57,860)	(58,012)
Limitation on review activity.....		(1,289)	(2,212)	(5,200)
Total Rail Industry Pension Fund.....	BA	2,810,422	3,097,158	2,683,137
	O	2,253,303	2,358,564	2,468,558
Supplemental Annuity Pension Fund	601			
Appropriation, permanent, indefinite.....	BA	126,753	120,266	117,686
Outlays.....	O	115,663	116,375	114,056

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Railroad Retirement Board—Con.				
Railroad social security equivalent benefit account				
	601			
Appropriation, permanent, indefinite	BA	6,339,379	6,597,185	6,876,915
Outlays	O	6,251,281	6,492,136	6,752,344
Summary				
Federal funds:				
(As shown in detail above)	BA	2,792,269	3,081,123	2,964,585
	O	2,785,547	3,083,832	2,958,423
Trust funds:				
(As shown in detail above)	BA	9,276,554	9,814,609	9,677,738
	O	8,620,247	8,967,075	9,334,958
Deductions for offsetting receipts:				
Intrafund transactions	603			
	BA			
	O	-8,308		
Intrafund transactions from off-budget ac- counts	601			
	BA	-2,614,177	-2,890,500	-3,008,800
	O			
Total Trust funds	BA	6,654,069	6,924,109	6,668,938
	O	5,997,762	6,076,575	6,326,158
Interfund transactions	601			
	BA	-4,588,276	-5,044,109	-5,052,438
	O			
Total Railroad Retirement Board	BA	4,858,062	4,961,123	4,581,085
	O	4,195,033	4,116,298	4,232,143
Securities and Exchange Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	376			
Appropriation, current	BA	114,500	135,221	160,925
				-1,089
Outlays	O	108,425	133,274	158,561
				-1,048
Total Salaries and expenses	BA	114,500	135,221	159,836
	O	108,425	133,274	157,513
Selective Service System				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	054			
Appropriation, current	BA	26,128	25,459	26,113
Outlays	O	23,566	25,579	25,996

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Smithsonian Institution				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	503			
Appropriation, current.....	BA	188,974	201,432	216,214
Outlays.....	0	181,213	199,974	214,485
Museum programs and related research (special foreign currency program)	503			
Outlays.....	0	2,506	1,402	2,000
Construction and improvements, National Zoological Park	503			
Appropriation, current.....	BA	2,500	8,150	5,305
Outlays.....	0	4,454	5,752	5,428
Repair and restoration of buildings	503			
Appropriation, current.....	BA	12,975	19,254	20,835
Outlays.....	0	7,775	14,928	17,976
Construction	503			
Appropriation, current.....	BA	6,095	1,315	10,150
Outlays.....	0	8,829	4,183	4,849
Salaries and expenses, National Gallery of Art	503			
Appropriation, current.....	BA	35,427	37,352	38,543
Outlays.....	0	32,955	37,077	38,372
Repair, restoration, and renovation of buildings	503			
Appropriation, current.....	BA	2,400	.....	1,000
Outlays.....	0	977	2,770	1,440
Salaries and expenses, Woodrow Wilson International Center for Scholars	503			
Appropriation, current.....	BA	3,362	4,028	4,285
Outlays.....	0	3,119	3,771	4,186
Payment to the endowment challenge fund	503			
Appropriation, current, indefinite.....	BA	.....	.....	* 350
Outlays.....	0	189	497	658
<i>Trust funds</i>				
Endowment challenge fund	503			
Appropriation, permanent, indefinite.....	BA	.....	50	60
Outlays.....	0	.....	50	60
Canal Zone biological area fund	503			
Appropriation, permanent, indefinite.....	BA	146	150	150
Outlays.....	0	129	130	130
Summary				
Federal funds:				
(As shown in detail above).....	BA	251,733	271,531	296,682
	0	242,017	270,354	289,394
Trust funds:				
(As shown in detail above).....	BA	146	200	210
	0	129	180	190
Interfund transactions	503 BA	.....	-497	-658
	0	.....	.....	.....

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Smithsonian Institution—Con.				
803	BA		-4	-4
	O			
Total Smithsonian Institution.....	BA	251,879	271,230	296,230
	O	242,146	270,033	288,922
Temporary Study Commissions				
<i>Federal funds</i>				
General and Special Funds:				
Aviation Safety Commission: Salaries and ex-				
402				
Appropriation, current.....	BA	2,000		
Outlays.....	O	182	1,818	
Commission for the Study of International Migration				
and Cooperative Economic Development: Salaries				
and expenses 153				
Appropriation, current.....	BA	217	870	890
Outlays.....	O	41	959	888
Commission on Education of the Deaf: Salaries and				
expenses 503				
Appropriation, current.....	BA	750		
Outlays.....	O	287	463	
Commission on Executive, Legislative, and Judicial				
Salaries: Salaries and expenses 805				
Outlays.....	O	8	18	
Commission on Federal paperwork: Salaries and ex-				
penses 804				
Outlays.....	O	5		
Commission on the Ukraine Famine: Salaries and ex-				
penses 153				
Outlays.....	O	223	102	
Interagency Council on the Homeless 604				
Appropriation, current.....	BA		750	1,200
Outlays.....	O		750	1,200
National Commission to Prevent Infant Mortality 808				
Appropriation, current.....	BA	700		
Reappropriation.....	BA		732	
Outlays.....	O	-48	728	
Total National Commission to Prevent Infant				
Mortality.....	BA	700	732	
	O	-48	728	
National Council on Public Works Improvement 808				
Appropriation, current.....	BA	1,750		
Outlays.....	O	2,328	1,683	
Navajo and Hopi Indian Relocation Commission: Sala-				
ries and expenses 808				
Appropriation, current.....	BA	22,335	25,270	22,973
Outlays.....	O	15,954	24,184	23,823

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Temporary Study Commissions—Con.				
State Justice Institute: Salaries and expenses	752			
Appropriation, current.....	BA	7,200	10,980	.....
Outlays.....	O	687	9,479	7,686
<i>Trust funds</i>				
Gifts and donations	153			
Appropriation, permanent, indefinite.....	BA	.....	60	.....
Outlays.....	O	.....	60	.....
Total Federal funds Other Temporary Commissions.....	BA	34,952	38,602	25,063
	O	19,667	40,184	33,597
Total Trust funds Other Temporary Commissions.	BA	.....	60	.....
	O	.....	60	.....
Tennessee Valley Authority				
<i>Federal funds</i>				
Public Enterprise Funds:				
Tennessee Valley Authority fund:				
(Energy supply)	271			
(Authority to borrow, current, indefinite).....	BA			^w — 45,492
(Authority to borrow, permanent, indefinite)	BA	1,242,504	1,268,900	858,100
(Outlays)	O	978,786	906,700	773,500
				^w — 45,492
Total (Energy supply)	BA	1,242,504	1,268,900	812,608
	O	978,786	906,700	728,008
(Area and regional development)	452			
(Appropriation, current)	BA	100,000	103,000	75,973
(Outlays)	O	112,382	85,000	89,000
Total Tennessee Valley Authority fund	BA	1,342,504	1,371,900	888,581
	O	1,091,168	991,700	817,008
Total Federal funds Tennessee Valley Authority ...	BA	1,342,504	1,371,900	888,581
	O	1,091,168	991,700	817,008
United States Holocaust Memorial Council				
<i>Federal funds</i>				
General and Special Funds:				
Holocaust Memorial Council	808			
Appropriation, current.....	BA	2,075	2,171	.....
Outlays.....	O	1,810	2,410	^k 2,209
				2,201
Total Holocaust Memorial Council	BA	2,075	2,171	2,209
	O	1,810	2,410	2,201
<i>Trust funds</i>				
Gifts and donations	808			
Appropriation, permanent, indefinite.....	BA	30	40	50
Outlays.....	O	41	43	50

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
United States Information Agency				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	154			
Appropriation, current.....	BA	588,232	620,347	622,400
Outlays.....	O	584,530	607,924	607,540
Salaries and expenses (special foreign currency program)	154			
Outlays.....	O	545	838	.....
Educational and cultural exchange programs	154			
Appropriation, current.....	BA	145,000	150,040	146,100
Outlays.....	O	138,039	142,241	139,156
National Endowment for Democracy	154			
Appropriation, current.....	BA	15,000	16,875	15,800
Outlays.....	O	19,336	16,949	16,445
Radio broadcasting to Cuba	154			
Appropriation, current.....	BA	12,759	12,759	11,175
Outlays.....	O	11,425	12,448	11,446
East West Center	154			
Appropriation, current.....	BA	20,000	20,000	20,000
Outlays.....	O	16,756	22,333	20,000
Radio construction	154			
Appropriation, current.....	BA	46,000	.....	65,000
Indefinite.....	BA	20,000	.....	.....
Outlays.....	O	59,290	87,625	83,410
Total Radio construction.....	BA	66,000	.....	65,000
	O	59,290	87,625	83,410
<i>Trust funds</i>				
Miscellaneous trust funds	154			
Appropriation, permanent, indefinite.....	BA	1,443	1,750	1,460
Outlays.....	O	1,363	1,510	1,300
Summary				
Federal funds:				
(As shown in detail above).....	BA	846,991	820,021	880,475
	O	829,921	890,358	877,997
Trust funds:				
(As shown in detail above).....	BA	1,443	1,750	1,460
	O	1,363	1,510	1,300
Deductions for offsetting receipts:				
Proprietary receipts from the public	154 BA	— 799	— 903	— 755
	O			
Total Trust funds.....	BA	644	847	705
	O	564	607	545
Total United States Information Agency.....	BA	847,635	820,868	881,180
	O	830,485	890,965	878,542

See footnotes at end of table.

THE FEDERAL PROGRAM BY AGENCY AND ACCOUNT 6f-177

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
United States Institute of Peace				
<i>Federal funds</i>				
General and Special Funds:				
United States Institute of Peace	153			
Appropriation, current.....	BA	625	4,308	3,376
Outlays.....	O	4,429	4,290	3,376
<i>Trust funds</i>				
Gifts and contributions	153			
Appropriation, permanent.....	BA		230	
Outlays.....	O	-346	230	
United States Railway Association				
<i>Federal funds</i>				
General and Special Funds:				
Administrative expenses	401			
Appropriation, current.....	BA	1,045		
Outlays.....	O	1,177		
United States Sentencing Commission				
<i>Federal funds</i>				
General and Special Funds:				
Salaries and expenses	752			
Appropriation, current.....	BA	5,800	5,129	5,350
Outlays.....	O	2,948	5,990	5,432
Water Resources Council				
<i>Federal funds</i>				
General and Special Funds:				
Water resources planning	301			
Outlays.....	O	515	59	
Summary				
Federal funds:				
(As shown in detail above).....	BA	16,342,358	17,716,424	16,184,403
	O	15,052,132	14,758,220	11,572,161
Deductions for offsetting receipts:				
Proprietary receipts from the public	376 BA	-9,494	-27,500	-32,500
	O			
	403 BA	-441,233	-112,765	
	O			
	803 BA	-934	-16,618	-15,908
	O			
	806 BA	-293,201	-29,770	-31,372
	O			
Total Federal funds.....	BA	15,597,496	17,529,771	16,104,623
	O	14,307,270	14,571,567	11,492,381
Trust funds:				
(As shown in detail above).....	BA	10,446,865	10,760,537	9,759,030
	O	7,211,470	11,264,576	9,865,884

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Other Independent Agencies—Con.				
Summary—Con.				
Deductions for offsetting receipts:				
Intrafund transactions	603 BA 0	—8,308		
Intrafund transactions from off-budget accounts	601 BA 0	—2,614,177	—2,890,500	—3,008,800
Proprietary receipts from the public	154 BA 0	—799	—903	—755
	452 BA 0	—1,750	—1,850	—623
	908 BA 0		—158	—169
Total Trust funds	BA 0	7,821,831 4,586,436	7,867,126 8,371,165	6,748,683 6,855,537
Interfund transactions	452 BA 0	—1,750	—1,850	—624
	502 BA 0	—40,000	—10,000	—10,250
	503 BA 0		—497	—658
	601 BA 0	—4,588,276	—5,044,109	—5,052,438
	803 BA 0		—4	—4
Total Other Independent Agencies	BA 0	18,789,301 14,263,680	20,340,437 17,886,272	17,789,332 13,283,944

Allowances**Allowances for:***Federal funds***General and Special Funds:**

Savings from reform of Davis-Bacon and Service Contract Acts (non-DOD)

Appropriation, current	BA			—50,000
Outlays	0			—48,000

Contingencies for:

Relatively uncontrollable programs

Appropriation, current	BA			0
Outlays	0			0

Other requirements

Appropriation, current	BA			0
Outlays	0			0

Total Federal funds Allowances for:	BA			—50,000
	0			—48,000

Summary**Federal funds:**

Total Allowances	BA			—50,000
	0			—48,000

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code		1987 actual	1988 estimate	1989 estimate
Totals				
Budget Totals				
Federal funds:				
(As shown in detail above)	BA	822,385,333	864,132,145	901,406,421
	O	800,188,337	840,665,685	873,978,254
Deductions for offsetting receipts:				
(As shown in detail above):				
Intrafund transactions.....	BA			
	O	-19,754,064	-19,473,143	-18,872,938
	BA			
	O			
Interfund transactions from off-budget ac- counts	BA	-684,833	-819,951	-774,353
	O			
Proprietary receipts from the public	BA	-12,034,238	-12,937,184	-11,961,045
	O			
	BA		+ 680,274	+ 707,485
	O			
(Undistributed by agency):				
Proprietary receipts from the public:				
Other interest	908 BA	-902,668		-484,481
	O			
Rents and royalties on the Outer Continental Shelf	953 BA	-4,021,478	-3,155,000	-3,920,043
	O			
Sale of major assets	954 BA	-1,874,588		
	O			
	BA			+ 3,325,000
	O			
Total deductions.....	BA	-39,271,869	-35,705,004	-38,630,375
	O			
Federal fund totals.....	BA	783,113,464	828,427,141	862,776,046
	O	760,916,468	804,960,681	835,347,879
Trust funds:				
(As shown in detail above)	BA	236,375,789	252,174,982	270,040,883
	O	182,835,840	192,631,628	203,672,170
Deductions for offsetting receipts:				
(As shown in detail above):				
Intrafund transactions.....	BA			
	O	-9,907	-1,400	-1,400
Intrafund transactions from off-budget ac- counts	BA	-2,614,177	-2,890,500	-3,008,800
	O			
Proprietary receipts from the public	BA	-16,655,562	-18,912,932	-20,325,778
	O			
	BA			+ 97,400
	O			
Total deductions.....	BA	-19,279,646	-21,804,832	-23,238,578
	O			
Trust fund totals.....	BA	217,096,143	230,370,150	246,802,305
	O	163,556,194	170,826,796	180,433,592

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
Totals—Con.			
Budget Totals—Con.			
Interfund transactions (—):			
Interest received by on-budget trust funds	902 BA	—29,661,807	—34,320,856
	O		—38,188,503
	BA		✓ —51,990
	O		
Employer share, employee retirement (on-budget)	951 BA	—27,259,200	—28,670,216
	O		—29,037,680
Applied by agency above.....	BA	—56,797,293	—60,018,812
	O		—67,630,490
Total interfund transactions	BA	—113,718,300	—123,009,884
	O		—134,908,663
Budget totals Δ	BA	886,491,307	935,787,407
	O	810,754,362	852,777,593
		886,491,307	974,669,688
		810,754,362	880,872,808

Off-Budget Totals

Trust funds:			
(As shown in detail above)	BA	227,639,963	257,309,587
	O	208,070,022	220,536,939
Deductions for offsetting receipts:			
(As shown in detail above):			
Proprietary receipts from the public	BA	✓ —33,429	
	O		
Interfund transactions (—):			
Interest received by off-budget trust funds	903 BA	✓ —5,290,161	✓ —7,270,772
	O		✓ —10,135,638
Employer share, employee retirement (off-budget)	952 BA	✓ —3,300,000	✓ —4,298,000
	O		✓ —4,719,000
Applied by agency above.....	BA	—5,614,387	—5,841,815
	O		—6,346,796
Total deductions	BA	—14,237,977	—17,410,587
	O		—21,201,434
Off-Budget totals Δ	BA	213,401,986	239,899,000
	O	193,832,045	203,126,352
		213,401,986	258,481,000
		193,832,045	213,342,391
Federal Government totals Δ	BA	1,099,893,293	1,175,686,407
	O	1,004,586,407	1,055,903,945
		1,099,893,293	1,233,150,688
		1,004,586,407	1,094,215,199

See footnotes at end of table.

BUDGET BY AGENCY AND ACCOUNT (in thousands of dollars)—Continued

Account and functional code	1987 actual	1988 estimate	1989 estimate
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Federal Government Totals

Δ Federal Government Budget totals are distributed as follows:

	1988		1989	
	BA	Outlays	BA	Outlays
Federal funds:				
Enacted, pending and initial requests:				
Appropriations	864,132,145	840,667,317	882,936,688	875,942,030
Legislative action required (L)			-261,000	-261,000
To be proposed separately:				
Under proposed legislation (J)		-1,632	7,612,832	-1,654,776
Credit reform (M)			11,167,901	
Allowances			-50,000	-48,000
Deductions for offsetting receipts	-36,385,278	-36,385,278	-36,012,860	-36,012,860
Under proposed legislation (J)	680,274	680,274	-2,617,515	-2,617,515
Total Federal funds	828,427,141	804,960,681	862,776,046	835,347,879
Trust funds:				
Enacted, pending and initial requests:				
Appropriations	252,174,982	192,631,628	268,802,493	204,674,081
Off-budget under current law (Y)	257,309,587	220,536,939	279,682,434	234,543,825
Legislative action required (L)			-273,200	
To be proposed separately:				
Under proposed legislation (J)			1,511,590	-1,001,911
Deductions for offsetting receipts	-21,804,832	-21,804,832	-23,335,978	-23,335,978
Under proposed legislation (J)			97,400	97,400
Total Trust funds	487,679,737	391,363,735	526,484,739	414,977,417
Interfund transactions (-)	-140,420,471	-140,420,471	-156,110,097	-156,110,097
Federal Government totals	1,175,686,407	1,055,903,945	1,233,150,688	1,094,215,199

^J Proposed for later transmittal under proposed legislation.

^M Additional authorizing legislation required.

^L Legislative action required.

^M Credit reform.

^Y Off-budget under current law.

PART 6g

SUMMARY TABLES

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EXPLANATION OF THE SUMMARY TABLES

Overview.—The tables in this part of the budget are organized as follows:

- Tables 1 through 12 provide summary data on the 1989 Budget in terms of budget authority, outlays, credit, receipts, and surpluses or deficits for the period 1987–93. Summary information is also included on Federal Government financing and debt, current services estimates, the credit budget, and Federal civilian employment.
- Tables 13 and 14 provide greater detail on governmental and offsetting receipts, respectively.
- Table 15 presents 5-year projections of the estimated costs of proposed legislation pursuant to 31 U.S.C. 1105 (a) (12).
- Table 16 provides data on controllability of outlays.
- Tables 17 through 25 are historical in nature, giving data, for earlier years on receipts by source; credit; outlays by function; total receipts, outlays, and surpluses or deficits; and the on- and off-budget components of these amounts. Comparisons with the gross national product, receipts and outlays in constant (fiscal year 1982) prices are also presented.

Periods covered.—Due to the change in fiscal year required by the Congressional Budget Act, the following periods are covered by the various columns or stub entries:

- July 1 through June 30, for the 1976 and prior fiscal periods.
- July 1 through September 30, 1976, for the transition quarter (TQ).
- October 1 through September 30, for the 1977 and subsequent fiscal periods.

Presentation of data.—As in the 1988 Budget, totals shown in the 1989 Budget include off-budget amounts, but the on- and off-budget components are identified separately. In tables by agency, entries for “Health and Human Services, except social security” present on-budget data, and entries for “Health and Human Services, social security” present the off-budget amounts distributed by agency.

The outlay and deficit totals for 1987 exceed those previously reported by the Department of the Treasury by \$2,439 million primarily due to the reclassification to a nonbudgetary status of the Federal Retirement Thrift Investment Board (+\$736 million), and adjustments to outlays for the Department of Agriculture (+\$757 million), the Federal Home Loan Bank Board (+\$920 mil-

lion), the Department of Housing and Urban Development (+\$19 million), and the Small Business Administration (+\$7 million).

Allowances.—Allowances for pay raises in 1990-93 are shown for military personnel and for civilian employees of the Department of Defense (DoD—Military). In addition, allowances for other legislation are shown for 1989-93. Included in the allowances for other legislation for DoD—Military are amounts for aviation bonus pay which are partially offset by savings from proposals to reform the Davis-Bacon and Service Contract Acts and eliminate authorization for procurement of army trucks. These allowances are included in the totals for the DoD—Military and in subfunction 051.

Allowances for pay raises for non-defense civilian employees and for military pay raises for the Coast Guard in 1990-93 are shown at the end of the tables. Other Government-wide allowances for 1989-93 presented at the end of the tables reflect the proposals to reform the Davis-Bacon and Service Contract Acts.

Undistributed offsetting receipts.—Offsetting receipts are generally deducted from budget authority and outlays at the subfunction and agency levels. However, in some cases these amounts are undistributed, i.e., deducted from totals for the Government as a whole rather than from a single agency or subfunction in order to avoid distortion of agency or subfunction totals. These payments are for the employer share, employee retirement (both on-budget and off-budget amounts), rents and royalties on the Outer Continental Shelf (OCS), and the proposed sale of major assets (Conrail, naval petroleum reserves, power marketing administrations, and spectrum fees by the Federal Communications Commission) in 1988-93.

In addition, some offsetting receipts are undistributed at the agency level but not at the subfunction level. These are interest received by on-budget trust funds and interest received by off-budget trust funds (subfunctions 902 and 903, respectively) and interest received from the OCS escrow account (in subfunction 908). Accordingly, the offsetting receipt totals identified as undistributed in tables by agency are larger than those shown in tables by function by the amount of the interest received by trust funds and the interest received from the OCS escrow account.

Description of the tables.—Each table in this part is described below.

- *Table 1, Summary*, provides a general overview of budget authority, receipts, outlays, and surpluses or deficits for 1987-93. Summary information on the Federal credit budget and on the Federal debt are also provided.
- *Table 2, Receipts by source and outlays by agency, 1987-93*, displays data on the composition of receipts by source, the distribution of outlays by the Legislative and Judicial

Branches and by major agency in the Executive Branch, and the surpluses or deficits for these years.

- *Table 3, Outlays by function, 1987-93*, distributes outlays by function. Supporting data by subfunction from 1979-89 is found in table 18. Part 5 of this volume provides detail at the program level for 1987-91.
- *Table 4, Credit budget: new direct loan obligations, guaranteed loan commitments and subsidies by agency*, displays new obligations for direct loans, new commitments for guaranteed loans, by agency for 1987-89 and subsidies for 1989. Additional information can be found in Parts 6b and 5 of this volume and Special Analysis F, "Federal Credit Programs", of the Special Analyses volume.
- *Table 5, Credit Budget: new direct loan obligations, guaranteed loan commitments, and subsidies by function*, displays new obligations for direct loans and new commitments for guaranteed loans by function for 1987-89 and subsidies for 1989. Additional information can be found in Parts 6b and 5 of this volume and Special Analysis F, "Federal Credit Programs", of the Special Analyses volume.
- *Table 6, Federal Government financing and debt*, shows the means of financing the Federal deficit, the gross debt held by Government accounts and the public, and the amount of debt subject to statutory limitation. Further data related to the totals are contained in Special Analysis E, "Borrowing and Debt", and Part 6d of this volume.
- *Table 7, Full-time equivalent of Federal civilian employment*, provides full-time equivalent employment estimates for the major departments and agencies of the Executive Branch for 1987-90. For additional information, see Special Analysis I, "Civilian Employment in the Executive Branch", in the Special Analyses volume.
- *Table 8, Budget authority by function, 1987-93*, distributes budget authority by function. For detail at the program level, see Part 5 of this volume. For the subfunctional classification of budget authority in each account, see Part 6f of this volume.
- *Table 9, Budget authority by agency, 1987-93*, presents the distribution of budget authority by Legislative and Judicial Branches and by major agency in the Executive Branch. For account level detail, see Part 6f of this volume.
- *Table 10, Budget authority and outlays available with and without current action by Congress*, presents budget authority, including supplemental requests, for 1987-89 that requires congressional action during or immediately preceding the fiscal year in which it becomes available and ties budget

authority and outlays available through current action to totals. In most cases, off-budget (social security trust fund) amounts are available as the result of previously enacted legislation (substantive legislation or prior appropriations acts) and do not require further action by Congress. Therefore, they are included in the portion available without current action by Congress. The remaining off-budget amounts are included in the portion available through current action by Congress.

- *Table 11, Relation of budget authority to outlays*, provides a bridge from budget authority to net obligations incurred to outlays for 1987-89. Data on off-budget amounts are included without separate identification. References to other tables in this part that provide detail on data shown in this table are included. A chart on the relationship of budget authority to outlays is shown in Part 6d of this volume.
- *Table 12, Balances of budget authority*, presents data on obligated and unobligated balances of budget authority for 1987-89. Detailed information is available in a separate OMB report, "Balances of Budget Authority", which can be purchased from the National Technical Information Service shortly after the budget is transmitted.
- *Table 13, Receipts by source*, provides detailed data by source for 1987-89 on receipts that are classified as governmental receipts. The total of these receipts is compared with total outlays to calculate the Federal deficit. Information on governmental receipts is also included in table 17 and in Part 4 of this volume.
- *Table 14, Offsetting receipts by type*, presents, by type, offsetting receipts for 1987-89 that are deducted from gross disbursements to calculate outlays. Offsetting receipts data are also included in Part 6f of this volume.
- *Table 15, Legislative proposals for major new and expanded programs in the 1989 Budget, projection of costs*, provides a description of major legislative proposals and a projection of costs for 1988-93.
- *Table 16, Controllability of budget outlays, 1987-89*, displays data classified as relatively uncontrollable and relatively controllable outlays.
- *Table 17, Receipts by source, 1979-89*, provides historical data on governmental receipts by source.
- *Table 18, Outlays by function and subfunction, 1979-89*, includes historical data on outlays by function and subfunction.
- *Table 19, Federal finances and the gross national product, 1970-91*, displays receipts, outlays, surpluses or deficits, and

Federal debt and shows these amounts as percentages of the gross national product.

- *Table 20, Composition of receipts and outlays in current prices, 1972-91*, includes historical data in the composition of receipts and outlays in current dollars.
- *Table 21, Composition of receipts and outlays in constant (fiscal year 1982) prices, 1972-91*, includes historical data on the composition of receipts and outlays in constant dollars for the same categories shown in table 20.
- *Table 22, Direct loan obligations and guaranteed loan commitments by sector, 1979-93* summarizes total direct loan obligations and guaranteed loan commitments by sector: agriculture, business, education, housing, and other.
- *Table 23, Direct loan obligations and guaranteed loan commitments, 1951-93*, includes historical data on direct loan obligations and guaranteed loan commitments.
- *Table 24, Total receipts and outlays, 1789-93*, includes historical data and out-year estimates of total receipts, outlays, and surpluses or deficits. Beginning in 1937, data include amounts for social security trust funds that are off-budget under current law.
- *Table 25, On-budget and off-budget receipts and outlays, 1937-93*, provides historical data and out-year estimates of on- and off-budget components of total receipts, outlays, and surpluses or deficits shown in table 24.

Table 1. SUMMARY

(In billions of dollars)

Description	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
TOTALS							
Budget authority	1,099.9	1,175.7	1,233.2	1,299.0	1,375.7	1,428.8	1,482.2
On-budget	(886.5)	(935.8)	(974.7)	(1,016.7)	(1,069.8)	(1,103.9)	(1,135.5)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)
Receipts	854.1	909.2	964.7	1,044.1	1,124.4	1,189.9	1,258.1
On-budget	(640.7)	(669.3)	(706.2)	(761.7)	(818.5)	(865.0)	(911.3)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)
Outlays	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0	1,281.3
On-budget	(810.8)	(852.8)	(880.9)	(924.2)	(967.6)	(996.0)	(1,027.5)
Off-budget.....	(193.8)	(203.1)	(213.3)	(224.1)	(236.1)	(245.0)	(253.8)
Surplus or deficit (-)	-150.4	-146.7	-129.5	-104.2	-79.3	-51.1	-23.3
On-budget	(-170.0)	(-183.5)	(-174.7)	(-162.5)	(-149.1)	(-131.0)	(-116.2)
Off-budget.....	(19.6)	(36.8)	(45.1)	(58.3)	(69.9)	(79.9)	(92.9)

THE CREDIT BUDGET

New direct loan obligations ...	29.8	28.8	20.0	19.9	19.2	18.3	19.1
New guaranteed loan commitments ¹	142.1	123.2	115.3	118.1	117.0	119.9	122.9
Total	171.9	152.0	135.3	138.0	136.2	138.3	142.0
Change in outstandings:							
Direct loans.....	-19.0	-16.2	-10.6	-8.3	-2.4	-3.6	-4.4
Guaranteed loans ¹	60.4	20.8	17.0	18.3	14.7	16.0	12.5
Total	41.8	3.6	6.8	10.0	12.3	12.4	8.1

FEDERAL DEBT ²

	1986 actual	1987 actual	Estimate					
			1988	1989	1990	1991	1992	1993
Debt outstanding, end of year:								
Gross Federal debt	2,130.0	2,355.3	2,581.6	2,825.3	3,053.0	3,269.2	3,468.5	3,654.0
Held by:								
Government accounts ...	383.9	457.4	556.5	673.2	797.3	934.7	1,083.6	1,246.5
The public.....	1,746.1	1,897.8	2,025.1	2,152.1	2,255.7	2,334.4	2,384.9	2,407.5
(Federal Reserve Banks)	(190.9)	(212.0)	.....	.....	.....	.....	.....	.....
(Others)	(1,555.3)	(1,685.8)	.....	.....	.....	.....	.....	.....
ADDENDUM								
Debt subject to statutory limitation.....	2,111.0	2,336.0	2,572.0	2,819.1	3,051.3	3,267.1	3,466.2	3,651.5

¹ To avoid double counting, excludes guarantees (or commitments) of loans previously guaranteed or guarantees (or commitments) by one Government account of direct loans made by another Government account.

² Some of the 1986 data have been revised from the data in the 1988 Budget. For additional information on the Federal debt, see table 6 of this part, Part 6d of this volume, and Special Analysis E, "Borrowing and Debt."

Note: For all years, transactions of the social security trust funds are presented off-budget.

Table 2. RECEIPTS BY SOURCE AND OUTLAYS BY AGENCY, 1987-93

(In billions of dollars)

	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
Receipts by Source:							
Individual income taxes	392.6	393.4	412.4	448.9	490.5	524.4	557.5
Corporation income taxes	83.9	105.6	117.7	129.3	140.6	148.8	153.8
Social insurance taxes and contribu- tions.....	303.3	331.5	354.6	382.5	410.0	433.0	460.2
On-budget	(89.9)	(91.6)	(96.1)	(100.1)	(104.0)	(108.1)	(113.4)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)
Excise taxes	32.5	35.3	35.2	36.1	34.7	34.1	34.7
Estate and gift taxes.....	7.5	7.6	7.8	8.0	8.2	8.2	8.3
Customs duties.....	15.1	16.4	17.2	18.3	19.2	20.3	22.3
Miscellaneous receipts.....	19.3	19.4	19.8	20.9	21.3	21.0	21.3
Total receipts.....	854.1	909.2	964.7	1,044.1	1,124.4	1,189.9	1,258.1
On-budget.....	(640.7)	(669.3)	(706.2)	(761.7)	(818.5)	(865.0)	(911.3)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)
Outlays by agency:							
Legislative Branch.....	1.8	1.9	2.1	2.2	2.2	2.2	2.2
The Judiciary.....	1.2	1.4	1.7	1.7	1.8	1.9	2.0
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	10.4	5.2	8.8	7.9	11.0	10.7	10.6
Agriculture.....	50.4	50.7	48.3	48.2	46.7	45.9	45.0
Commerce.....	2.1	2.5	2.6	3.5	2.2	2.1	1.8
Defense—Military ¹	274.0	277.3	285.5	297.3	311.0	325.9	341.5
Defense—Civil.....	20.7	22.3	23.7	25.0	26.2	27.2	28.3
Education.....	16.8	18.8	22.7	23.9	23.2	22.5	21.9
Energy.....	10.7	10.5	11.8	12.8	13.5	14.0	14.2
Health and Human Services, except Social Security.....	148.9	160.4	168.6	181.3	196.0	213.2	230.6
Health and Human Services, Social Security.....	202.4	214.7	228.2	243.1	259.2	272.3	285.1
Housing and Urban Development.....	15.5	18.6	21.6	22.6	21.5	20.2	20.2
Interior.....	5.0	5.4	5.0	2.8	4.7	3.3	4.5
Justice.....	4.3	5.2	5.8	6.2	6.3	6.5	6.6
Labor.....	23.5	22.0	23.1	23.7	24.8	25.3	26.3
State.....	2.8	3.3	3.4	3.5	3.6	3.7	3.8
Transportation.....	25.4	26.3	26.4	26.5	26.4	26.4	26.0
Treasury.....	180.3	198.9	205.7	216.7	227.9	228.1	224.5
Environmental Protection Agency.....	4.9	4.9	5.1	5.4	5.2	4.8	4.6
General Services Administration.....	0.1	-0.1	-*	0.2	0.2	-0.2	-*
National Aeronautics and Space Ad- ministration.....	7.6	9.1	11.0	12.7	14.1	14.4	14.5
Office of Personnel Management.....	27.0	28.5	30.5	33.9	35.5	37.7	39.8
Small Business Administration.....	-0.1	0.3	-0.4	-0.2	0.4	0.4	0.6
Veterans Administration.....	27.0	27.6	29.5	30.6	30.9	31.3	31.7
Other Independent Agencies.....	14.3	17.9	13.3	13.6	12.8	12.6	13.0
Allowances ²			-*	0.9	2.1	3.4	4.7
Undistributed offsetting receipts.....	-72.3	-77.7	-89.9	-97.8	-105.6	-114.9	-122.7
Interest.....	(-35.9)	(-41.6)	(-48.9)	(-55.6)	(-62.9)	(-69.6)	(-75.0)
Other.....	(-36.5)	(-36.1)	(-41.0)	(-42.2)	(-42.7)	(-45.3)	(-47.7)
Total outlays.....	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0	1,281.3
On-budget.....	(810.8)	(852.8)	(880.9)	(924.2)	(967.6)	(996.0)	(1,027.5)
Off-budget.....	(193.8)	(203.1)	(213.3)	(224.1)	(236.1)	(245.0)	(253.8)
Surplus or deficit (-).....	-150.4	-146.7	-129.5	-104.2	-79.3	-51.1	-23.3
On-budget.....	(-170.0)	(-183.5)	(-174.7)	(-162.5)	(-149.1)	(-131.0)	(-116.2)
Off-budget.....	(19.6)	(36.8)	(45.1)	(58.3)	(69.9)	(79.9)	(92.9)

* \$50 million or less.

¹ Includes allowances for the Department of Defense.² Includes allowances for civilian agencies.

Table 3. OUTLAYS BY FUNCTION, 1987-93

(in billions of dollars)

	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
050 National defense.....	282.0	285.4	294.0	306.2	320.2	335.4	351.3
Department of Defense—Military ¹	(274.0)	(277.3)	(285.5)	(297.3)	(311.0)	(325.9)	(341.5)
Other.....	(8.0)	(8.1)	(8.5)	(8.9)	(9.2)	(9.5)	(9.8)
150 International affairs.....	11.6	9.9	13.3	13.1	15.9	15.8	15.8
250 General science, space, and technology...	9.2	10.9	13.1	15.2	16.8	17.5	18.0
270 Energy.....	4.1	2.7	3.1	4.5	4.3	3.8	3.5
300 Natural resources and environment.....	13.4	15.1	16.0	14.7	15.8	13.9	14.6
350 Agriculture.....	27.4	22.4	21.7	19.5	18.5	17.4	15.9
370 Commerce and housing credit.....	6.2	12.4	7.9	8.6	6.8	5.1	4.9
400 Transportation.....	26.2	27.2	27.3	27.4	27.3	27.2	26.9
450 Community and regional development....	5.1	6.3	5.9	5.9	5.2	5.1	5.1
500 Education, training, employment, and social services.....	29.7	33.7	37.4	39.1	38.5	37.1	36.6
550 Health.....	40.0	44.5	47.8	52.4	56.4	60.9	65.4
570 Medicare.....	75.1	78.9	84.0	93.7	104.0	115.8	128.0
600 Income security.....	123.2	129.6	135.6	140.6	146.4	152.2	157.9
650 Social security.....	207.4	219.7	233.8	248.5	263.4	277.2	290.4
On-budget.....	(4.9)	(5.0)	(5.6)	(5.4)	(4.3)	(4.9)	(5.3)
Off-budget.....	(202.4)	(214.7)	(228.2)	(243.1)	(259.2)	(272.3)	(285.1)
700 Veterans benefits and services.....	26.8	27.7	29.6	30.8	31.0	31.4	31.8
750 Administration of justice.....	7.5	9.0	9.9	10.3	10.5	10.8	11.1
800 General government.....	7.6	8.8	9.5	10.2	10.0	9.8	10.0
870 Central federal credit activities.....			-6.3	-7.7	-6.3	-5.3	-5.2
900 Net interest.....	138.6	147.9	151.8	156.7	159.6	151.9	142.4
On-budget.....	(143.9)	(155.1)	(161.9)	(170.1)	(176.8)	(172.9)	(166.9)
Off-budget.....	(-5.3)	(-7.3)	(-10.1)	(-13.4)	(-17.2)	(-21.0)	(-24.4)
920 Allowances:							
Civilian agency pay raises.....				0.9	2.1	3.4	4.8
Savings from reform of Davis-Bacon and Service Contract Acts (non-DOD).....			-*	-*	-*	-*	-*
Total allowances ²			-*	0.9	2.1	3.4	4.7
950 Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget).....	-27.3	-28.7	-29.0	-31.0	-32.5	-34.1	-35.9
Employer share, employee retirement (off-budget).....	-3.3	-4.3	-4.7	-5.5	-5.8	-6.3	-6.8
Rents and royalties on the Outer Conti- nental Shelf.....	-4.0	-3.2	-3.9	-3.8	-4.1	-4.7	-4.7
Sale of major assets.....	-1.9	-3.3	-3.3	-1.9	-0.2	-0.2	-0.2
Total undistributed offsetting receipts....	-36.5	-36.1	-41.0	-42.2	-42.7	-45.3	-47.7
On-budget.....	(-33.2)	(-31.8)	(-36.3)	(-36.7)	(-36.9)	(-39.0)	(-40.9)
Off-budget.....	(-3.3)	(-4.3)	(-4.7)	(-5.5)	(-5.8)	(-6.3)	(-6.8)
Total outlays.....	1,004.6	1,055.9	1,094.2	1,148.3	1,203.7	1,241.0	1,281.3
On-budget.....	(810.8)	(852.8)	(880.9)	(924.2)	(967.6)	(996.0)	(1,027.5)
Off-budget.....	(193.8)	(203.1)	(213.3)	(224.1)	(236.1)	(245.0)	(253.8)

* \$50 million or less.

¹ Includes allowances for the Department of Defense.² Includes allowances for civilian agencies.

Table 4. CREDIT BUDGET: NEW DIRECT LOAN OBLIGATIONS, GUARANTEED LOAN COMMITMENTS, AND SUBSIDIES BY AGENCY

(In millions of dollars)

Department or other unit	Direct loan obligations			Guaranteed loan commitments			1989 loan subsidy estimates		
	1987 actual	1988 estimate	1989 estimate	1987 actual	1988 estimate	1989 estimate	Direct	Guaranteed	Total
Funds Appropriated to the President	4,325	4,174	4,482	345	5,478	2,675	3	200	202
Agriculture	22,223	21,051	12,562	5,260	10,389	8,515	660	636	1,295
Commerce	1			80	105				
Education	60	62		9,730	9,576	10,039		3,242	3,242
Health and Human Services	1	1	*	221	350	177	*	4	4
Housing and Urban Development ¹	639	692	454	80,025	59,994	61,790	76	2,800	2,876
Interior	51	45	31	39	34	45	14	11	26
Transportation	49	50	53				*		*
Environmental Protection Agency	28	17							
Small Business Administration	294	435	265	3,387	3,791	3,597	38	327	365
Veterans Administration	1,010	1,064	978	34,900	18,287	17,940	*	1,184	1,184
Other independent agencies:									
Export-Import Bank	677	693	705	6,754	14,601	10,200	82	254	336
Federal Savings and Loan Insurance Corporation (FHLBB)	96	100	74	1,260	623	325	2	81	83
National Credit Union Administration	108	147	149	62	5	4	7	4	11
Tennessee Valley Authority	253	283	249				3		3
Other agencies and programs	3	3	2						
Total	29,817	28,817	20,005	142,064	123,233	115,306	885	8,743	9,628
ADDENDUM									
Secondary guaranteed loans ¹				139,976	83,355	83,609			

* \$500 thousand or less.

¹ Commitments by GNMA to guarantee securities that are backed by loans previously insured or guaranteed by the Federal Housing Administration, Veterans Administration, or Farmers Home Administration (secondary guarantees) are excluded from the direct loan obligations and guaranteed loan commitments totals and shown as a memorandum entry.

Table 5. CREDIT BUDGET: NEW DIRECT LOAN OBLIGATIONS, GUARANTEED LOAN COMMITMENTS, AND SUBSIDIES BY FUNCTION

(In millions of dollars)

Function	Direct loan obligations			Guaranteed loan commitments			1989 loan subsidy estimates		
	1987 actual	1988 estimate	1989 estimate	1987 actual	1988 estimate	1989 estimate	Direct	Guaranteed	Total
150 International affairs.....	5,806	5,645	5,927	7,099	20,079	12,875	602	454	1,056
270 Energy.....	1,286	2,078	249	582	2,000	1,319	3	81	83
300 Natural resources and environment.....	72	49	18				11		11
350 Agriculture.....	18,060	16,161	11,346	4,564	8,293	7,100	75	554	629
370 Commerce and housing credit ¹	2,581	2,654	677	84,785	64,354	65,715	85	3,212	3,297
400 Transportation.....	49	50	53				*		*
450 Community and regional development.....	890	1,051	755	184	293	141	109	12	120
500 Education, training, employment, and social services.....	60	62		9,730	9,576	10,039		3,242	3,242
550 Health.....	1	1	*	221	350	177	*	4	4
600 Income security.....	3	2	2				*		*
700 Veterans benefits and services.....	1,010	1,064	978	34,900	18,287	17,940	*	1,184	1,184
Total.....	29,817	28,817	20,005	142,064	123,233	115,306	885	8,743	9,628
ADDENDUM									
Secondary guaranteed loans ¹				139,976	83,355	83,609			

* \$500 thousand or less.

¹ Commitments by GNMA to guarantee securities that are backed by loans previously insured or guaranteed by the Federal Housing Administration, Veterans Administration, or Farmers Home Administration (secondary guarantees) are excluded from the totals and shown as a memorandum entry.

SUMMARY TABLES

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Table 6. FEDERAL GOVERNMENT FINANCING AND DEBT

(In billions of dollars)

	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
FINANCING							
Surplus or deficit (—)	−150.4	−146.7	−129.5	−104.2	−79.3	−51.1	−23.3
On-budget	(−170.0)	(−183.5)	(−174.7)	(−162.5)	(−149.1)	(−131.0)	(−116.2)
Off-budget	(19.6)	(36.8)	(45.1)	(58.3)	(69.9)	(79.9)	(92.9)
Means of financing other than borrowing from the public:							
Decrease or increase (—) in Treasury operating cash balance ..	−5.1	16.4					
Increase or decrease (—) in:							
Checks outstanding, etc. ¹	5.2	2.3	2.6				
Deposit fund balances	−1.8	−.3	−.9				
Seigniorage on coins	0.5	0.4	0.5	0.6	0.6	0.6	0.6
Proceeds from the sale of loan assets with recourse		0.7	0.3				
Total, means of financing other than borrowing from the public	−1.3	19.5	2.5	0.6	0.6	0.6	0.6
Total, requirements for borrowing from the public	−151.7	−127.2	−127.0	−103.6	−78.7	−50.5	−22.6
Change in debt held by the public	151.7	127.2	127.0	103.6	78.7	50.5	22.6
DEBT, END OF YEAR							
Gross Federal debt:							
Debt issued by Treasury	2,350.3	2,574.4	2,816.6	3,043.9	3,259.9	3,459.3	3,644.8
Debt issued by other agencies	5.0	7.2	8.7	9.1	9.2	9.2	9.2
Total, gross Federal debt	2,355.3	2,581.6	2,825.3	3,053.0	3,269.2	3,468.5	3,654.0
Held by:							
Government accounts	457.4	556.5	673.2	797.3	934.7	1,083.6	1,246.5
The public	1,897.8	2,025.1	2,152.1	2,255.7	2,334.4	2,384.9	2,407.5
Federal Reserve Banks	212.0						
Others	1,685.8						

Table 6. FEDERAL GOVERNMENT FINANCING AND DEBT—Continued

DEBT SUBJECT TO STATUTORY LIMITATION, END OF YEAR

(In billions of dollars)

	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
Debt issued by Treasury	2,350.3	2,574.4	2,816.6	3,043.9	3,259.9	3,459.3	3,644.8
Treasury debt not subject to limitation ²	-15.6	-10.6	-5.6	-6	-6	-6	-6
Agency debt subject to limitation	1.3	0.3	0.4	0.4	0.4	0.4	0.4
Unamortized discount on zero-coupon bonds		7.9	7.7	7.5	7.3	7.1	6.9
Total, debt subject to statutory limitation ³	2,336.0	2,572.0	2,819.1	3,051.3	3,267.1	3,466.2	3,651.5

¹ Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

² Consists of Federal Financing Bank debt and other Treasury debt not subject to statutory limitation.

³ The statutory debt limit is \$2,800 billion.

Table 7. FULL-TIME EQUIVALENT OF FEDERAL CIVILIAN EMPLOYMENT ¹

Agency	Fiscal year				Difference 1988-89
	1987 actual ²	1988 estimate	1989 estimate	1990 estimate	
Agriculture	102,579	104,962	102,047	100,378	-2,915
Commerce	31,916	38,430	36,273	85,222	-2,157
Defense—civil functions	28,199	28,227	28,615	28,542	388
Education	4,412	4,495	4,489	4,489	-6
Energy	16,116	16,266	15,804	15,404	-462
Health and Human Services	122,656	119,624	115,045	110,972	-4,579
Housing and Urban Development	12,282	13,101	12,673	12,243	-428
Interior	69,662	70,468	69,725	69,725	-743
Justice	65,703	72,455	77,324	80,344	4,869
Labor	17,674	18,518	18,591	18,637	73
State	25,724	26,125	25,837	25,831	-288
Transportation	60,310	61,162	62,242	62,612	1,080
Treasury	138,353	151,801	153,358	154,641	1,557
Environmental Protection Agency	13,488	14,448	14,570	14,334	122
National Aeronautics and Space Administration	22,001	22,425	22,950	22,950	525
Veterans Administration	221,020	220,869	218,420	216,247	-2,449
Other:					
Agency for International Development	4,569	4,725	4,725	4,725	.....
General Services Administration	19,882	21,071	20,155	19,663	-916
Nuclear Regulatory Commission	3,376	3,250	3,180	3,120	-70
Office of Personnel Management	5,108	5,372	5,261	5,088	-111
Panama Canal Commission	8,433	8,665	8,665	8,665	.....
Small Business Administration	4,048	4,121	4,304	4,234	183
Tennessee Valley Authority	28,297	29,500	29,500	29,500	.....
United States Information Agency	8,849	8,950	8,870	8,700	-80
Miscellaneous	40,161	42,313	42,072	42,139	-241
Estimated nondefense lapse		-16,670	-11,047	-5,742	5,623
Civilian agency employment	1,074,818	1,094,673	1,093,648	1,142,663	-1,025
Defense—military functions ³	1,031,317	1,028,809	1,017,012	1,017,000	-11,797
Subtotal	2,106,135	2,123,482	2,110,660	2,159,663	-12,822
Postal Service Employment ⁴	761,180	830,051	816,268	816,268	-13,783
Total, Executive Branch	2,867,315	2,953,533	2,926,928	2,975,931	-26,605

¹ Excludes developmental positions under the Worker-Trainee Opportunity Program; disadvantaged summer and part-time workers under such Office of Personnel Management programs as Summer Aids stay-in-school and junior fellowship; and certain statutory exemptions.

² Data are estimated for portions of Defense-Civil Functions as well as for the Federal Reserve System, Board of Governors and the International Trade Commission.

³ By law (10 U.S.C., Chapter 4, section 140b), the Department of Defense is exempt from full-time equivalent employment controls. Data shown are estimated.

⁴ Includes the Postal Rate Commission.

Table 8. BUDGET AUTHORITY BY FUNCTION, 1987-93

(In billions of dollars)

	1987 actual	Estimate					
		1988	1989	1990	1991	1992	1993
050 National defense.....	287.4	291.4	299.5	316.4	333.7	351.6	370.2
Department of Defense—Military ¹	(279.5)	(283.2)	(290.8)	(307.3)	(324.3)	(342.0)	(360.3)
Other.....	(8.0)	(8.3)	(8.7)	(9.1)	(9.4)	(9.6)	(9.9)
150 International affairs.....	18.7	16.2	16.5	17.7	16.8	17.1	17.5
250 General science, space, and technology.....	12.5	10.7	13.9	16.2	17.0	18.1	18.5
270 Energy.....	3.4	5.5	4.8	5.9	5.8	5.4	5.0
300 Natural resources and environment.....	14.6	15.4	15.2	13.3	14.8	13.2	13.9
350 Agriculture.....	25.4	22.5	23.8	22.6	20.9	22.8	19.8
370 Commerce and housing credit.....	10.9	16.3	14.8	13.6	13.1	11.1	10.9
400 Transportation.....	27.0	28.0	27.0	27.4	27.5	28.1	27.9
450 Community and regional development.....	6.6	9.5	6.2	6.0	5.8	5.3	5.3
500 Education, training, employment, and social services.....	33.2	35.0	39.4	39.0	38.5	37.1	36.6
550 Health.....	41.3	45.5	48.8	52.4	56.8	61.3	66.0
570 Medicare.....	84.0	93.9	106.5	115.4	126.5	137.9	150.1
600 Income security.....	160.7	171.0	173.2	176.6	191.2	197.5	201.8
650 Social security.....	226.9	256.5	278.9	306.8	333.3	357.1	383.2
On-budget.....	(4.9)	(5.0)	(5.6)	(5.4)	(4.3)	(4.9)	(5.3)
Off-budget.....	(222.0)	(251.5)	(273.3)	(301.3)	(329.0)	(352.2)	(377.9)
700 Veterans benefits and services.....	27.5	28.2	30.2	31.0	31.3	31.7	32.0
750 Administration of justice.....	8.8	9.2	10.3	10.4	10.6	10.9	11.2
800 General government.....	8.7	9.0	9.9	9.9	10.0	10.1	10.2
870 Central federal credit activities.....			3.4	3.2	3.0	2.6	2.5
900 Net interest.....	138.6	147.9	151.8	156.7	159.6	151.9	142.4
On-budget.....	(143.9)	(155.1)	(161.9)	(170.1)	(176.8)	(172.9)	(166.9)
Off-budget.....	(-5.3)	(-7.3)	(-10.1)	(-13.4)	(-17.2)	(-21.0)	(-24.4)
920 Allowances:							
Civilian agency pay raises				1.0	2.2	3.5	4.8
Savings from reform of Davis-Bacon and Service Contract Acts (non-DOD).....			-*	-*	-*	-*	-*
Total allowances ²			-*	0.9	2.1	3.4	4.8
950 Undistributed offsetting receipts:							
Employer share, employee retirement (on-budget).....	-27.3	-28.7	-29.0	-31.0	-32.5	-34.1	-35.9
Employer share, employee retirement (off-budget).....	-3.3	-4.3	-4.7	-5.5	-5.8	-6.3	-6.8
Rents and royalties on the Outer Continental Shelf.....	-4.0	-3.2	-3.9	-3.8	-4.1	-4.7	-4.7
Sale of major assets.....	-1.9		-3.3	-1.9	-0.2	-0.2	-0.2
Total undistributed offsetting receipts.....	-36.5	-36.1	-41.0	-42.2	-42.7	-45.3	-47.7
On-budget.....	(-33.2)	(-31.8)	(-36.3)	(-36.7)	(-36.9)	(-39.0)	(-40.9)
Off-budget.....	(-3.3)	(-4.3)	(-4.7)	(-5.5)	(-5.8)	(-6.3)	(-6.8)
Total budget authority.....	1,099.9	1,175.7	1,233.2	1,299.0	1,375.7	1,428.8	1,482.2
On-budget.....	(886.5)	(935.8)	(974.7)	(1,016.7)	(1,069.8)	(1,103.9)	(1,135.5)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)

* \$50 million or less.

¹ Includes allowances for the Department of Defense.² Includes allowances for civilian agencies.

Table 9. BUDGET AUTHORITY BY AGENCY, 1987-93

(In billions of dollars)

Department or other unit	1987 Actual	Estimate					
		1988	1989	1990	1991	1992	1993
Legislative Branch.....	1.9	1.9	2.1	2.2	2.2	2.3	2.3
The Judiciary.....	1.3	1.3	1.7	1.8	1.9	1.9	2.0
Executive Office of the President.....	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds Appropriated to the President.....	13.0	10.5	10.6	11.1	10.5	10.8	11.0
Agriculture.....	52.5	59.9	55.5	53.5	53.2	54.2	51.7
Commerce.....	2.2	2.4	2.4	3.2	2.0	1.9	1.8
Defense—Military ¹	279.5	283.2	290.8	307.3	324.3	342.0	360.3
Defense—Civil.....	35.1	36.9	38.5	40.4	42.5	44.8	47.1
Education.....	19.6	20.3	24.2	23.7	23.1	22.4	21.8
Energy.....	10.1	10.8	12.5	14.0	14.5	14.8	14.4
Health and Human Services, except Social Security.....	159.7	176.7	191.4	203.3	218.5	235.3	252.7
Health and Human Services, Social Security.....	222.0	251.5	273.3	301.3	329.0	352.2	377.9
Housing and Urban Development.....	14.7	15.4	16.2	16.0	24.3	22.4	21.2
Interior.....	5.3	5.4	4.8	2.7	4.6	3.3	4.5
Justice.....	5.2	5.4	6.2	6.2	6.2	6.5	6.6
Labor.....	30.3	31.5	31.7	30.5	30.2	31.1	31.2
State.....	3.8	3.7	3.8	4.2	4.2	4.3	4.4
Transportation.....	26.1	27.1	26.1	26.6	26.7	27.3	27.1
Treasury.....	181.9	199.0	215.8	227.4	237.3	236.1	232.3
Environmental Protection Agency.....	5.3	5.0	4.7	4.6	4.5	4.3	3.9
General Services Administration.....	0.3	—*	*	*	*	*	*
National Aeronautics and Space Administration.....	10.9	8.9	11.5	13.4	14.0	14.7	14.9
Office of Personnel Management.....	44.8	47.7	50.5	53.4	56.7	59.3	61.8
Small Business Administration..	0.6	0.5	0.8	0.8	0.7	0.6	0.6
Veterans Administration.....	27.4	28.1	30.1	30.9	31.2	31.6	31.9
Other Independent Agencies.....	18.8	20.3	17.8	17.3	16.7	16.1	16.6
Allowances ²			—*	0.9	2.1	3.4	4.8
Undistributed offsetting receipts:							
Interest.....	—35.9	—41.6	—48.9	—55.6	—62.9	—69.6	—75.0
Other.....	—36.5	—36.1	—41.0	—42.2	—42.7	—45.3	—47.7
Total Undistributed offsetting receipts.....	—72.3	—77.7	—89.9	—97.8	—105.6	—114.9	—122.7
On-budget.....	(—63.7)	(—66.1)	(—75.0)	(—78.9)	(—82.5)	(—87.6)	(—91.5)
Off-budget.....	(—8.6)	(—11.6)	(—14.9)	(—19.0)	(—23.1)	(—27.3)	(—31.2)
Total budget authority.....	1,099.9	1,175.7	1,233.2	1,299.0	1,375.7	1,428.8	1,482.2
On-budget.....	(886.5)	(935.8)	(974.7)	(1,016.7)	(1,069.8)	(1,103.9)	(1,135.5)
Off-budget.....	(213.4)	(239.9)	(258.5)	(282.4)	(306.0)	(324.9)	(346.7)

* \$50 million or less. ¹ Includes allowances for the Department of Defense. ² Includes allowances for civilian agencies.

Table 10. BUDGET AUTHORITY AND OUTLAYS AVAILABLE WITH AND WITHOUT CURRENT ACTION BY CONGRESS ¹

(In millions of dollars)

Department or other unit	Budget Authority			Outlays		
	1987 actual	1988 estimate	1989 estimate	1987 actual	1988 estimate	1989 estimate
Portion available through current action by Congress:						
Legislative Branch	1,748	1,774	1,989	1,476	1,585	1,779
The Judiciary	1,254	1,325	1,717	1,086	1,174	1,518
Executive Office of the President.....	118	125	125	98	106	107
Funds appropriated to the President....	12,467	12,428	12,394	4,544	5,414	4,908
Agriculture.....	27,151	32,546	33,634	22,686	30,224	26,794
Commerce.....	2,137	2,409	2,396	1,129	1,635	1,747
Defense—Military ²	278,324	283,661	291,309	163,791	166,603	171,825
Defense—Civil.....	3,202	3,307	3,371	2,118	2,499	2,543
Education.....	19,681	20,307	24,252	7,177	6,537	9,241
Energy.....	12,912	14,183	15,417	7,728	8,539	9,630
Health and Human Services.....	79,959	89,430	97,490	71,301	80,348	85,585
Housing and Urban Development.....	12,996	13,291	14,198	1,106	1,225	2,781
Interior	5,419	5,377	4,919	3,842	3,934	3,870
Justice.....	5,133	5,079	5,898	3,589	3,896	4,458
Labor.....	5,665	6,321	6,941	1,575	2,110	2,265
State	3,171	3,135	3,198	2,086	2,298	2,395
Transportation.....	23,494	11,948	9,197	6,832	6,915	6,482
Treasury	6,046	7,419	11,526	5,301	6,366	716
Environmental Protection Agency.....	5,900	5,267	4,779	1,776	1,529	1,413
General Services Administration.....	347	267	301	272	223	236
National Aeronautics and Space Administration.....	10,923	8,926	11,488	5,254	5,311	6,913
Office of Personnel Management.....	6,116	6,612	7,345	5,972	6,389	7,059
Small Business Administration.....	489	415	778	198	225	372
Veterans Administration.....	26,605	27,062	29,403	23,333	23,955	25,537
Other Independent Agencies	8,449	8,273	7,887	6,089	5,970	5,161
Allowances ³			-50			-48
Subtotal	559,706	570,886	601,902	350,359	375,009	385,286
Portion available without current action by Congress.....						
Outlays from obligated balances ⁴	726,695	802,731	849,227	516,852	527,696	516,279
Outlays from unobligated balances ⁴				220,743	220,414	235,043
Deductions for offsetting receipts	-186,508	-197,930	-217,979	-186,508	-197,930	-217,979
Total budget authority and outlays.....	1,099,893	1,175,686	1,233,151	1,004,586	1,055,904	1,094,215
MEMORANDUM						
Appropriations to liquidate contract authority: ⁵						
Agriculture.....	2,552	7,334				
Interior	12	31	31			
Transportation.....	15,652	15,971	15,103			
Total.....	18,217	23,336	15,134			

¹ Includes budget authority and outlays that are off-budget under current law.² Includes allowances for Department of Defense.³ Savings from reform of Davis-Bacon and Service Contract Acts for civilian agencies.⁴ Outlays from appropriations to liquidate contract authority are included as outlays from balances.⁵ Excluded from budget authority above.

Table 11. RELATION OF BUDGET AUTHORITY TO OUTLAYS ¹

(In millions of dollars)

Description	1987 actual	1988 estimate	1989 estimate
<i>Budget authority available through current action by Congress:</i>			
Enacted, pending, or recommended herein:			
Appropriations ²	539,584	568,219	581,346
Contract authority.....	19,113	1,700	.....
Authority to borrow.....	614	646	289
Reappropriations and reauthorizations.....	396	321	26
To be requested separately:			
Appropriations ².....	.....	.....	16,736
Contract authority.....	.....	.....	266
Authority to borrow.....	.....	.....	3,241
Total budget authority available through current action by Congress (table 10).....	559,706	570,886	601,902
<i>Budget authority available without current action by Congress (permanent authorizations):</i>			
Appropriations ²	682,226	746,354	799,728
Proceeds of loan asset sales with recourse.....	.....	380	270
Contract authority.....	13,403	22,718	23,726
Authority to borrow.....	31,066	33,279	25,504
<i>Deductions for offsetting receipts (table 14):</i>			
Intragovernmental transactions.....	-150,986	-163,605	-178,768
Proprietary receipts from the public.....	-35,522	-34,325	-39,211
Total budget authority for the year (table 8).....	1,099,893	1,175,686	1,233,151
<i>Unobligated balances and adjustments:</i>			
Unobligated balances:			
Brought forward at start of year (table 12).....	523,209	576,566	652,980
Written off (rescinded, lapsed, etc.) ³	-4,095	-23,512	-20,386
Carried forward at end of year (table 12).....	-576,566	-652,980	-774,454
Obligations incurred, net ⁴.....	1,042,441	1,075,760	1,091,291
<i>Obligated balances:</i>			
Brought forward at start of year, funded (table 12).....	625,331	651,256	653,507
Adjustments in expired accounts.....	2,079	-364	-342
Adjustments in unexpired accounts.....	-14,009	-17,252	-10,909
Deficiency appropriations.....	.....	10	.....
Carried forward at end of year (table 12).....	-651,256	-653,507	-639,332
Outlays (table 3).....	1,004,586	1,055,904	1,094,215
MEMORANDUM			
Federal funds included above:			
Budget authority available through current action by Congress.....	542,669	564,727	594,420
Budget authority ⁵	783,113	828,427	862,776
Obligations incurred, net ⁵	795,980	822,819	834,765
Budget outlays ⁵	760,916	804,961	835,348

¹ Includes budget authority and outlays that are off-budget under current law.² Excludes appropriations to liquidate contract authority.

	1987 actual	1988 estimate	1989 estimate
Enacted, pending, or recommended herein.....	37,991	43,308	35,123
For later transmittal.....	.....	.....	453

³ Includes redemption of agency debt and capital transfers to the general fund.⁴ For additional information on obligations incurred, net, see the OMB report entitled, "Object Class Analysis", which can be purchased from the National Technical Information Service shortly after the budget is transmitted.⁵ Amounts are net of intrafund transactions and proprietary receipts from the public.

Table 12. BALANCES OF BUDGET AUTHORITY ¹

(In millions of dollars)

Department or other unit	Start 1987		End 1987		End 1988		End 1989	
	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated	Obligated	Unobligated
Legislative Branch.....	387	416	460	353	520	238	585	222
The Judiciary.....	115	122	146	177	169	135	220	144
Executive Office of the President.....	17	*	19	.....	19	2	19	1
Funds appropriated to the President.....	49,736	27,227	52,224	28,398	50,880	28,339	49,665	28,365
Agriculture.....	30,142	1,705	31,647	2,121	31,561	1,444	25,600	1,183
Commerce.....	1,468	387	1,558	250	1,656	80	1,431	115
Defense—Military ²	198,892	59,651	214,115	47,621	224,794	41,233	231,126	40,058
Defense—Civil.....	2,135	22,930	2,457	37,061	2,721	51,398	2,908	66,002
Education.....	13,670	1,676	13,637	2,241	14,977	1,759	15,984	1,955
Energy.....	7,128	2,651	7,192	1,836	8,259	598	8,375	754
Health and Human Services, except Social Security.....	7,736	48,461	9,390	57,433	10,726	72,322	11,552	94,251
Health and Human Services, Social Security.....	15,824	30,046	16,864	48,576	18,020	84,192	19,228	128,123
Housing and Urban Development.....	205,381	56,698	208,002	48,162	195,449	38,994	178,871	34,052
Interior.....	2,165	2,095	2,106	2,065	2,299	1,758	2,161	1,605
Justice.....	1,006	350	1,685	536	2,061	391	2,316	498
Labor.....	3,793	25,412	3,705	32,046	3,975	41,183	4,285	49,469
State.....	855	3,958	1,009	4,721	1,554	4,595	2,000	4,568
Transportation.....	38,850	12,034	38,553	12,292	38,975	12,373	36,794	13,780
Treasury.....	1,423	19,387	1,844	20,277	1,871	19,937	3,386	31,520
Environmental Protection Agency.....	8,831	1,046	8,396	1,901	9,211	1,196	9,464	497
General Services Administration.....	375	1,275	750	1,106	975	1,002	1,208	837
National Aeronautics and Space Administration.....	1,640	1,256	2,795	3,298	4,078	1,739	5,043	1,179
Office of Personnel Management.....	2,884	166,458	3,365	183,758	3,079	203,224	3,376	222,882
Small Business Administration.....	421	444	426	785	364	850	300	1,632
Veterans Administration.....	4,217	13,515	4,697	13,269	6,292	13,083	6,873	13,094
Other independent agencies:								
Export-Import Bank.....	1,732	797	1,561	1,093	889	1,207	128	1,669
Federal Home Loan Bank Board.....	6,671	1,084	3,431	1,169	2	6,160	1	9,255
Railroad Retirement Board.....	158	6,289	52	6,781	97	7,499	256	7,684
All other independent agencies.....	17,676	15,840	19,170	17,242	18,034	16,050	16,180	19,063
Allowances ³							-2	
Total.....	625,331	523,209	651,256	576,566	653,507	652,980	639,332	774,454
MEMORANDUM								
Federal funds.....	554,024	188,661	577,745	173,171	578,084	155,712	566,260	163,577
Trust funds.....	71,307	334,548	73,511	403,395	75,423	497,268	73,072	610,877
Total.....	625,331	523,209	651,256	576,566	653,507	652,980	639,332	774,454

^{*} \$500 thousand or less.¹ Includes balances of budget authority that are off-budget under current law.² Includes balances of allowances for the Department of Defense.³ Includes balances of allowances for civilian agencies.

Table 13. RECEIPTS BY SOURCE

(In millions of dollars)

Source	1987 actual	1988 estimate	1989 estimate
Individual income taxes:			
Withheld.....	322,496	325,968	345,491
Other.....	142,957	148,191	144,699
Proposed legislation.....		1	-450
Gross individual income taxes.....	465,453	474,160	489,740
Refunds.....	-72,896	-80,765	-77,387
Net individual income taxes.....	392,557	393,395	412,353
Corporation income taxes:			
Federal funds:			
Existing law.....	102,663	124,380	137,940
Proposed legislation.....		-383	-1,072
Refunds.....	-18,933	-18,763	-19,541
Total Federal funds net corporation income taxes.....	83,730	105,234	117,327
Trust funds:			
Existing law (Hazardous substance superfund).....	196	333	377
Refunds.....			
Total Trust funds net corporation income taxes.....	196	333	377
Total net corporation income taxes.....	83,926	105,567	117,704
Social insurance taxes and contributions (trust funds):			
Employment taxes and contributions:			
Old-age and survivors insurance (Off-budget).....	194,541	218,890	235,872
Disability insurance (Off-budget).....	18,861	21,009	22,609
Hospital insurance.....	55,992	59,718	63,405
Proposed legislation.....			1,615
Railroad retirement:			
Social Security equivalent account.....	1,414	1,274	1,244
Rail pension fund.....	2,220	2,178	2,136
Total employment taxes and contributions.....	273,028	303,069	326,880
On-budget.....	(59,626)	(63,170)	(68,399)
Off-budget.....	(213,402)	(239,899)	(258,481)
Unemployment insurance:			
State taxes deposited in Treasury ¹	19,134	17,510	16,383
Federal unemployment tax receipts ¹	6,080	5,887	6,362
Railroad unemployment tax receipts ¹	204	188	176
Railroad debt repayment ¹	157	142	68
Total unemployment insurance.....	25,575	23,727	22,989
Other retirement contributions:			
Federal employees' retirement—employee contributions.....	4,613	4,619	4,594
Contributions for non-Federal employees ²	102	99	96
Proposed legislation.....			4
Total other retirement contributions.....	4,715	4,717	4,695
Total social insurance taxes and contributions.....	303,318	331,513	354,565
On-budget.....	(89,916)	(91,614)	(96,084)
Off-budget.....	(213,402)	(239,899)	(258,481)
Excise taxes:			
Federal funds:			
Alcohol taxes:			
Distilled spirits.....	4,159	4,154	4,277
Beer.....	1,635	1,663	1,675
Wines.....	320	330	333
Special taxes in connection with liquor occupations.....	21	39	105
Refunds.....	-164	-166	-171

Table 13. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1987 actual	1988 estimate	1989 estimate
Total alcohol taxes.....	5,971	6,020	6,219
Tobacco taxes:			
Cigarettes.....	4,697	4,585	4,514
Cigars.....	40	40	40
Cigarette papers and tubes.....	2	2	2
Smokeless tobacco.....	24	24	24
Other.....	8	8	8
Refunds.....	-8	-8	-8
Total tobacco taxes.....	4,763	4,651	4,580
Manufacturers' excise taxes:			
Gasoline.....	1	1	1
Firearms, shells, and cartridges.....	79	80	81
Pistols and revolvers.....	25	26	26
Bows and arrows.....	11	12	12
Gas guzzler tax.....	146	168	178
Refunds.....	-33	-33	-33
Total manufacturers' excise taxes.....	229	254	265
Miscellaneous excise taxes:			
General and toll telephone and teletype service.....	2,522	2,713	2,964
Wagering taxes, including occupational taxes.....	10	8	9
Employee pension plans.....	291	141	37
Tax on foundations.....	232	279	297
Foreign insurance policies.....	115	90	90
Refunds.....	-5	-20	-20
Total miscellaneous excise taxes.....	3,165	3,211	3,377
Undistributed Federal tax deposits and unapplied collections: ³			
Existing law.....	716	1,630	872
Proposed legislation.....		-17	-24
Total undistributed Federal tax deposits and unapplied collections.....	716	1,613	848
Total Federal fund excise taxes.....	14,844	15,749	15,289
Trust funds:			
Highway:			
Gasoline.....	8,714	9,411	9,213
Trucks, buses, and trailers.....	723	1,306	1,284
Tires, innertubes, and tread rubber.....	292	309	310
Diesel fuel used on highways.....	2,811	2,973	3,155
Use-tax on certain vehicles.....	620	554	557
Refunds.....	-128	-221	-221
Total highway trust fund ⁴	13,032	14,332	14,298
Airport and airway:			
Transportation of persons.....	2,700	2,988	3,240
Waybill tax.....	159	182	198
Tax on fuels.....	116	114	114
International departure tax.....	91	107	111
Refunds.....	-6	-9	-5
Total airport and airway trust fund.....	3,060	3,382	3,658
Aquatic resources trust fund.....	194	199	194
Black lung disability insurance trust fund.....	572	578	603
Inland waterway trust fund.....	48	49	50
Hazardous substances response trust fund.....	635	875	900
Post-closure liability trust fund.....	-1	-19	
Vaccine injury compensation fund.....		67	89
Leaking underground storage tank trust fund.....	73	130	131

Table 13. RECEIPTS BY SOURCE—Continued

(In millions of dollars)

Source	1987 actual	1988 estimate	1989 estimate
Total trust fund excise taxes	17,613	19,593	19,924
Total excise taxes	32,457	35,342	35,213
Estate and gift taxes	7,493	7,567	7,795
Customs duties:			
Federal funds	15,015	15,542	16,446
Proposed legislation		662	560
Trust funds	70	195	219
Total customs duties	15,085	16,399	17,224
Miscellaneous receipts: ⁵			
Miscellaneous taxes	123	195	203
Deposit of earnings, Federal Reserve System	16,817	16,053	16,421
Alternative fuels production	*		
Fees for permits and regulatory and judicial services:			
Immigration, passport, and consular fees	444	673	464
Patent and copyright fees	*		
Registration and filing fees	368	352	355
Coal mining reclamation fees	214	218	223
Miscellaneous fees for permits, licenses, etc	41	40	41
Miscellaneous fees for regulatory and judicial services	122	429	510
Proposed legislation			48
Fees for legal and judicial services	4	5	5
Total fees for permits and regulatory and judicial services	1,193	1,717	1,645
Fines, penalties, and forfeitures	1,139	1,393	1,530
Restitutions, reparations, and recoveries under military occupation	9	2	2
Gifts and contributions	46	45	44
Refunds and recoveries	-20	-25	-25
Total miscellaneous receipts	19,307	19,380	19,819
Total budget receipts	854,143	909,163	964,674
On-budget	(640,741)	(669,264)	(706,193)
Off-budget	(213,402)	(239,899)	(258,481)
MEMORANDUM			
On-budget:			
Federal funds	537,814	560,756	593,191
Trust funds	216,645	231,517	247,910
Interfund transactions	-113,718	-123,010	-134,909
Total on-budget	640,741	669,264	706,193
Off-budget (trust funds)	213,402	239,899	258,481
Total	854,143	909,163	964,674

* \$500 thousand or less.

¹ Deposits by States are State payroll taxes that cover the benefit part of the program. Federal unemployment tax receipts cover administrative costs at both the Federal and State level. Railroad unemployment tax receipts cover both the benefits and administrative costs of the program for the railroads.

² Represents employer and employee contributions to the civil service retirement and disability fund for covered employees of Government-sponsored, privately owned enterprises and the District of Columbia municipal government.

³ Includes current and back taxes and refunds for the windfall profit tax.

⁴ For 1987, includes \$2 million in fines and penalties not separately shown.

⁵ Includes both Federal and trust funds. Trust fund amounts in miscellaneous receipts are: 1987, \$177 million; 1988, \$186 million; and 1989, \$193 million.

Table 14. OFFSETTING RECEIPTS BY TYPE

(In millions of dollars)

Type	1987 actual	1988 estimate	1989 estimate
INTRAGOVERNMENTAL TRANSACTIONS			
Intrabudgetary transactions:			
Federal intrafund transactions:			
Distributed by agency:			
Interest from the Federal Financing Bank	15,216	15,127	14,224
Interest on Government capital in enterprises	4,413	4,091	4,457
Other	125	255	192
Total Federal intrafunds	19,754	19,473	18,873
Trust intrafund transactions:			
Distributed by agency	10	1	1
Total intrafund transactions	19,764	19,475	18,874
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Contributions to insurance programs:			
Military retirement fund	10,524	10,285	10,648
Supplementary medical insurance	20,299	25,418	31,380
Hospital insurance	999	1,012	1,056
Railroad social security equivalent benefits	2,330	2,440	2,627
Rail industry pension funds	81	291	1
Civilian supplementary retirement contributions	16,150	16,068	17,193
Unemployment insurance	285	302	320
Other	352	297	373
Miscellaneous contributions	732	491	237
Subtotal	51,752	56,605	63,836
Trust fund payments to Federal funds:			
Repayment of loans or advances to trust funds	4,611	2,951	3,324
Charges for services to trust funds	196	235	243
Other	239	228	227
Subtotal	5,046	3,414	3,795
Total interfunds distributed by agency	56,797	60,019	67,630
Undistributed by agency:			
Employer share, employee retirement (on-budget):			
Civil service retirement and disability insurance	7,212	8,368	8,448
Hospital insurance (contribution as employer) ¹	1,700	1,888	1,945
Military retirement fund	18,288	18,353	18,577
Other Federal employees retirement	59	61	68
Total employer share, employee retirement (on-budget)	27,259	28,670	29,038
Interest received by on-budget trust funds	29,662	34,321	38,240
Total interfund transactions undistributed by agency	56,921	62,991	67,278
Total interfund transactions	113,718	123,010	134,909
Total intrabudgetary transactions	133,482	142,484	153,783
Payments by on-budget accounts to off-budget accounts:			
Interfund transactions:			
Distributed by agency:			
Federal fund payments to trust funds:			
Old-age, survivors, and disability insurance	5,614	5,842	6,347
Undistributed by agency:			
Employer share, employee retirement (off-budget)	3,300	4,298	4,719
Interest received by off-budget trust funds	5,290	7,271	10,136
Total payments by on-budget accounts to off-budget accounts	14,205	17,411	21,201

Table 14. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Type	1987 actual	1988 estimate	1989 estimate
Payments by off-budget accounts to on-budget accounts:			
Intrafund transactions from off-budget accounts:			
Distributed by agency:			
Payments to railroad retirement ²	2,614	2,890	3,009
Interfund transactions from off-budget accounts:			
Distributed by agency:			
Interest payments to the Treasury.....	685	820	774
Total payments by off-budget accounts to on-budget accounts.....	3,299	3,710	3,783
Total intragovernmental transactions.....	150,986	163,605	178,768
PROPRIETARY RECEIPTS FROM THE PUBLIC			
Distributed by agency:			
Interest:			
Interest on loans, Foreign Assistance Act.....	359	310	309
Other interest on foreign loans and deferred foreign collections.....	838	1,022	1,059
Interest on deposits in tax and loan accounts.....	1,161	1,050	825
Other interest (domestic—civil) ³	747	608	522
Total interest.....	3,105	2,990	2,715
Dividends and other earnings.....	26	5	5
Rents:			
Rent and bonuses from land leases, etc.....	32	59	64
Rent of land and other real property.....	55	46	47
Rent of equipment and other personal property.....	15	16	16
Total rents.....	102	120	128
Royalties.....	708	805	849
Sale of products:			
Sale of timber and other natural land products.....	1,035	1,110	1,103
Sale of minerals and mineral products.....	664	757	760
Sale of power and other utilities.....	820	922	676
Sale of other products.....	*	*	*
Recovery of mint manufacturing expense.....	72	105	72
Total sale of products.....	2,590	2,894	2,611
Fees and other charges for services and special benefits:			
Medicare premiums and other charges (trust fund).....	6,520	8,800	10,476
Revenues for enrichment of uranium.....	1,155	1,109	1,292
Nuclear waste disposal revenues.....	441	508	537
Veterans life insurance (trust funds).....	442	430	417
Tolls and other revenues, Panama Canal.....	441	113	.....
Other ³	1,418	1,701	1,692
Total fees and other charges.....	10,417	12,661	14,414
Sale of Government property:			
Sale of land and other real property ³	76	228	227
Sale of equipment and other personal property:			
Sale from the stockpile of strategic and critical materials.....	*	.....	.....
Military assistance program sales (trust fund).....	8,504	8,417	8,062
Sale of scrap and salvage material.....	61	67	69
Total sale of Government property.....	8,641	8,712	8,359
Realization upon loans and investments:			
Dollar repayments of loans, Agency for International Development.....	394	433	410
Foreign military credit sales.....	464	114	132
Dollar conversion of foreign currency.....	42	40	40
Repayment of loans to United Kingdom.....	89	90	92
Other.....	450	164	159

Table 14. OFFSETTING RECEIPTS BY TYPE—Continued

(In millions of dollars)

Type	1987 actual	1988 estimate	1989 estimate
Total realization upon loans and investments.....	1,440	841	833
Recoveries and refunds ³	549	530	556
Miscellaneous receipt accounts ³	1,147	1,611	1,011
Total proprietary receipts from the public distributed by agency	28,723	31,170	31,482
Undistributed by agency:			
Other interest: Interest received from Outer Continental Shelf escrow account ...	903		484
Rents and royalties on the Outer Continental Shelf:			
Rents and bonuses.....	1,603	719	1,251
Royalties	2,418	2,436	2,669
Sale of major assets.....	1,875		3,325
Total proprietary receipts from the public undistributed by agency.....	6,799	3,155	7,730
Total proprietary receipts from the public ⁴	35,522	34,325	39,211
Total offsetting receipts	186,508	197,930	217,979

* \$500 thousand or less.

¹ Includes provision for covered Federal civilian employees and military personnel.² Interchange receipts between the social security and railroad retirement funds place the social security funds in the same position they would have been if there were no separate railroad retirement system.³ Includes both Federal funds and trust funds.⁴ Consists of:

	1987 actual	1988 estimate	1989 estimate
Federal funds	18,833	15,412	18,983
Trust funds	16,656	18,913	20,228
Off-budget.....	33		

Table 15. LEGISLATIVE PROPOSALS FOR MAJOR NEW AND EXPANDED PROGRAMS IN THE 1989 BUDGET, PROJECTIONS OF COSTS *

(In millions of dollars)

		Estimates						
		1988	1989	1990	1991	1992		1993
Department of Agriculture:								
FmHA rural housing voucher program.....	BA		382	382	382	382	382	This program would provide assistance to reduce the rents of 20,000 additional low-income families living in rural areas. It would replace the rural rental assistance payments program and would be in addition to the FmHA rural housing voucher demonstration program.
	O.....		4	61	137	214	291	
Department of Energy:								
Strategic Petroleum Reserve.....	BA		684	793	829	874	781	This proposal would double the fill rate of the Strategic Petroleum Reserve to 100,000 barrels per day and would create an additional 10 million barrel inventory contingent upon the enactment of legislation authorizing the sale of the Naval Petroleum Reserve. The increase in funding would be derived from the proceeds of the sale.
	O.....		479	761	818	860	809	
Superconducting Super Collider.....	BA		363	675	475	450	490	This proposal would initiate the construction of the Superconducting Super Collider, the world's most powerful atom smasher. The 1989 request represents the first year of an eight year, \$5.3 billion construction project.
	O.....		230	440	258	350	470	
Department of Health and Human Services:								
Welfare reform.....	BA		274	85	-17	-138	-202	This proposal would reform and substantially expand AFDC employment and training programs and strengthen child support enforcement, resulting in major welfare savings; and give States broad demonstration authority for low-income programs. No funding is proposed for WIN.
	O.....		74	49	-51	-123	-187	
Catastrophic health insurance.....	BA							This deficit-neutral proposal, which is consistent with Senate-passed legislation, H.R. 2470, would provide affordable catastrophic health insurance for the elderly and disabled.
	O.....							
Department of Justice:								
Prison expansion.....	BA		450	594	651	842	933	This proposal would reduce prison overcrowding by building and opening new prisons and increasing staffing at existing prisons.
	O.....		228	409	614	843	919	

Department of Labor:									
Worker readjustment program.....	BA	948	980	980	980	980		This proposal would replace existing fragmented assistance programs with one new program that provides job search assistance and training to all dislocated workers regardless of the reason for their unemployment. The new program would serve about 700,000 persons when fully operational.	
	O.....	29	795	957	979	980			
Department of Transportation:									
Operating differential subsidies	BA	224	78	75	78	80	This proposal assumes enactment of operating differential subsidy reform legislation that would give carriers increased operating flexibility, reduce the amount of subsidy permitted per ship, and permit additional carriers to receive subsidies.		
	O.....	26	20	-7	25	55			
NASA:									
Space station	BA	567	1,711	2,470	3,065	3,213	This proposal would continue a strong commitment to the space station to achieve a permanently manned presence in space in the mid-1990s. The Administration is also proposing a three-year advance appropriation commitment from Congress for \$6.0 billion, and, later this year, legislation to establish a total program cost ceiling, as ways to provide program stability and cost-control discipline.		
	O.....	284	1,137	1,946	2,605	3,029			

* The table is supplied to meet the requirements of section 221(a) of the Legislative Reorganization Act of 1970 (Public Law 91-510). The economic assumptions used to prepare these estimates are shown in Part 3b of this volume. These estimates do not reflect the effects of experience gained in operating the programs or reductions in the costs of other programs that might come about if the proposals were adopted. Since the assumptions upon which these estimates are based may change, they do not represent a commitment to specific funding levels in future years.

Table 16. CONTROLLABILITY OF OUTLAYS, 1987-89

(Dollar amounts in billions)

	1987 actual	1988 estimate	1989 estimate
Relatively uncontrollable under present law:			
Open-ended programs and fixed costs:			
Payments for individuals:			
Social security and railroad retirement	208.6	220.9	235.0
On-budget	(2.8)	(2.7)	(2.8)
Off-budget	(205.8)	(218.3)	(232.2)
Federal employees' retirement and insurance	55.2	57.7	61.2
Unemployment assistance	15.7	14.4	14.9
Medical care	105.9	114.8	124.7
Assistance to students	3.7	3.7	3.8
Food and nutrition assistance	4.1	4.4	4.7
Public assistance and related programs	25.7	29.9	30.6
All other relatively uncontrollable payments for individuals	2.9	2.8	3.1
Subtotal, payments for individuals	421.7	448.8	478.1
Net interest	138.6	147.9	151.6
On-budget	(143.9)	(155.1)	(161.8)
Off-budget	(- 5.3)	(- 7.3)	(- 10.1)
General revenue sharing .....	.1		
Farm price supports (CCC)	22.4	17.7	17.1
Other open-ended programs and fixed costs	1.3	.2	- 4.7
Total, open-ended programs and fixed costs	584.0	614.5	642.2
Outlays from prior-year contracts and obligations: ¹			
National defense	112.7	114.1	117.7
Civilian programs	72.5	70.1	81.2
Total, outlays from prior-year contracts and obligations	185.3	184.3	198.9
Total, relatively uncontrollable outlays	769.3	798.8	841.1
Relatively controllable outlays:			
National defense	169.1	171.1	176.3
Civilian programs	96.8	119.1	110.6
Administrative expenses of relatively uncontrollable payments for individuals	(8.1)	(8.7)	(9.1)
On-budget	(5.8)	(6.5)	(6.8)
Off-budget	(2.3)	(2.3)	(2.4)
Other	(88.7)	(110.3)	(101.5)
Total, relatively controllable outlays ²	265.9	290.1	286.9
Undistributed employer share, employee retirement	- 30.6	- 33.0	- 33.8
On-budget	(- 27.3)	(- 28.7)	(- 29.0)
Off-budget	(- 3.3)	(- 4.3)	(- 4.7)
Total outlays	1,004.6	1,055.9	1,094.2

Table 16. CONTROLLABILITY OF OUTLAYS, 1987-89—Continued

(Dollar amounts in billions)

	1987 actual	1988 estimate	1989 estimate
MEMORANDUM—Percent of total outlays			
Relatively uncontrollable under present law:			
Open-ended programs and fixed costs:			
Payments for individuals	42.0	42.5	43.7
Other	16.2	15.7	15.0
Total open-ended programs and fixed costs	58.1	58.2	58.7
Outlays from prior-year contracts and obligations	18.4	17.5	18.2
Total relatively uncontrollable outlays	76.6	75.6	76.9
Relatively controllable outlays	26.5	27.5	26.2
Undistributed employer share, employee retirement	-3.0	-3.1	-3.1
Total outlays	100.0	100.0	100.0

¹ Excluding prior year contracts and obligations for activities shown as "open-ended programs and fixed costs."

² In addition to amounts provided under current law, includes the effect of proposed legislation as follows: for open-ended programs and fixed costs, -\$2 million in 1988 and -\$3.7 billion in 1989 (all of which is for civilian programs); and for other relatively controllable programs, \$0.7 billion in 1988 and -\$1.6 billion in 1989 (of which -\$0.2 billion in 1989 is for national defense and \$0.7 billion in 1988 and -\$1.4 billion in 1989 is for civilian programs).

Table 17. RECEIPTS BY SOURCE, 1979-89

(In millions of dollars)

Source	Actual									Estimate	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Individual income taxes	217,841	244,069	285,917	297,744	288,938	298,415	334,531	348,959	392,557	393,395	412,353
Corporation income taxes.....	65,677	64,600	61,137	49,207	37,022	56,893	61,331	63,143	83,926	105,567	117,704
Social insurance taxes and contributions (trust funds):											
Employment taxes and contributions:											
Old-age and survivors insurance (off-budget)	83,410	96,581	117,757	122,840	128,972	150,312	169,822	182,518	194,541	218,890	235,872
Disability insurance (off-budget).....	14,584	16,628	12,418	20,626	18,348	15,763	16,348	17,711	18,861	21,009	22,609
Hospital insurance	19,874	23,217	30,340	34,301	35,641	40,262	44,871	51,335	55,992	59,718	65,020
Railroad retirement.....	2,190	2,323	2,457	2,917	2,805	3,321	3,605	3,498	3,634	3,452	3,380
Total employment taxes and contributions	120,058	138,748	162,973	180,686	185,766	209,658	234,646	255,062	273,028	303,069	326,880
Unemployment insurance.....	15,387	15,336	15,763	16,600	18,799	25,138	25,758	24,098	25,575	23,727	22,989
Other retirement contributions:											
Federal employees' retirement employee contributions.....	3,428	3,660	3,908	4,140	4,351	4,494	4,672	4,645	4,613	4,619	4,594
Contributions for non-Federal employees.....	66	59	76	72	78	86	87	96	102	99	101
Total other retirement contributions	3,494	3,719	3,984	4,212	4,429	4,580	4,759	4,742	4,715	4,717	4,695
Total social insurance taxes and contributions..	138,939	157,803	182,720	201,498	208,994	239,376	265,163	283,901	303,318	331,513	354,565
Excise taxes:											
Federal funds:											
Alcohol.....	5,531	5,601	5,606	5,382	5,557	5,315	5,562	5,828	5,971	6,020	6,219
Tobacco	2,492	2,443	2,581	2,537	4,136	4,660	4,779	4,589	4,763	4,651	4,580
Windfall profit tax ¹		6,934	23,252	18,407	12,135	8,906	6,348	2,251			
Other	1,785	585	2,689	2,344	2,258	3,398	2,408	3,385	4,110	5,078	4,490

Total Federal fund excise taxes.....	9,808	15,563	34,128	28,670	24,086	22,279	19,097	16,053	14,844	15,749	15,289
Trust funds:											
Highway	7,189	6,620	6,305	6,744	8,297	11,743	13,015	13,363	13,032	14,332	14,298
Airport and airway.....	1,526	1,874	21	133	2,165	2,499	2,851	2,736	3,060	3,382	3,658
Other	222	272	385	765	753	840	1,028	767	1,521	1,879	1,967
Total trust fund excise taxes	8,937	8,766	6,711	7,641	11,214	15,082	16,894	16,866	17,613	19,593	19,924
Total excise taxes	18,745	24,329	40,839	36,311	35,300	37,361	35,992	32,919	32,457	35,342	35,213
Estate and gift taxes	5,411	6,389	6,787	7,991	6,053	6,010	6,422	6,958	7,493	7,567	7,795
Customs duties	7,439	7,174	8,083	8,854	8,655	11,370	12,079	13,327	15,085	16,399	17,224
Miscellaneous receipts:											
Deposits of earnings by Federal Reserve System	8,327	11,767	12,834	15,186	14,492	15,684	17,059	18,374	16,817	16,053	16,421
Other miscellaneous receipts	925	981	956	975	1,108	1,347	1,480	1,510	2,490	3,327	3,398
Total miscellaneous receipts ²	9,252	12,748	13,790	16,161	15,601	17,031	18,539	19,884	19,307	19,380	19,819
Total receipts	463,302	517,112	599,272	617,766	600,562	666,457	734,057	769,091	854,143	909,163	964,674
(on-budget)	(365,309)	(403,903)	(469,097)	(474,299)	(453,242)	(500,382)	(547,886)	(568,862)	(640,741)	(669,264)	(706,193)
(off-budget)	(97,994)	(113,209)	(130,176)	(143,467)	(147,320)	(166,075)	(186,171)	(200,228)	(213,402)	(239,899)	(258,481)
MEMORANDUM											
On-budget:											
Federal funds	316,366	350,856	410,422	409,253	382,323	419,610	459,488	473,484	537,814	560,756	593,191
Trust funds	85,983	94,679	106,037	122,111	147,290	158,079	197,516	206,921	216,645	231,517	247,910
Interfund transactions	-37,041	-41,632	-47,362	-57,065	-76,371	-77,307	-109,118	-111,543	-113,718	-123,010	-134,909
Total on-budget	365,309	403,903	469,097	474,299	453,242	500,382	547,886	568,862	640,741	669,264	706,193
Off-budget (trust funds)	97,994	113,209	130,176	143,467	147,320	166,075	186,171	200,228	213,402	239,899	258,481
Total	463,302	517,112	599,272	617,766	600,562	666,457	734,057	769,091	854,143	909,163	964,674

¹ Net of refunds.² Includes both Federal and trust funds.

Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1979-89

(In millions of dollars)

Function and subfunction	Actual									Estimate	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
050 NATIONAL DEFENSE:											
051 Department of Defense—Military:											
Military Personnel.....	37,345	40,897	47,941	55,170	60,886	64,158	67,842	71,511	72,020	75,453	77,827
Operation and Maintenance.....	36,424	44,770	51,864	59,674	64,915	67,369	72,348	75,259	76,205	80,433	82,725
Procurement.....	25,404	29,021	35,191	43,271	53,624	61,879	70,381	76,517	80,744	79,166	79,820
Research, Development, Test, and Evaluation.....	11,152	13,127	15,278	17,729	20,554	23,117	27,103	32,283	33,596	33,127	36,295
Military Construction.....	2,080	2,450	2,458	2,922	3,524	3,706	4,260	5,067	5,853	5,418	5,668
Family Housing.....	1,468	1,680	1,721	1,993	2,126	2,413	2,642	2,819	2,908	3,022	3,229
Other ¹	-284	-1,050	-605	-65	-1,236	-1,732	553	1,995	2,640	655	-63
051 Subtotal, Department of Defense—Military.....	113,589	130,894	153,847	180,694	204,393	220,909	245,130	265,452	273,966	277,275	285,500
053 Atomic energy defense activities.....	2,541	2,878	3,398	4,309	5,171	6,120	7,098	7,445	7,451	7,631	7,945
054 Defense-related activities.....	212	224	268	306	339	384	519	479	582	517	575
TOTAL, 050 NATIONAL DEFENSE.....	116,342	133,995	157,513	185,309	209,903	227,413	252,748	273,375	281,999	285,423	294,020
150 INTERNATIONAL AFFAIRS:											
151 International development and humanitarian assistance.....	2,910	3,626	4,131	3,772	3,955	4,478	5,409	4,968	4,319	4,744	4,618
152 International security assistance.....	3,655	4,763	5,095	5,416	6,613	7,924	9,391	10,499	7,106	2,428	5,991
153 Conduct of foreign affairs.....	1,310	1,366	1,346	1,630	1,766	1,882	2,054	2,280	2,218	2,699	2,769
154 Foreign information and exchange activities.....	465	534	525	571	602	682	793	907	990	1,119	1,115
155 International financial programs.....	-881	2,425	2,007	911	-1,089	910	-1,471	-4,501	-2,985	-1,065	-1,160
TOTAL, 150 INTERNATIONAL AFFAIRS.....	7,459	12,714	13,104	12,300	11,848	15,876	16,176	14,152	11,649	9,926	13,334

250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY:											
251 General science and basic research.....	1,298	1,381	1,477	1,607	1,644	1,849	2,019	2,221	2,260	2,468	2,922
253 Space flight.....	2,217	2,594	3,053	3,543	4,053	4,028	3,989	3,794	4,137	5,180	6,350
254 Space, science, applications, and technology.....	1,153	1,346	1,384	1,457	1,486	1,687	1,858	2,127	1,942	2,352	2,673
255 Supporting space activities.....	567	512	555	593	751	754	761	835	878	903	1,158
TOTAL, 250 GENERAL SCIENCE, SPACE, AND TECHNOLOGY.....	5,235	5,832	6,469	7,200	7,935	8,317	8,627	8,976	9,216	10,903	13,103
270 ENERGY:											
271 Energy supply.....	7,165	8,367	10,202	8,263	6,143	3,255	2,615	2,839	2,318	1,177	915
272 Energy conservation.....	252	569	730	516	477	527	491	515	281	325	308
274 Emergency energy preparedness.....	1,021	342	3,280	3,877	1,855	2,518	1,838	597	788	611	1,113
276 Energy information, policy, and regulation.....	742	878	955	871	878	787	740	785	727	600	724
TOTAL, 270 ENERGY.....	9,180	10,156	15,166	13,527	9,353	7,086	5,685	4,735	4,115	2,713	3,061
300 NATURAL RESOURCES AND ENVIRONMENT:											
301 Water resources.....	3,853	4,223	4,132	3,948	3,904	4,070	4,122	4,041	3,783	4,154	4,298
302 Conservation and land management.....	821	1,043	1,191	1,084	1,503	1,302	1,481	1,388	1,473	2,483	3,266
303 Recreational resources.....	1,487	1,677	1,597	1,435	1,454	1,581	1,621	1,513	1,564	1,824	1,589
304 Pollution control and abatement.....	4,707	5,510	5,170	5,012	4,263	4,044	4,465	4,831	4,869	4,819	5,097
306 Other natural resources.....	1,266	1,405	1,478	1,519	1,548	1,595	1,668	1,866	1,675	1,860	1,773
TOTAL, 300 NATURAL RESOURCES AND ENVIRONMENT.....	12,135	13,858	13,568	12,998	12,672	12,593	13,357	13,639	13,363	15,139	16,024
350 AGRICULTURE:											
351 Farm income stabilization.....	9,895	7,441	9,783	14,344	21,323	11,877	23,751	29,608	25,492	20,334	19,763
352 Agricultural research and services.....	1,340	1,398	1,540	1,599	1,578	1,736	1,813	1,841	1,864	2,018	1,969
TOTAL, 350 AGRICULTURE.....	11,236	8,839	11,323	15,944	22,901	13,613	25,565	31,449	27,356	22,352	21,732

Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1979-89—Continued

(In millions of dollars)

Function and subfunction	Actual									Estimate	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
370 COMMERCE AND HOUSING CREDIT:											
371 Mortgage credit and deposit insurance.....	2,253	5,602	4,696	4,016	3,880	3,766	871	2,341	3,062	8,205	5,355
372 Postal Service.....	896	1,246	1,432	154	1,111	1,239	1,351	758	1,593	2,223	675
376 Other advancement of commerce.....	1,537	2,542	2,078	2,085	1,690	1,913	2,007	1,790	1,527	1,936	1,832
TOTAL, 370 COMMERCE AND HOUSING CREDIT.....	4,686	9,390	8,206	6,256	6,681	6,917	4,229	4,890	6,182	12,364	7,862
400 TRANSPORTATION:											
401 Ground transportation.....	12,115	15,274	17,074	14,321	14,265	16,158	17,606	18,725	17,157	17,797	17,172
402 Air transportation.....	3,355	3,723	3,814	3,526	4,000	4,415	4,895	5,287	5,520	6,014	6,603
403 Water transportation.....	1,969	2,229	2,381	2,687	2,969	3,010	3,201	3,964	3,461	3,293	3,365
407 Other transportation.....	93	104	110	90	99	85	137	140	91	133	141
TOTAL, 400 TRANSPORTATION.....	17,532	21,329	23,379	20,625	21,334	23,669	25,838	28,117	26,228	27,237	27,280
450 COMMUNITY AND REGIONAL DEVELOPMENT:											
451 Community development.....	4,000	4,907	5,070	4,608	4,353	4,520	4,598	4,095	3,680	3,768	3,920
452 Area and regional development.....	4,868	4,303	3,818	3,841	3,208	3,034	3,117	2,723	1,599	2,500	2,210
453 Disaster relief and insurance.....	1,611	2,043	1,680	-102	-1	119	-35	416	-229	53	-251
TOTAL, 450 COMMUNITY AND REGIONAL DEVELOPMENT.....	10,480	11,252	10,568	8,347	7,560	7,673	7,680	7,233	5,051	6,321	5,879
500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:											
501 Elementary, secondary, and vocational education.....	6,123	6,908	7,157	6,780	6,294	6,520	7,633	7,832	7,911	8,614	9,380
502 Higher education.....	5,058	6,726	8,866	7,206	7,231	7,383	8,211	8,415	7,406	8,465	11,625
503 Research and general education aids.....	1,131	1,197	997	1,041	1,055	1,210	1,121	1,164	1,255	1,407	1,388

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THE BUDGET FOR FISCAL YEAR 1989

504 Training and employment	10,833	10,345	9,241	5,464	5,295	4,644	4,972	5,257	5,084	5,221	5,211
505 Other labor services	488	551	587	589	599	639	678	672	675	768	808
506 Social services.....	6,592	6,116	6,861	5,950	6,133	7,185	6,728	7,246	7,394	9,176	8,951
TOTAL, 500 EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES.....	30,223	31,843	33,709	27,029	26,606	27,579	29,342	30,585	29,724	33,652	37,362
550 HEALTH:											
551 Health care services.....	15,988	18,003	21,205	21,786	23,008	24,522	26,984	28,850	32,616	36,309	38,637
552 Health research.....	3,023	3,442	3,836	3,948	3,973	4,379	4,908	5,393	5,599	6,477	7,369
553 Education and training of health care work force.....	583	719	779	670	578	388	468	529	556	415	465
554 Consumer and occupational health and safety.....	899	1,006	1,047	1,041	1,081	1,129	1,182	1,165	1,197	1,278	1,300
TOTAL, 550 HEALTH.....	20,494	23,169	26,866	27,445	28,641	30,417	33,542	35,936	39,968	44,479	47,771
570 MEDICARE.....	26,495	32,090	39,149	46,567	52,588	57,540	65,822	70,164	75,120	78,857	84,015
600 INCOME SECURITY:											
601 General retirement and disability insurance (excluding social security).....	4,373	5,083	5,439	5,571	5,581	5,441	5,617	5,330	5,565	4,894	5,200
602 Federal employee retirement and disability.....	22,658	26,594	31,277	34,325	36,507	38,054	38,591	41,363	43,745	46,163	49,357
603 Unemployment compensation.....	10,813	18,051	19,656	23,728	31,464	18,421	17,475	17,753	17,080	15,764	16,375
604 Housing assistance.....	4,367	5,632	7,752	8,738	9,998	11,270	25,263	12,383	12,656	13,833	14,847
605 Food and nutrition assistance.....	10,787	14,016	16,205	15,581	17,952	18,055	18,540	18,602	18,940	20,530	20,765
609 Other income security.....	13,361	17,163	19,394	19,774	21,096	21,427	22,715	24,364	25,264	28,376	29,028
TOTAL, 600 INCOME SECURITY.....	66,359	86,540	99,723	107,717	122,598	112,668	128,200	119,796	123,250	129,560	135,573
650 SOCIAL SECURITY.....	104,073	118,547	139,584	155,964	170,724	178,223	188,623	198,757	207,353	219,717	233,769
On-budget.....	(757)	(675)	(670)	(844)	(19,993)	(7,056)	(5,189)	(8,072)	(4,930)	(5,022)	(5,572)
Off-budget.....	(103,316)	(117,872)	(138,914)	(155,120)	(150,731)	(171,167)	(183,434)	(190,684)	(202,422)	(214,695)	(228,197)
700 VETERANS BENEFITS AND SERVICES:											
701 Income security for veterans.....	10,780	11,688	12,909	13,710	14,250	14,400	14,714	15,031	14,962	14,943	15,675

Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1979-89—Continued

(In millions of dollars)

Function and subfunction	Actual									Estimate	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
702 Veterans education, training and rehabilitation.....	2,760	2,342	2,254	1,947	1,625	1,359	1,059	526	454	428	472
703 Hospital and medical care for veterans...	5,611	6,515	6,965	7,517	8,272	8,861	9,547	9,872	10,266	10,828	11,012
704 Veterans housing.....	154	-23	201	102	3	244	214	114	330	654	1,536
705 Other veterans benefits and services.....	627	665	662	682	696	751	758	813	769	896	877
TOTAL, 700 VETERANS BENEFITS AND SERVICES.....	19,931	21,185	22,991	23,958	24,846	25,614	26,292	26,356	26,782	27,748	29,573
750 ADMINISTRATION OF JUSTICE:											
751 Federal law enforcement activities.....	1,992	2,237	2,437	2,529	2,887	3,205	3,526	3,632	4,105	4,953	5,207
752 Federal litigative and judicial activities....	1,130	1,347	1,491	1,517	1,627	1,825	2,064	2,176	2,482	2,809	3,280
753 Federal correctional activities.....	337	342	361	364	418	494	537	614	711	842	1,112
754 Criminal justice assistance.....	710	656	473	294	167	136	150	181	250	366	295
TOTAL, 750 ADMINISTRATION OF JUSTICE.....	4,169	4,582	4,762	4,703	5,099	5,660	6,277	6,603	7,548	8,970	9,894
800 GENERAL GOVERNMENT:											
801 Legislative functions.....	921	1,038	1,041	1,181	1,196	1,319	1,355	1,383	1,444	1,574	1,755
802 Executive direction and management.....	81	97	100	96	96	97	113	109	110	123	133
803 Central fiscal operations.....	2,174	2,614	2,616	2,593	3,053	3,254	3,485	3,605	3,918	5,304	5,443
804 General property and records management.....	299	327	144	238	196	201	96	475	146	-24	66
805 Central personnel management.....	127	154	159	136	115	139	164	126	143	145	134
806 General purpose fiscal assistance.....	8,369	8,582	6,854	6,390	6,452	6,768	6,353	6,431	1,621	1,804	1,828
808 Other general government.....	523	569	745	504	768	557	521	482	810	969	632
809 Deductions for offsetting receipts.....	-198	-351	-222	-216	-636	-513	-506	-78	-623	-1,098	-500
TOTAL, 800 GENERAL GOVERNMENT.....	12,297	13,030	11,436	10,922	11,241	11,821	11,582	12,533	7,569	8,796	9,492

870 CENTRAL FEDERAL CREDIT ACTIVITIES:											
871 Central Federal credit activities.....											-6,282
TOTAL, 870 CENTRAL FEDERAL CREDIT ACTIVITIES.....											-6,282
900 NET INTEREST:											
901 Interest on the public debt.....	59,837	74,781	95,503	117,190	128,619	153,822	178,823	190,155	195,249	210,052	220,262
902 Interest received by on-budget trust funds.....	-7,727	-9,707	-11,523	-13,995	-15,257	-17,044	-21,838	-26,558	-29,662	-34,321	-38,240
903 Interest received by off-budget trust funds.....	-2,224	-2,339	-2,288	-2,071	-1,845	-3,310	-4,118	-4,329	-5,290	-7,271	-10,136
908 Other interest.....	-7,271	-10,224	-12,958	-16,129	-21,743	-22,410	-23,438	-23,298	-21,727	-20,590	-20,082
TOTAL, 900 NET INTEREST.....	42,615	52,512	68,734	84,995	89,774	111,058	129,430	135,969	138,570	147,871	151,804
On-budget.....	(44,839)	(54,851)	(71,022)	(87,065)	(91,619)	(114,368)	(133,548)	(140,298)	(143,860)	(155,142)	(161,940)
Off-budget.....	(-2,224)	(-2,339)	(-2,288)	(-2,071)	(-1,845)	(-3,310)	(-4,118)	(-4,329)	(-5,290)	(-7,271)	(-10,136)
920 ALLOWANCES:											
923 Savings from reform of Davis-Bacon and Service Contracts Acts (non-DOD).....											-48
TOTAL, 920 ALLOWANCES.....											-48

Table 18. OUTLAYS BY FUNCTION AND SUBFUNCTION, 1979-89—Continued

(In millions of dollars)

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THE BUDGET FOR FISCAL YEAR 1989

Function and subfunction	Actual									Estimate	
	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
950 UNDISTRIBUTED OFFSETTING RECEIPTS:											
951 Employer share, employee retirement (on-budget).....	-13,095	-14,638	-16,473	-18,203	-21,706	-23,219	-24,648	-25,434	-27,259	-28,670	-29,038
952 Employer share, employee retirement (off-budget).....	-1,114	-1,204	-1,430	-1,646	-1,778	-2,044	-2,509	-2,857	-3,300	-4,298	-4,719
953 Rents and royalties on the Outer Continental Shelf.....	-3,267	-4,101	-10,138	-6,250	-10,491	-6,694	-5,542	-4,716	-4,021	-3,155	-3,920
954 Sale of major assets.....									-1,875		-3,325
TOTAL, 950 UNDISTRIBUTED OFFSETTING RECEIPTS.....	-17,476	-19,942	-28,041	-26,099	-33,976	-31,957	-32,698	-33,007	-36,455	-36,123	-41,002
On-budget.....	(-16,362)	(-18,738)	(-26,611)	(-24,453)	(-32,198)	(-29,913)	(-30,189)	(-30,150)	(-33,155)	(-31,825)	(-36,283)
Off-budget.....	(-1,114)	(-1,204)	(-1,430)	(-1,646)	(-1,778)	(-2,044)	(-2,509)	(-2,857)	(-3,300)	(-4,298)	(-4,719)
TOTAL OUTLAYS.....	503,464	590,920	678,209	745,706	808,327	851,781	946,316	990,258	1,004,586	1,055,904	1,094,215
On-budget.....	(403,486)	(476,591)	(543,013)	(594,302)	(661,219)	(685,968)	(769,509)	(806,760)	(810,754)	(852,778)	(880,873)
Off-budget.....	(99,978)	(114,329)	(135,196)	(151,404)	(147,108)	(165,813)	(176,807)	(183,498)	(193,832)	(203,126)	(213,342)
MEMORANDUM											
On-budget:											
Federal funds.....	374,867	433,468	496,182	543,437	613,168	637,839	725,897	756,474	760,916	804,961	835,348
Trust funds.....	65,660	84,756	94,193	107,930	124,421	125,436	152,730	161,829	163,556	170,827	180,434
Interfund transactions.....	-37,041	-41,632	-47,362	-57,065	-76,371	-77,307	-109,118	-111,543	-113,718	-123,010	-134,909
Total on-budget.....	403,486	476,591	543,013	594,302	661,219	685,968	769,509	806,760	810,754	852,778	880,873
Off-budget (trust funds).....	99,978	114,329	135,196	151,404	147,108	165,813	176,807	183,498	193,832	203,126	213,342
Total.....	503,464	590,920	678,209	745,706	808,327	851,781	946,316	990,258	1,004,586	1,055,904	1,094,215

¹ Includes allowances for the Department of Defense.

Table 19. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1970-91

(Dollar amounts in billions)

Fiscal year	Gross national product	Receipts						Outlays					
		Total		On-budget		Off-budget ¹		Total		On-budget		Off-budget ¹	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1970.....	990.2	192.8	19.5	159.3	16.1	33.5	3.4	195.6	19.8	168.0	17.0	27.6	2.8
1971.....	1,055.9	187.1	17.7	151.3	14.3	35.8	3.4	210.2	19.9	177.3	16.8	32.8	3.1
1972.....	1,153.1	207.3	18.0	167.4	14.5	39.9	3.5	230.7	20.0	193.8	16.8	36.9	3.2
1973.....	1,281.4	230.8	18.0	184.7	14.4	46.1	3.6	245.7	19.2	200.1	15.6	45.6	3.6
1974.....	1,416.5	263.2	18.6	209.3	14.8	53.9	3.8	269.4	19.0	217.3	15.3	52.1	3.7
1975.....	1,522.5	279.1	18.3	216.6	14.2	62.5	4.1	332.3	21.8	271.9	17.9	60.4	4.0
1976.....	1,698.2	298.1	17.6	231.7	13.6	66.4	3.9	371.8	21.9	302.2	17.8	69.6	4.1
1977.....	1,933.0	355.6	18.4	278.7	14.4	76.8	4.0	409.2	21.2	328.5	17.0	80.7	4.2
1978.....	2,171.8	399.6	18.4	314.2	14.5	85.4	3.9	458.7	21.1	369.1	17.0	89.7	4.1
1979.....	2,447.8	463.3	18.9	365.3	14.9	98.0	4.0	503.5	20.6	403.5	16.5	100.0	4.1
1980.....	2,670.6	517.1	19.4	403.9	15.1	113.2	4.2	590.9	22.1	476.6	17.8	114.3	4.3
1981.....	2,986.4	599.3	20.1	469.1	15.7	130.2	4.4	678.2	22.7	543.0	18.2	135.2	4.5
1982.....	3,139.1	617.8	19.7	474.3	15.1	143.5	4.6	745.7	23.8	594.3	18.9	151.4	4.8
1983.....	3,321.9	600.6	18.1	453.2	13.6	147.3	4.4	808.3	24.3	661.2	19.9	147.1	4.4
1984.....	3,687.6	666.5	18.1	500.4	13.6	166.1	4.5	851.8	23.1	686.0	18.6	165.8	4.5
1985.....	3,943.6	734.1	18.6	547.9	13.9	186.2	4.7	946.3	24.0	769.5	19.5	176.8	4.5
1986.....	4,192.4	769.1	18.3	568.9	13.6	200.2	4.8	990.3	23.6	806.8	19.2	183.5	4.4
1987.....	4,408.7	854.1	19.4	640.7	14.5	213.4	4.8	1,004.6	22.8	810.8	18.4	193.8	4.4
1988 estimate.....	4,705.8	909.2	19.3	669.3	14.2	239.9	5.1	1,055.9	22.4	852.8	18.1	203.1	4.3
1989 estimate.....	5,023.3	964.7	19.2	706.2	14.1	258.5	5.1	1,094.2	21.8	880.9	17.5	213.3	4.2
1990 estimate.....	5,387.8	1,044.1	19.4	761.7	14.1	282.4	5.2	1,148.3	21.3	924.2	17.2	224.1	4.2
1991 estimate.....	5,758.6	1,124.4	19.5	818.5	14.2	306.0	5.3	1,203.7	20.9	967.6	16.8	236.1	4.1

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Table 19. FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1970-91—Continued

(Dollar amounts in billions)

Fiscal year	Gross national product	Surplus or deficit (—)						Federal debt, end of year					
		Total		On-budget		Off-budget ¹		Gross		Held by Government accounts		Held by the public	
		Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP	Amount	Percent of GNP
1970.....	990.2	-2.8	0.3	-8.7	0.9	5.9	0.6	382.6	38.6	97.7	9.9	284.9	28.8
1971.....	1,055.9	-23.0	2.2	-26.1	2.5	3.0	0.3	409.5	38.8	105.1	10.0	304.3	28.8
1972.....	1,153.1	-23.4	2.0	-26.4	2.3	3.1	0.3	437.3	37.9	113.6	9.8	323.8	28.1
1973.....	1,281.4	-14.9	1.2	-15.4	1.2	0.5	*	468.4	36.6	125.4	9.8	343.0	26.8
1974.....	1,416.5	-6.1	0.4	-8.0	0.6	1.8	0.1	486.2	34.3	140.2	9.9	346.1	24.4
1975.....	1,522.5	-53.2	3.5	-55.3	3.6	2.0	0.1	544.1	35.7	147.2	9.7	396.9	26.1
1976.....	1,698.2	-73.7	4.3	-70.5	4.2	-3.2	0.2	631.9	37.2	151.6	8.9	480.3	28.3
1977.....	1,933.0	-53.6	2.8	-49.7	2.6	-3.9	0.2	709.1	36.7	157.3	8.1	551.8	28.5
1978.....	2,171.8	-59.2	2.7	-54.9	2.5	-4.3	0.2	780.4	35.9	169.5	7.8	610.9	28.1
1979.....	2,447.8	-40.2	1.6	-38.2	1.6	-2.0	0.1	833.8	34.1	189.2	7.7	644.6	26.3
1980.....	2,670.6	-73.8	2.8	-72.7	2.7	-1.1	*	914.3	34.2	199.2	7.5	715.1	26.8
1981.....	2,986.4	-78.9	2.6	-73.9	2.5	-5.0	0.2	1,003.9	33.6	209.5	7.0	794.4	26.6
1982.....	3,139.1	-127.9	4.1	-120.0	3.8	-7.9	0.3	1,147.0	36.5	217.6	6.9	929.4	29.6
1983.....	3,321.9	-207.8	6.3	-208.0	6.3	0.2	*	1,381.9	41.6	240.1	7.2	1,141.8	34.4
1984.....	3,687.6	-185.3	5.0	-185.6	5.0	0.3	*	1,576.7	42.8	264.2	7.2	1,312.6	35.6
1985.....	3,943.6	-212.3	5.4	-221.6	5.6	9.4	0.2	1,827.5	46.3	317.6	8.1	1,509.9	38.3
1986.....	4,192.4	-221.2	5.3	-237.9	5.7	16.7	0.4	2,130.0	50.8	383.9	9.2	1,746.1	41.6
1987.....	4,408.7	-150.4	3.4	-170.0	3.9	19.6	0.4	2,355.3	53.4	457.4	10.4	1,897.8	43.0
1988 estimate.....	4,705.8	-146.7	3.1	-183.5	3.9	36.8	0.8	2,581.6	54.9	556.5	11.8	2,025.1	43.0
1989 estimate.....	5,023.3	-129.5	2.6	-174.7	3.5	45.1	0.9	2,825.3	56.2	673.2	13.4	2,152.1	42.8
1990 estimate.....	5,387.8	-104.2	1.9	-162.5	3.0	58.3	1.1	3,053.0	56.7	797.3	14.8	2,255.7	41.9
1991 estimate.....	5,758.6	-79.3	1.4	-149.1	2.6	69.9	1.2	3,269.2	56.8	934.7	16.2	2,334.4	40.5

* 0.05% or less. ¹ Social Security trust funds. Note: Excludes transition quarter.

Table 20. COMPOSITION OF RECEIPTS AND OUTLAYS IN CURRENT PRICES: 1972-91

(In billions of dollars)

Fiscal year	Receipts	Outlays								Surplus or deficit (-)
		Total	National defense	Nondefense					Undistributed offsetting receipts	
				Total nondefense	Payments for individuals	All other grants ¹	Net interest	Other		
1972.....	207.3	230.7	79.2	151.5	92.9	20.5	15.5	32.2	-9.6	-23.4
1973.....	230.8	245.7	76.7	169.0	104.5	28.1	17.3	32.4	-13.4	-14.9
1974.....	263.2	269.4	79.3	190.0	120.1	28.7	21.4	36.5	-16.7	-6.1
1975.....	279.1	332.3	86.5	245.8	153.5	33.3	23.2	49.4	-13.6	-53.2
1976.....	298.1	371.8	89.6	282.2	180.1	39.4	26.7	50.3	-14.4	-73.7
1977.....	355.6	409.2	97.2	312.0	196.3	46.1	29.9	54.5	-14.9	-53.6
1978.....	399.6	458.7	104.5	354.2	211.0	53.7	35.4	69.9	-15.7	-59.2
1979.....	463.3	503.5	116.3	387.1	232.9	55.9	42.6	73.2	-17.5	-40.2
1980.....	517.1	590.9	134.0	456.9	277.5	59.4	52.5	87.4	-19.9	-73.8
1981.....	599.3	678.2	157.5	520.7	323.4	57.8	68.7	98.8	-28.0	-78.9
1982.....	617.8	745.7	185.3	560.4	356.7	50.3	85.0	94.5	-26.1	-127.9
1983.....	600.6	808.3	209.9	598.4	395.4	50.8	89.8	96.5	-34.0	-207.8
1984.....	666.5	851.8	227.4	624.4	399.8	53.2	111.1	92.2	-32.0	-185.3
1985.....	734.1	946.3	252.7	693.6	425.6	57.6	129.4	113.6	-32.7	-212.3
1986.....	769.1	990.3	273.4	716.9	449.4	59.3	136.0	105.1	-33.0	-221.2
1987.....	854.1	1,004.6	282.0	722.6	469.4	51.8	138.6	99.2	-36.5	-150.4
1988 estimate.....	909.2	1,055.9	285.4	770.5	498.9	55.5	147.9	104.4	-36.1	-146.7
1989 estimate.....	964.7	1,094.2	294.0	800.2	531.4	55.0	151.8	103.0	-41.0	-129.5
1990 estimate.....	1,044.1	1,148.3	306.2	842.1	566.7	55.1	156.7	105.8	-42.2	-104.2
1991 estimate.....	1,124.4	1,203.7	320.2	883.5	602.4	53.9	159.6	110.3	-42.7	-79.3

¹ Grants to State and local governments excluding those for payments for individuals.
 Note: Excludes transition quarter. Includes off-budget amounts.

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Table 21. COMPOSITION OF RECEIPTS AND OUTLAYS IN CONSTANT (FISCAL YEAR 1982) PRICES: 1972-91

(In billions of dollars)

Fiscal year	Receipts	Outlays							Surplus or deficit (-)	
		Total	National defense	Nondefense				Undistrib- uted offsetting receipts		
				Total nondefense	Payments for individuals	All other grants ¹	Net interest			Other
1972.....	474.2	527.6	190.9	336.7	200.1	47.4	33.6	79.7	-24.1	-53.5
1973.....	495.5	527.5	175.1	352.4	215.7	60.5	35.9	68.3	-28.1	-32.0
1974.....	516.6	528.7	163.3	365.3	228.4	56.8	41.1	71.8	-32.8	-12.0
1975.....	492.1	586.0	159.8	426.2	265.8	58.5	40.4	84.9	-23.4	-93.9
1976.....	488.9	609.8	153.6	456.2	291.7	64.3	43.0	80.1	-22.9	-120.9
1977.....	541.0	622.6	154.3	468.3	295.5	70.1	44.6	79.9	-21.7	-81.6
1978.....	568.0	652.2	155.0	497.1	296.8	75.7	49.4	96.9	-21.7	-84.1
1979.....	607.5	660.2	159.1	501.0	301.6	71.8	54.7	95.9	-22.9	-52.7
1980.....	611.7	699.1	164.0	535.1	324.7	68.4	62.0	103.8	-23.8	-87.3
1981.....	642.0	726.5	171.4	555.2	344.3	61.3	73.7	106.0	-30.1	-84.6
1982.....	617.8	745.7	185.3	560.4	356.7	50.3	85.0	94.5	-26.1	-127.9
1983.....	575.5	774.6	201.3	573.3	378.6	48.8	86.1	92.0	-32.3	-199.1
1984.....	616.3	787.7	211.3	576.4	368.7	49.3	102.7	84.9	-29.1	-171.4
1985.....	657.8	848.0	229.4	618.7	379.7	50.9	115.9	101.0	-28.8	-190.2
1986.....	672.3	865.7	243.0	622.7	390.4	50.6	118.4	91.6	-28.4	-193.3
1987.....	730.6	859.3	249.8	609.5	394.9	43.0	117.5	84.7	-30.5	-128.7
1988 estimate.....	748.9	869.8	243.5	626.3	404.7	44.1	120.9	86.1	-29.5	-120.9
1989 estimate.....	765.6	868.4	241.6	626.8	415.3	42.2	119.5	82.0	-32.2	-102.8
1990 estimate.....	799.5	879.2	242.7	636.6	427.5	40.6	119.1	81.4	-32.0	-79.8
1991 estimate.....	832.9	891.6	245.6	646.1	439.9	38.3	117.4	82.2	-31.7	-58.7

¹ Grants to State and local governments excluding those for payments for individuals.
Note: Excludes transition quarter. Includes off-budget amounts.

**Table 22. DIRECT LOAN OBLIGATIONS AND GUARANTEED LOAN COMMITMENTS
BY SECTOR, 1979-1993**

(In millions of dollars)

Fiscal Year	Sector					Total
	Agriculture	Business	Education	Housing	Other	
DIRECT LOAN OBLIGATIONS						
1979.....	15,536	14,954	659	7,765	318	39,232
1980.....	12,939	13,107	689	9,083	380	36,198
1981.....	15,689	13,598	1,077	9,644	334	40,342
1982.....	16,779	10,708	504	8,229	230	36,450
1983.....	18,413	10,665	723	6,952	356	37,109
1984.....	10,273	18,841	978	6,428	226	36,746
1985.....	16,631	14,203	1,315	18,882	1,816	52,847
1986.....	21,753	13,479	1,582	3,823	693	41,329
1987.....	20,507	5,830	60	3,365	55	29,817
1988 estimate.....	19,335	5,900	62	3,470	50	28,817
1989 estimate.....	12,562	5,978	.....	1,430	34	20,005
1990 estimate.....	12,552	6,050	.....	1,248	28	19,877
1991 estimate.....	11,771	6,256	.....	1,149	19	19,195
1992 estimate.....	10,940	6,243	.....	1,121	18	18,321
1993 estimate.....	11,700	6,297	.....	1,080	17	19,094
GUARANTEED LOAN COMMITMENTS						
1979.....	1,629	20,295	2,230	64,777	50	88,981
1980.....	2,177	20,449	3,712	61,881	*	88,219
1981.....	2,933	20,711	5,807	53,992	55	83,498
1982.....	1,747	10,798	6,395	37,860	28	56,828
1983.....	4,822	11,826	7,487	73,567	19	97,721
1984.....	4,746	10,883	7,847	47,289	19	70,784
1985.....	3,910	12,018	9,159	59,581	42	84,710
1986.....	4,118	9,169	8,949	136,889	118	159,243
1987.....	4,678	12,470	9,951	114,895	69	142,064
1988 estimate.....	8,389	26,603	9,926	78,137	178	123,233
1989 estimate.....	7,196	18,119	10,216	79,730	45	115,306
1990 estimate.....	7,371	19,137	10,621	80,951	45	118,125
1991 estimate.....	7,546	16,045	11,127	82,282	45	117,045
1992 estimate.....	7,946	16,196	11,639	84,109	45	119,935
1993 estimate.....	7,946	16,321	12,300	86,268	45	122,880

* \$500 thousand or less.

Table 23. DIRECT LOAN OBLIGATIONS AND GUARANTEED LOAN COMMITMENTS, 1951-1993

(In millions of dollars)

Fiscal year	Direct loan obligations	Guaranteed loan commitments	Fiscal year	Direct loan obligations	Guaranteed loan commitments
1951.....	3,057	8,462	1973.....	20,548	36,411
1952.....	3,274	9,702	1974.....	18,645	30,800
1953.....	3,501	9,513	1975.....	28,245	38,659
1954.....	2,534	11,792	1976.....	24,813	36,205
1955.....	2,537	14,808	TQ.....	5,433	9,073
1956.....	2,495	15,934	1977.....	25,411	64,979
1957.....	4,962	13,226	1978.....	36,339	68,838
1958.....	5,480	12,342	1979.....	39,232	88,981
1959.....	5,729	15,099	1980.....	36,198	88,219
1960.....	4,484	15,365	1981.....	40,342	83,498
1961.....	5,318	14,654	1982.....	36,450	56,828
1962.....	6,814	17,682	1983.....	37,109	97,721
1963.....	7,048	19,475	1984.....	36,746	70,784
1964.....	7,241	21,516	1985.....	52,847	84,710
1965.....	7,388	23,021	1986.....	41,329	159,243
1966.....	8,081	24,268	1987.....	29,817	142,064
1967.....	14,035	16,885	1988 estimate.....	28,817	123,233
1968.....	17,098	21,891	1989 estimate.....	20,005	115,306
1969.....	13,290	25,303	1990 estimate.....	19,877	118,125
1970.....	12,127	27,482	1991 estimate.....	19,195	117,045
1971.....	12,295	38,547	1992 estimate.....	18,321	119,935
1972.....	15,047	44,806	1993 estimate.....	19,094	122,880

TQ refers to the transitional quarter from July 1 to September 30, 1976.

Table 24. TOTAL RECEIPTS AND OUTLAYS, 1789-1993 (In millions of dollars)

Fiscal year	Receipts	Outlays	Surplus or deficit (-)	Fiscal year	Receipts	Outlays	Surplus or deficit (-)
1789-1849 ...	1,160	1,090	+70	1947.....	38,514	34,496	+4,018
1850-1900 ...	14,462	15,453	-991	1948.....	41,560	29,764	+11,796
1901.....	588	525	+63	1949.....	39,415	38,835	+580
1902.....	562	485	+77	1950.....	39,443	42,562	-3,119
1903.....	562	517	+45	1951.....	51,616	45,514	+6,102
1904.....	541	584	-43	1952.....	66,167	67,686	-1,519
1905.....	544	567	-23	1953.....	69,608	76,101	-6,493
1906.....	595	570	+25	1954.....	69,701	70,855	-1,154
1907.....	666	579	+87	1955.....	65,451	68,444	-2,993
1908.....	602	659	-57	1956.....	74,587	70,640	+3,947
1909.....	604	694	-89	1957.....	79,990	76,578	+3,412
1910.....	676	694	-18	1958.....	79,636	82,405	-2,769
1911.....	702	691	+11	1959.....	79,249	92,098	-12,849
1912.....	693	690	+3	1960.....	92,492	92,191	+301
1913.....	714	715	-*	1961.....	94,388	97,723	-3,335
1914.....	725	726	-*	1962.....	99,676	106,821	-7,146
1915.....	683	746	-63	1963.....	106,560	111,316	-4,756
1916.....	761	713	+48	1964.....	112,613	118,528	-5,915
1917.....	1,101	1,954	-853	1965.....	116,817	118,228	-1,411
1918.....	3,645	12,677	-9,032	1966.....	130,835	134,532	-3,698
1919.....	5,130	18,493	-13,363	1967.....	148,822	157,464	-8,643
1920.....	6,649	6,358	+291	1968.....	152,973	178,134	-25,161
1921.....	5,571	5,062	+509	1969.....	186,882	183,640	+3,242
1922.....	4,026	3,289	+736	1970.....	192,807	195,649	-2,842
1923.....	3,853	3,140	+713	1971.....	187,139	210,172	-23,033
1924.....	3,871	2,908	+963	1972.....	207,309	230,681	-23,373
1925.....	3,641	2,924	+717	1973.....	230,799	245,707	-14,908
1926.....	3,795	2,930	+865	1974.....	263,224	269,359	-6,135
1927.....	4,013	2,857	+1,155	1975.....	279,090	332,332	-53,242
1928.....	3,900	2,961	+939	1976.....	298,060	371,779	-73,719
1929.....	3,862	3,127	+734	TQ.....	81,232	95,973	-14,741
1930.....	4,058	3,320	+738	1977.....	355,559	409,203	-53,644
1931.....	3,116	3,577	-462	1978.....	399,561	458,729	-59,168
1932.....	1,924	4,659	-2,735	1979.....	463,302	503,464	-40,162
1933.....	1,997	4,598	-2,602	1980.....	517,112	590,920	-73,808
1934.....	2,955	6,541	-3,586	1981.....	599,272	678,209	-78,936
1935.....	3,609	6,412	-2,803	1982.....	617,766	745,706	-127,940
1936.....	3,923	8,228	-4,304	1983.....	600,562	808,327	-207,764
1937.....	5,387	7,580	-2,193	1984.....	666,457	851,781	-185,324
1938.....	6,751	6,840	-89	1985.....	734,057	946,316	-212,260
1939.....	6,295	9,141	-2,846	1986.....	769,091	990,258	-221,167
1940.....	6,548	9,468	-2,920	1987.....	854,143	1,004,586	-150,444
1941.....	8,712	13,653	-4,941	1988 est.....	909,163	1,055,904	-146,741
1942.....	14,634	35,137	-20,503	1989 est.....	964,674	1,094,215	-129,542
1943.....	24,001	78,555	-54,554	1990 est.....	1,044,091	1,148,277	-104,185
1944.....	43,747	91,304	-47,557	1991 est.....	1,124,407	1,203,675	-79,268
1945.....	45,159	92,712	-47,553	1992 est.....	1,189,924	1,240,978	-51,053
1946.....	39,296	55,232	-15,936	1993 est.....	1,258,071	1,281,337	-23,266

* \$500 thousand or less.

Data for 1789-1933 are for the administrative budget; data for 1934 and all following years are for the unified budget.

Beginning in 1937, includes amounts for social security trust funds that are off-budget. See table 25 for details.

In calendar year 1976, the Federal fiscal year was converted from a July 1-June 30 basis to an Oct. 1-Sept. 30 basis. The TQ refers to the transition quarter from July 1 to Sept. 30, 1976.

Table 25. ON-BUDGET AND OFF-BUDGET RECEIPTS AND OUTLAYS, 1937-1993

(In millions of dollars)

Fiscal year	On-budget			Fiscal year	Off-budget		
	Receipts	Outlays	Surplus or deficit (-)		Receipts	Outlays	Surplus or deficit (-)
1937	5,122	7,582	-2,460	1937	265	-2	+267
1938	6,364	6,850	-486	1938	387	-10	+397
1939	5,792	9,154	-3,362	1939	503	-13	+516
1940	5,998	9,482	-3,484	1940	550	-14	+564
1941	8,024	13,618	-5,594	1941	688	35	+653
1942	13,738	35,071	-21,333	1942	896	66	+830
1943	22,871	78,466	-55,595	1943	1,130	89	+1,041
1944	42,455	91,190	-48,735	1944	1,292	114	+1,178
1945	43,849	92,569	-48,720	1945	1,310	143	+1,167
1946	38,057	55,022	-16,964	1946	1,238	210	+1,028
1947	37,055	34,193	+2,861	1947	1,459	303	+1,157
1948	39,944	29,396	+10,548	1948	1,616	368	+1,248
1949	37,724	38,408	-684	1949	1,690	427	+1,263
1950	37,336	42,038	-4,702	1950	2,106	524	+1,583
1951	48,496	44,237	+4,259	1951	3,120	1,277	+1,843
1952	62,573	65,956	-3,383	1952	3,594	1,730	+1,864
1953	65,511	73,771	-8,259	1953	4,097	2,330	+1,766
1954	65,112	67,943	-2,831	1954	4,589	2,912	+1,677
1955	60,370	64,461	-4,091	1955	5,081	3,983	+1,098
1956	68,162	65,668	+2,494	1956	6,425	4,972	+1,452
1957	73,201	70,562	+2,639	1957	6,789	6,016	+773
1958	71,587	74,902	-3,315	1958	8,049	7,503	+546
1959	70,953	83,102	-12,149	1959	8,296	8,996	-700
1960	81,851	81,341	+510	1960	10,641	10,850	-209
1961	82,279	86,046	-3,766	1961	12,109	11,677	+431
1962	87,405	93,286	-5,881	1962	12,271	13,535	-1,265
1963	92,385	96,352	-3,966	1963	14,175	14,964	-789
1964	96,248	102,794	-6,546	1964	16,366	15,734	+632
1965	100,094	101,699	-1,605	1965	16,723	16,529	+194
1966	111,749	114,817	-3,068	1966	19,085	19,715	-630
1967	124,420	137,040	-12,620	1967	24,401	20,424	+3,978
1968	128,056	155,798	-27,742	1968	24,917	22,336	+2,581
1969	157,928	158,436	-507	1969	28,953	25,204	+3,749
1970	159,348	168,042	-8,694	1970	33,459	27,607	+5,852
1971	151,294	177,346	-26,052	1971	35,845	32,826	+3,019
1972	167,402	193,824	-26,423	1972	39,907	36,857	+3,050
1973	184,715	200,118	-15,403	1973	46,084	45,589	+495
1974	209,299	217,270	-7,971	1974	53,925	52,089	+1,836
1975	216,633	271,892	-55,260	1975	62,458	60,440	+2,018
1976	231,671	302,170	-70,499	1976	66,389	69,609	-3,220
TQ	63,216	76,552	-13,336	TQ	18,016	19,421	-1,405
1977	278,741	328,487	-49,745	1977	76,817	80,716	-3,899
1978	314,169	369,072	-54,902	1978	85,391	89,657	-4,266
1979	365,309	403,486	-38,178	1979	97,994	99,978	-1,984
1980	403,903	476,591	-72,689	1980	113,209	114,329	-1,120
1981	469,097	543,013	-73,916	1981	130,176	135,196	-5,020

Table 25. ON-BUDGET AND OFF-BUDGET RECEIPTS AND OUTLAYS, 1937-1993—Continued

(In millions of dollars)

Fiscal year	On-budget			Fiscal year	Off-budget		
	Receipts	Outlays	Surplus or deficit (-)		Receipts	Outlays	Surplus or deficit (-)
1982	474,299	594,302	-120,003	1982	143,467	151,404	-7,937
1983	453,242	661,219	-207,977	1983	147,320	147,108	+212
1984	500,382	685,968	-185,586	1984	166,075	165,813	+262
1985	547,886	769,509	-221,623	1985	186,171	176,807	+9,363
1986	568,862	806,760	-237,898	1986	200,228	183,498	+16,731
1987	640,741	810,754	-170,014	1987	213,402	193,832	+19,570
1988 est	669,264	852,778	-183,514	1988 est	239,899	203,126	+36,773
1989 est	706,193	880,873	-174,680	1989 est	258,481	213,342	+45,139
1990 est	761,716	924,176	-162,460	1990 est	282,375	224,100	+58,275
1991 est	818,451	967,599	-149,148	1991 est	305,956	236,076	+69,880
1992 est	865,015	995,979	-130,963	1992 est	324,909	244,999	+79,910
1993 est	911,340	1,027,497	-116,158	1993 est	346,731	253,840	+92,891

Data for all years for the unified budget. Transactions of the social security trust funds are presented off-budget for all years. In calendar year 1976, the Federal fiscal year was converted from a July 1-June 30 basis to an Oct. 1-Sept. 30 basis. The TQ refers to the transition quarter from July 1 to Sept. 30, 1976.

GLOSSARY OF COMMON ACRONYMS

ACIF	Agricultural credit insurance fund
ACRS	Accelerated cost recovery system
AFDC	Aid to families with dependent children
AID	Agency for International Development
AIDS	Acquired immune deficiency syndrome
APA	Alaska Power Administration
ARC	Appalachian Regional Commission
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BOM	Bureau of Mines
CCC	Commodity Credit Corporation
CDBG	Community development block grants
CEBA	Competitive Equality Banking Act
CEBAF	Continuous Electron Beam Accelerator Facility
CFTC	Commodity Futures Trading Commission
CHAMPUS	Civilian health and medical program of the uniformed services
CHI	Catastrophic Health Insurance
COLA	Cost-of-living adjustment
CPI	Consumer Price Index
CSBG	Community services block grant
CSE	Child support enforcement
CSRS	Civil Service Retirement System
DEA	Drug Enforcement Administration
DEFRA	Deficit Reduction Act
DI	Disability insurance
DOD	Department of Defense
DOE	Department of Energy
DRG	Diagnosis-related groups
EDA	Economic Development Administration
EITC	Earned income tax credit
ERISA	Employee Retirement Income Security Act
ERTA	Economic Recovery Tax Act
ESOP	Employee stock ownership plans
E&T	Employment and training
Eximbank	Export-Import Bank
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FCA	Farm Credit Administration
FCC	Federal Communications Commission

FCIA	Foreign Credit Insurance Association
FCIC	Federal Crop Insurance Corporation
FCS	Farm Credit System
FCRF	Federal credit revolving fund
FDIC	Federal Deposit Insurance Corporation
FEHB	Federal employees health benefits
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
FERS	Federal employees retirement system
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation (Freddie Mac)
FICO	Financing Corporation
FmHA	Farmers Home Administration
FMS	Foreign military sales
FNMA	Federal National Mortgage Association (Fannie Mae)
FRB	Federal Reserve Bank
FSC	Foreign sales corporation
FSLIC	Federal Savings and Loan Insurance Corporation
FTE	Full-time equivalent positions
GAO	General Accounting Office
GATT	General Agreement on Tariffs and Trade
GNMA	Government National Mortgage Association (Ginnie Mae)
GNP	Gross national product
G-R-H	Gramm-Rudman-Hollings
GSA	General Services Administration
GSE	Government-sponsored enterprises
GSL	Guaranteed student loan
HI	Hospital insurance
HUD	Department of Housing and Urban Development
ICBM	Intercontinental Ballistic Missile
ICC	Interstate Commerce Commission
IHA	Indian Housing Authority
IHS	Indian Health Service
INF	Intermediate nuclear force
INS	Immigration and Naturalization Service
IRA	Individual retirement account
IRS	Internal Revenue Service
JTPA	Job Training Partnership Act
Landsat	Land remote sensing satellite
MSHA	Mine Safety and Health Administration
MarAd	Maritime Administration
MDB	Multilateral Development Banks
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
NCUA	National Credit Union Administration

NDSL	National direct student loan
NIH	National Institutes of Health
NOAA	National Oceanic and Atmospheric Administration
NPR	Naval petroleum reserves
NRC	Nuclear Regulatory Commission
NSF	National Science Foundation
OASI	Old-age and survivors insurance
OBRA	Omnibus Budget Reconciliation Act
OCS	Outer Continental Shelf
OPEC	Organization of Petroleum Exporting Countries
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management
OSHA	Occupational Safety and Health Administration
PADC	Pennsylvania Avenue Development Corporation
PBGC	Pension Benefit Guaranty Corporation
PCIE	President's Council on Integrity and Efficiency
PHAs	Public Housing Authorities
PHS	Public Health Service
PIS	Postal Inspection Service
PMA	Power Marketing Administration
PPS	Prospective payment system
R&D	Research and development
REA	Rural Electrification Administration
RFE/RL	Radio Free Europe/Radio Liberty, Inc.
RIC	Regulated Investment Company
RRB	Railroad Retirement Board
RRF	Ready Reserve Force
RRG	Rental Rehabilitation Grants
RSVP	Retired senior volunteer program
RTB	Rural Telephone Bank
SBA	Small Business Administration
SCS	Soil Conservation Service
SDI	Strategic Defense Initiative
SEC	Securities and Exchange Commission
SEPA	Southeastern Power Administration
SLMA	Student Loan Marketing Association (Sallie Mae)
SMI	Supplementary medical insurance
SPR	Strategic petroleum reserve
SRF	State revolving fund
SSC	Superconducting Super Collider
SSI	Supplemental security income
SSS	Selective Service System
TAA	Trade adjustment assistance
TDRSS	Tracking and data relay satellite services
TEFRA	Tax Equity and Fiscal Responsibility Act
TVA	Tennessee Valley Authority
UDAG	Urban development action grants
UI	Unemployment insurance
USDA	United States Department of Agriculture
USIA	United States Information Agency

USGS	United States Geological Survey
USPS	United States Postal Service
USTTA	United States Travel and Tourism Administration
VA	Veterans Administration
VISTA	Volunteers in Service to America
VOA	Voice of America
WIC	Women, infants, and children
WIN	Work incentive program
WRAP	Worker readjustment program
WRDA	Water Resources Development Act

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