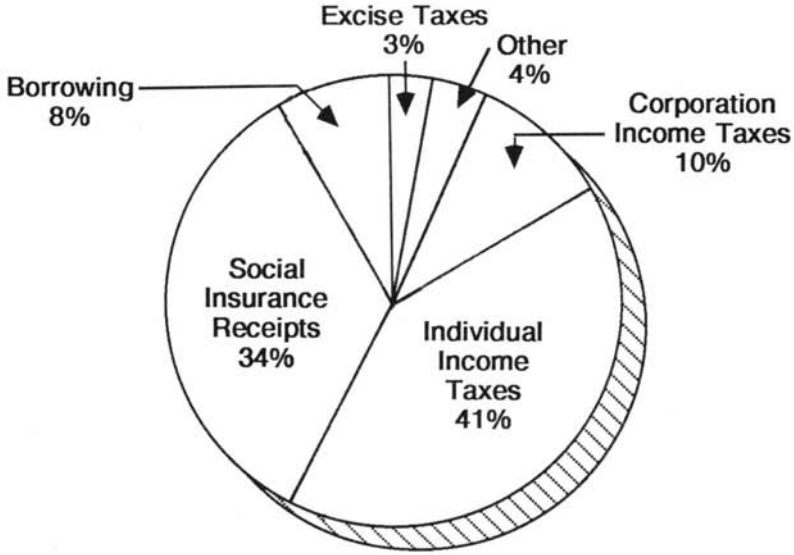
THE UNITED STATES BUDGET IN BRIEF

FISCAL YEAR

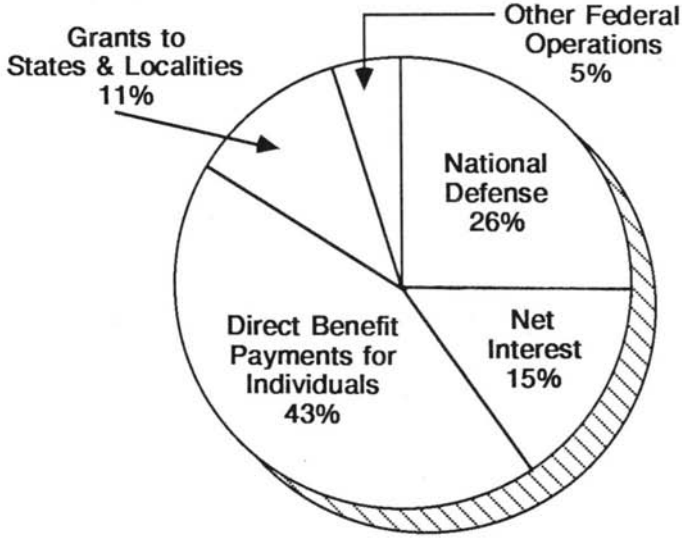
1990

The Federal Government Dollar
Fiscal Year 1990 Estimate

Where It Comes From ...



Where It Goes ...



THE BUDGET DOCUMENTS

**Budget of the United States Government, 1990* 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 1990 Budget, Federal receipts, and Federal spending. In addition it includes supplemental information on Federal credit programs, 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, 1990* is designed for use by the general public. It provides a more concise, less technical overview of the 1990 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, 1990—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, 1990* 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, 1990* provides data on budget receipts, outlays, surpluses or deficits, and Federal debt covering extended time periods—in many cases from 1940–1994. 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 1990 Budget, so the data series are comparable over time.

**Management of the United States Government, 1990* highlights the many significant achievements of the President's Management Improvement Program, Reform '88 and provides a strategic planning guide to the Government in the Year 2000. Also included are reports to Congress on the President's Private Sector Survey on Cost Control, Debt Collection, Prompt Pay, and the First Progress Report of the Chief Financial Officer of the United States.

**Major Policy Initiatives, 1990* summarizes the changes that are proposed in the 1990 Budget. It contains an overview of Budget policy and a description of each initiative. The descriptions include an explanation of the reasons for the policy change, and where relevant a summary chart showing the funding changes that would occur if the policy change were enacted.

Recommendations for Executive, Legislative and Judicial Salaries provides the recommendations of the President concerning the report of the Quadrennial Commission on Executive, Legislative and Judicial Salaries.

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

*For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

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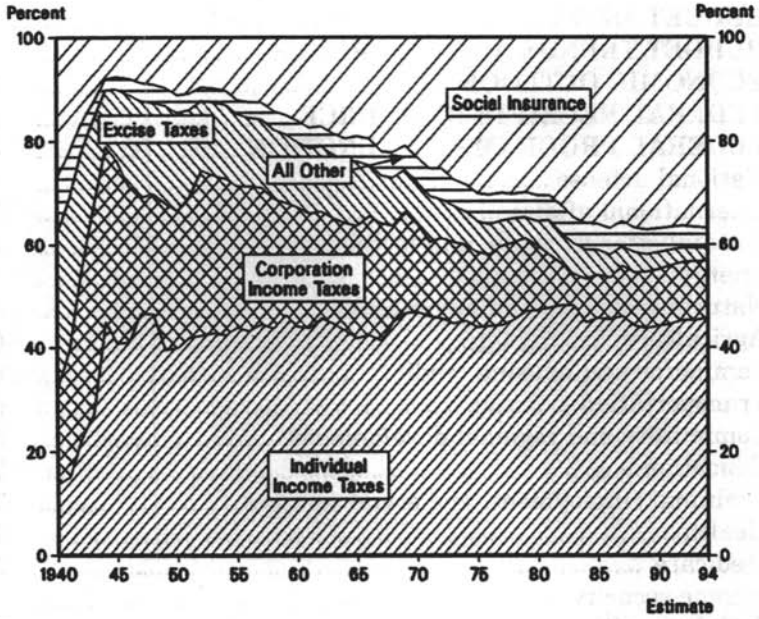
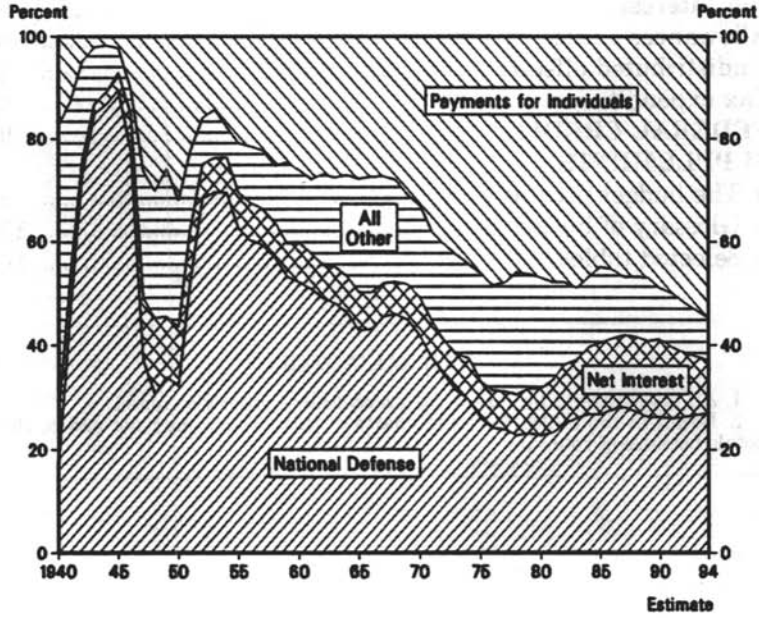
GENERAL NOTES

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.

Percentage Composition of Federal Government Receipts



Percentage Composition of Federal Government Outlays



THE BUDGET MESSAGE OF THE PRESIDENT

To the Speaker of the House of Representatives and the President of the Senate:

Eight years ago many in this country were concerned about the future of our economy, our government and, indeed, the Nation itself. Unemployment was high and rising. Inflation and interest rates were reaching record levels. Our Nation's defense capabilities had been weakened by neglect. The international prestige of the U.S. was at low ebb.

To resolve the economic problems then facing us, our administration proposed a recovery program centering on four fundamental principles:

- Reduce personal and business tax rates.
- Reduce the rate of growth of Federal spending.
- Reduce the Federal regulatory burden by eliminating unnecessary restrictions while protecting the public's interest and safety.
- Support a moderate and steady monetary policy to bring inflation under control.

To rebuild our defense capabilities and restore America's standing in the world we proposed expanded national security and international programs.

We also initiated the largest management improvement program ever attempted in order to restore the proper relationships among the Federal, State and local governments, and the private sector; to eliminate waste in Federal programs; and to introduce management controls and efficiencies, while improving services.

Today, the American people can be proud of the progress that has been made on each of these fronts. As a result of this progress, America is internally stronger, internationally more secure, and stands taller in the eyes of the world than it did eight years ago.

EIGHT YEARS OF ACCOMPLISHMENT

Working together, we have accomplished much over the last eight years.

The Economy

- The current economic expansion, now in its seventy-fourth month, has outlasted all previous peacetime expansions in U.S. history. Business investment and exports are rising, and economic growth is expected to continue into the 1990's.
- Since this expansion began, 19 million new jobs have been created, while the unemployment rate has fallen by more than 5 percentage points—to 5.4 percent, the lowest level in 14 years.
- Inflation, which averaged 10.4 percent annually during the four years before our administration began, has averaged less than a third of that during the past six years.
- Real after-tax personal income has risen 24 percent since 1982, increasing our overall standard of living.

Taxes and Regulations

- Between 1981 and 1987, changes in the Federal tax code have made the tax laws more equitable, cut income tax rates, and eliminated Federal income taxes for 4.3 million low-income individuals and families.
- Since 1981, the time spent by the public filling out forms required by the Federal Government has been cut by 600 million hours annually, and the number of pages of regulations published annually in the *Federal Register* has been reduced by over 45 percent.

Budget

- The growth in domestic spending has been slowed, and the budget priorities have been shifted to those functions the Federal Government should provide, such as national defense, basic scientific research, and protecting the rights of all citizens.
- The social security system has been rescued from the brink of insolvency and made sound into the next century.
- The runaway growth 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 needy. Basic benefits for the poor, the elderly, and others in need of Federal assistance have been maintained.
- We have begun the process of putting other entitlement programs on a more rational basis, including medicare hospital insurance, which was converted to a system that encourages efficiency and lower costs.

Defense and International Affairs

- Our defenses have been strengthened. Weapons systems have been modernized and upgraded. We are recruiting and retain-

ing higher caliber military personnel. The readiness, training, and morale of our troops have been improved significantly.

- As a result of our greater strength, we were able to negotiate with the Soviet Union a verifiable treaty that completely eliminates an entire class of nuclear missiles.
- We began the Strategic Defense Initiative research and technology program that offers our best hope of a safer world in which our security, and that of our allies, no longer rests on deterrence through the threat of nuclear retaliation, but on defenses that threaten no one.
- Our willingness to defend freedom throughout the world has met with success in the spread of democracy and in turning back the tide of communist expansion.

Management of the Government

- Federal agencies undertook a major management improvement program, "Reform '88," to carry out the cash, credit, and financial operations of the Federal Government in a more business-like manner, and to reduce waste, fraud, and abuse.
- Functions that were pre-empted by the Federal Government are being transferred back to the private sector or to State and local governments.
- Greater use is being made of cost sharing and user fees, shifting the cost of projects and programs where appropriate to those who benefit from them.

The Federal Deficit

The one area in which I have been persistently disappointed throughout my term of office has been in the efforts to bring the budget under control. Time and again I have proposed measures to help curb Federal domestic program spending. Time and again these proposals have been rejected by Congress.

The reasons for the rise in the Federal deficit in the early 1980's are simple. First, we experienced one of the most severe recessions of the post-war period. It has been estimated that 81 percent—over $640 billion—of the growth of the deficit over the 1981–1986 levels originally projected in my March 1981 budget was attributable to that recession. The second reason is that, even after including necessary increases for defense, my March 1981 budget called for net spending reductions totalling $331 billion over five years; but Congress approved less than 40 percent of those reductions. Wasteful programs continued to be funded. The necessary reductions have still not been made.

If the deficit is not curbed by continuing to limit the appetite of government, we put in jeopardy all that we worked so hard over the years to achieve. Large deficits brought on by excessive domestic spending undercut the incentives to work and save by absorbing

the savings that would otherwise lead to productive investment. We cannot allow this to happen.

I am proud of America's accomplishments. Our economy is booming, our defenses are stronger, and our standing in the world is again second to none.

THIS BUDGET REDUCES THE 1990 DEFICIT BELOW THE G-R-H TARGET AND ACHIEVES BALANCE IN 1993

The fiscal year 1990 budget, my last, represents a continuation of my efforts to reduce the Federal budget deficit through restraint in domestic spending.

The budget I am submitting today complies with the deficit targets set in the Gramm-Rudman-Hollings (G-R-H) Act, by proposing measures that meet the 1990 deficit target of $100 billion and assure a steady reduction in the deficit leading to a balanced budget in 1993.

Under my proposals, the deficit would decline to less than 2 percent of GNP in 1990, and the Federal debt held by the public would also decline as a proportion of GNP.

BUDGET SUMMARY

(dollar amounts in billions)

	1988	1989	1990	1991	1992	1993	1994
Receipts	909.0	975.5	1,059.3	1,140.5	1,212.2	1,281.4	1,345.0
Outlays	1,064.0	1,137.0	1,151.8	1,207.3	1,244.4	1,279.0	1,311.6
Surplus or deficit (−)	−155.1	−161.5	−92.5	−66.8	−32.2	2.4	33.4
Surplus or deficit (−) without asset sales	−155.1	−161.5	−98.6	−69.2	−34.3	1.6	32.6
G-R-H deficit targets	−144.0	−136.0	−100.0	−64.0	−28.0	0.0	NA
Difference	11.1	25.5	−1.4	5.2	6.3	−1.6	NA
ADDENDUM							
Surplus or deficit (−) as a percent of GNP	−3.2	−3.2	−1.7	−1.1	−0.5	0.0	0.5

Note.—Totals include social security, which is off-budget.
NA: Not available

This budget shows that a gradual elimination of the deficit is possible without raising taxes, without cutting into essential social programs, without devastating defense, and without neglecting other national priorities. It can be done in a reasonable, responsible way—with discipline and fairness. New taxes are not required. Receipts will grow dramatically between 1989 and 1990 because our economy is growing. This budget simply proposes to increase spending by less than the increase in revenues, and therefore, reduce the deficit. The proposed reforms will yield additional deficit reductions in future years. We have an opportunity this year to put the worst of the deficit problem behind us and enable the next Administra-

tion to begin its term of office with a clean slate and with the promise of continuing prosperity.

FUNDING NATIONAL PRIORITIES

To address urgent national priorities within the deficit limit set by the G-R-H Act, my budget proposes that some programs—such as those for AIDS research and prevention, drug enforcement, and technology development—receive significant funding increases, while others are reduced, reformed, or, in some cases, terminated.

Defense

Maintaining peace and protecting our country are the foremost responsibilities of the Federal government. Defense budget authority declined in real (inflation-adjusted) terms for the fourth straight year with funding of $299 billion for 1989. This trend cannot continue without severe impact on combat readiness. Therefore, my budget requests defense funding of $315 billion in budget authority and $303 billion in outlays for 1990, and $331 billion in budget authority and $314 billion in outlays in 1991. These amounts provide 2 percent annual real growth in budget authority over the 1989 level, bringing it back up to the 1984 level in inflation-adjusted terms by 1991. The budget also projects 2 percent real growth in these programs in future years.

We must continue to maintain our nuclear deterrent. For 1990, the budget proposes $9.0 billion for atomic energy defense programs, a $0.9 billion increase over 1989. A total of $2.8 billion is dedicated to the modernization of the nuclear materials production complex and to increase environmental clean-up and waste management efforts.

International

To consolidate and build on the foreign policy gains of the past eight years, additional funds are needed for international affairs that would promote our foreign policy and national security interests in the Middle East, Central America, and elsewhere. A special program is proposed to foster strong economic growth in the Philippines to support that country's return to democracy. Other increases in foreign aid would pay arrearages on contributions to multilateral lending institutions and make payments to the United Nations and related agencies.

Drug Abuse and Law Enforcement

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

- For drug law enforcement, prevention, and treatment programs, I propose $5.7 billion in 1990, an increase of $164 million over 1989. This funding, together with the new authorities and sanctions contained in the Anti-Drug Abuse Act

of 1988, will enable us to move toward our goal of a drug-free America.

- To relieve prison overcrowding and adequately house a growing inmate population, I would provide $1.6 billion for prison construction and operation, $193 million more than was devoted to this purpose in 1989.

AIDS Research and Education

This budget reflects my belief that addressing the problem of AIDS must remain a top priority:

- Preventing and alleviating suffering from the Human Immunodeficiency Virus (HIV), which causes AIDS, is our highest public health priority. Federal support for research, prevention, and treatment exceeds $2.1 billion in 1989, and will approach $2.8 billion in 1990. This budget asks for $1.6 billion, or 24 percent over 1989, for Public Health Service HIV funding.

Research

One of our highest priorities is 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 continues the commitment to double National Science Foundation support for academic basic research by 1993, increases support for training future scientists and engineers, and expedites transfer of the results of Government-funded basic research to industry.
- Our space program will provide $13.1 billion for continued development of America's first permanently manned space station; for increased support for improving the performance and reliability of the space shuttle; for initiation of two major new international planetary space science missions; and for support to encourage the commercial development of space.
- Also included in the budget is $250 million in 1990 as the Federal share of support for initiating construction of the Superconducting Super Collider (SSC). Non-Federal cost sharing arrangements will be required to support one-third of the project's costs. 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 well into the next century.

Other Priorities

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

- To continue the Federal Aviation Administration's multi-year program to increase its controller and inspector workforces and to modernize the Nation's air traffic control systems, the budget provides $7.7 billion—a 17 percent increase over the 1989 level.
- To alleviate the problems facing our savings institutions, I propose that the Federal Savings and Loan Insurance Corporation (FSLIC) spend $16 billion in 1989 and $9 billion in 1990 to address the most serious thrift institution problems. The Secretary of the Treasury is developing a comprehensive plan to resolve the savings industry's problems, and reform the financial institution regulatory structure and deposit insurance system to prevent a reoccurrence of these problems. I expect the Secretary to submit his proposals to the new President shortly.
- To improve coordination of Federal rural development programs and to redirect funding toward needy rural areas and program recipients, I am continuing support of the rural development initiative coordinated by the Secretary of Agriculture.
- By emphasizing housing vouchers, I would provide housing assistance to 132,000 additional low-income households in 1990, 5 percent more than the 126,124 additional households receiving housing subsidies in 1989. Housing vouchers can serve more low-income households at a lower Federal cost and provide greater opportunity for these families to rent housing of their own choosing.
- To maintain the progress we have been making in fostering State and local education reform, I would sustain the present level of spending on discretionary education programs at $18.5 billion, but refocus those funds to put more money where the needs of the disadvantaged and students with handicaps are greatest.
- To continue the significant progress we have made in cleaning up the environment, I recommend a $105 million increase for the Environmental Protection Agency's regulatory, research and enforcement programs. I also recommend an increase of $315 million for the Superfund hazardous waste cleanup program in order to maintain the program's momentum and support a stronger enforcement role.
- Because changes in the earth's natural systems can have tremendous economic and social effects, global climate change is becoming a critical concern. Our ability to understand and predict these changes is currently limited, and a better understanding is essential for developing policies. The budget proposes a coordinated and effective Federal research program on global change. This budget is accompanied by a report by

the Committee on Earth Sciences that describes this program and its strategy.

- Last year's fires on Federal forestlands indicated the need for more timely funding for annual fire-fighting costs. I therefore propose that two new Federal wild land firefighting accounts be established in the Departments of Agriculture and Interior.
- To further strengthen our energy security, I propose legislation authorizing the sale of the naval petroleum reserves to the private sector in exchange for cash and oil to be added to the strategic petroleum reserve. I also propose the establishment of a separate 10 million barrel defense petroleum inventory.
- To provide for the timely completion of my Reform '88 management improvement program I propose an additional $103 million for 1990, to further improve our management and credit systems.

MAJOR PROGRAMS ARE REFORMED TO ACHIEVE DEFICIT REDUCTION

The program structure and incentives underlying many domestic Federal programs need to be altered to promote greater efficiency and cost-effectiveness.

- Current farm price support programs are far too costly. For the period 1986–89 an estimated $130 billion in Federal spending for farm-related assistance programs provided an average of nearly $600,000 per farmer. Much of this assistance goes to farmers with high incomes—more than twice the U.S. family average. I therefore propose outlay reductions for the price and income support programs of $2 billion in 1990 and additional annual reductions of between $2 and $2.5 billion in each year from 1991 through 1994. In addition, I urge reform of the counterproductive sugar price support program.
- The rapidly rising costs of the medicare program need to be moderated. I propose a reasonable increase in the medicare prospective payment system rate and reductions in hospital capital payments and special graduate medical education payments. Also, in an effort to restrain excessive growth in supplementary medical insurance (SMI) costs, I propose extension of the current law SMI premiums, limitations on physician payments, reductions in payments for certain overpriced procedures, and reforms in the durable medical equipment payment system. Medicare spending would still grow by 9 percent between 1989 and 1990 under these proposals—but not by the 13 percent that would occur under current law.

- I also propose reforms in the medicaid program to reduce spending growth between 1989 and 1990 to $1.7 billion, or 5 percent, rather than the $3.3 billion, or 9 percent, that would occur under current law. These reforms reinstate successful incentives employed in the early 1980's. My budget also proposes restructuring Federal financing of administrative expenses to give States greater incentives to operate their administrative systems as efficiently as possible.
- The Government often continues programs at the Federal level that are either duplicative or are no longer needed, or more appropriately undertaken by other levels of government or the private sector. This is the case with the Economic Development Administration, Amtrak, urban mass transit discretionary grants, and most operating subsidies for the Postal Service. Efforts to reverse this situation have been undertaken by prior administrations as well as my own. These programs should be eliminated. The budget proposes termination of 82 programs that are not needed to satisfy national priorities.
- Under current law, outlays for Federal employee retirement and health benefits are estimated to grow from $51.3 billion in 1989 to $55.9 billion in 1990. I propose freezing retirement cost-of-living allowances (COLAs) and other reforms to hold the 1990 level to slightly above that for 1989, reducing the growth that would otherwise occur by $4.4 billion.

ACHIEVING A PROPER FEDERAL ROLE AND IMPROVING MANAGEMENT

As the Federal Government grew, it took on improper responsibilities, and managed its programs inefficiently. We undertook to return the Federal Government to its proper role. We also initiated a major program to improve the management of the remaining programs. These priorities are continued and expanded in this budget.

Privatization.—The Government and the private sector should each do what it does best. The Federal Government should not be involved in providing goods and services where private enterprise can do the job cheaper and better.

Accordingly, my budget proposes that a number of Federal enterprises be opened to the private sector, through public offerings or outright sales. Following our success in the sale of Conrail and the sale of $21 billion in selected loan portfolios, I am proposing sale of the naval petroleum reserves, the Alaska Power Administration, and the Southeastern Power Administration. I also propose sale of the Federal Government's helium-processing assets, excess real

property, and a further $4.3 billion in loan portfolios. In addition, my budget proposes legislation to establish a government corporation for the uranium enrichment enterprise, as the first step towards eventual privatization.

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 propose a number of pilot projects and studies in areas such as the private delivery of advertising materials and urgent mail, and the Department of Justice's prison hospitals.

Improved Management

In 1981, I made a promise to the American people "to limit Government to its proper role and make it the servant, not the master, of the people." My "Management Improvement Program: Reform '88" has helped make Government more efficient and more responsive. We reduced waste and fraud in Federal programs by combining the efforts of the inspectors general into the President's Council on Integrity and Efficiency, resulting in over $110 billion saved or put to better use—and their efforts are continuing.

I saw that the Federal Government did not have effective cash management practices for dealing with what is now a $2 trillion annual cash flow, nor did it have a government-wide credit management program for what is now a $1 trillion portfolio. This resulted in the waste of billions of dollars each year. We built the necessary government-wide controls in both areas and stopped the drain.

Moreover, we began the establishment of the first government-wide financial accounting system, consolidating and making uniform over 400 previously incompatible individual agency systems. This was essential for any well-managed government, and is presently being implemented.

The Federal Government has a major effect on our daily lives through the collection of taxes and fees, the direct provisions of services, the payment of financial assistance through various entitlement programs, and the regulation of commercial enterprises. Through modernization, improved administration, and automated services the Government has made substantial reductions in the time it takes to provide services to the public. As the 21st century approaches, the Federal Government must adapt its role in our society to changing conditions and changing technology. At the turn of the century, the U.S. population will exceed 268 million, with a larger proportion of elderly citizens. Changes in technology and communication will increasingly link the world's economies, trade, capital flows, and travel as never before.

The 1990 *Management Report*, which is being forwarded to the Congress as part of the 1990 budget submission, reflects the high-

lights of OMB's report to me on "Government of the Future." That *Management Report* has been expanded as a beginning to a planning process that has, in part, shaped the proposals in this budget and should become a part of the annual budget process.

BUDGET PROCESS REFORM IS DESPERATELY NEEDED TO CONTINUE DEFICIT REDUCTION

The persistence of the budget deficit is overwhelming evidence that the Federal budget process is fundamentally flawed. Past efforts at "reform" have been directed largely toward protecting a large portion of domestic spending from real fiscal discipline. Fourteen years after passage of the Congressional Budget Act and three years after enactment of the Balanced Budget and Emergency Deficit Control Act, the Federal budget process remains unwieldy and undisciplined. The American people expect better of their political system, and they deserve it.

Under the Congressional Budget Act, Congressional budget resolutions—Congress' proposed budgets—are passed each year. They are not sent to the President for approval and, therefore, are not law. They provide guidance to the committees of Congress, but the guidance is often late and ambiguous. The resolutions are usually passed well after the dates required by law, and well after they are needed by the finance, authorizing, and appropriations committees. Moreover, there is little agreement within Congress on the guidance provided. The House of Representatives and the Senate do not agree, except in the most general terms, on the priorities implied by resolutions both have approved.

Except for last year's on-time performance, Congress self-imposed budget deadlines have usually been missed, and massive continuing resolutions and reconciliation bills have been the rule rather than the exception. These large, cumbersome bills provide cozy hiding places for hundreds of special interest add-ons, which line-item veto authority would permit the President to challenge.

A number of changes in the budget process—most of which I have recommended before—are needed to instill budget discipline throughout the legislative process. I urge Congress to adopt the following measures:

Balanced budget amendment.—I remain committed to and urge approval of a constitutional amendment requiring a balanced budget. The amendment should require a super-majority vote (at least 60 percent) in the Congress to increase taxes.

Line-item veto.—My successors should be given the authority, subject to Congressional override, to veto line-items in annual appropriations bills, in authorizing legislation that provides or man-

dates funding for programs, and in revenue bills. Such authority would permit the elimination of substantial waste and would be an effective instrument for enforcing budget discipline.

Enhanced rescission authority.—To enhance the President's ability to control Government spending, I recommend that line-item veto authority be complemented by a change in law that would require the Congress to vote "yea" or "nay" on any rescission proposed by the President. Current law allows the Congress to duck responsibility by simply ignoring proposed rescissions for 45 days.

Biennial budgeting.—The annual budget process consumes too much time and energy. A biennial budget would reduce the repetitive budget tasks, allow more time for considering key spending and revenue decisions, provide less scope for gimmicks that give the illusion of "savings," such as shifting spending from one year to another without affecting the underlying programs, and permit the realization of real savings that would be possible with a more assured availability of funds. For these reasons, I recommend that biennial budgeting be adopted.

Joint budget resolution.—To ensure the broader scrutiny and stricter discipline that is needed in the congressional budget process, I propose that Congress be required to prepare a budget resolution covering a minimum of two years showing revenue proposals individually and showing spending priorities. The Congress should also be required to submit its budget resolution to the President for his signature or veto. Subsequent legislation which exceeds these allocations should not be considered without super-majority approval.

Individual transmittal of appropriations bills.—The practice of transmitting full-year continuing resolutions covering a number of appropriations bills does not permit the Legislative and Executive Branches to exercise proper scrutiny of those bills. Too often in the past, such continuing resolutions have provided convenient cover for special-interest spending that would not survive close scrutiny. To minimize this risk, I propose that appropriations bills be transmitted individually to the President.

Credit reform.—The effects of credit activities are recorded imperfectly under current budget accounting. The subsidy component of Federal lending programs remains hidden.

To correct this major fault in the budget system, I recommended credit reform legislation two years ago. This legislation, which I am recommending again, would measure the true cost—the present value—of the subsidies provided by Federal credit programs and put that cost on an expenditure basis equivalent to the cost of other Federal programs. This change must be an integral part of the reform of the budget process.

Measuring the effects of budget proposals.—Budget discipline and lasting deficit reduction would be facilitated if the Legislative and Executive Branches were to use a common set of principles for scoring budget proposals and actions on them. I urge that the Congressional Budget Office and the Office of Management and Budget be charged with the responsibility to develop, in consultation with the budget, finance, authorizing, and appropriations committees, a common set of budget scoring principles for use by the Legislative and Executive Branches.

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

The accomplishments of the American people in past eight years will always be for me a source of pride. However, we must continue our recent progress in reducing the Federal deficit.

Deficit reduction is a key national priority, written into law by the G-R-H Act, which, despite its defects, legislated a process to achieve a balanced budget.

This budget achieves the 1990 target of the amended Act, and projects a budget balance in 1993. It preserves legitimate programs for the aged and needy, provides for adequate national security, devotes more resources to other high-priority activities, and accomplishes all this without raising taxes. Tax increases are not needed. History shows that they would simply be used by the Congress to increase spending. Tax increases have been overwhelmingly voted down in the last three Presidential elections.

I call upon the Congress to enact this budget. Higher taxes are not needed—as this budget demonstrates—but genuine deficit reduction through moderating the growth in spending is essential to enable the next Administration and Congress to address the Nation's agenda for the future.

Over the past eight years, we Americans have made our world a safer place for freedom because we had the will to reinvigorate our

economy, rebuild our defenses, and provide for the less fortunate among us. Together, we achieved a new beginning for our country and prepared the way for the next Administration to build on our accomplishments.

RONALD REAGAN

JANUARY 9, 1989

Part 2

BUDGET TRENDS IN THE 1980s [1]

This final budget of the Reagan administration comes at the end of a decade of significant changes in both the growth and the composition of Federal spending. These changes have sometimes been overlooked and sometimes been misunderstood, as attention has focused on the deficit. The 1990 budget is a convenient vantage point from which to review the changes of this decade and place them in a longer perspective.

Overall, the 1980s have witnessed a sharp reduction in the rate of growth of Federal spending. Real outlays in 1990 are expected to be 26 percent above their 1980 level; through 1988, the cumulative growth rate has also been 26 percent. This is a much smaller increase than in any previous decade since the 1920s, when the Budget Act of 1921 established the Bureau of the Budget and the modern budgeting process. Before then, the role of the Federal Government and its budgeting system were so different that meaningful comparisons are not possible.

Because of the slowdown in the rate of growth of Federal outlays, they will account for a slightly smaller share of GNP in 1990 than they did in 1980 21.0 percent vs. 22.1 percent. This will be the first decline over a full decade since the 1920s.

It is worth emphasizing that the 1980s have seen slower growth and a restructuring of Federal Government spending, but not an actual reduction in expenditures. Even after adjusting for inflation, the level of Federal spending will be higher in 1990 than it was in 1980. The only sense in which the Government is smaller is in relation to the national economy, and even in these terms the reduction is slight; Government's share of economic output has been stabilized rather than lowered significantly. But the changes in the composition of the budget have been more substantial.

[1] Unless otherwise indicated, all dollar magnitudes in this section are expressed in 1982 dollars.

MAJOR CHANGES IN THE 1980'S

An increasingly popular classification system for Federal outlays is the division into national defense, entitlements and other mandatory programs, and discretionary programs. This basic framework was used in the Bipartisan Budget Agreement negotiated in late 1987 between the President and the leaders of Congress. During this decade, outlays for these broad budget categories have shifted in very different ways.

- Defense spending has been increased above the levels of the late 1970s, but defense still constitutes a smaller share of the budget and of GNP than at any time during the 1950s and 1960s;
- Entitlements and other mandatory programs have continued to grow in real terms, albeit more slowly than in the past, and now constitute about the same share of GNP as they did 15 years ago;
- Domestic discretionary programs have been cut back in real terms; however, not all discretionary programs have been scaled back important priorities have been maintained and expanded.

The broad domestic budget categories mask substantial differences among various functions and programs. Entitlements for the elderly have grown as a share of GNP; entitlements for the poor have increased in real terms, and have about kept pace with the growth of the economy. Health outlays, for both the elderly and the poor, have increased more rapidly than other benefits, and are the most rapidly growing large programs in this decade, as they were in the 1970s. This is true of both Medicare and Medicaid. Other entitlements have been reduced for various reasons; unemployment compensation, for example, has declined mainly because the strength of the economy has led to a drop in the unemployment rate.

Among the discretionary programs, the administration has emphasized the basic traditional roles and functions of central government. More resources have been devoted to law enforcement activities; the war on drugs has received especially high priority. The other core executive, legislative, and judicial functions, including the conduct of foreign policy, have been maintained and strengthened. Administration priorities in drug education, basic science, space, and AIDS prevention and research, have also received increased funding. At the same time, other domestic discretionary programs have been cut in real terms. These include grants to state and local governments, for programs other than payments to poor individuals.

National Defense.—The administration has increased defense expenditures in order to rebuild the nation's military capability, which had been allowed to deteriorate in the aftermath of the Vietnam War. Annual real outlays were cut by $100 billion, almost 40 percent, between 1968 and 1977, then rose by a modest $10 billion through 1980. When this administration took office, there was a broad consensus that it was necessary to strengthen the defense program. Between 1980 and 1988, real outlays were increased by $88 billion, or 54 percent. As a share of GNP, defense outlays are now at 6.1 percent, compared to 5.0 percent in 1980. The American economy can readily sustain this level of expenditure. Indeed, during the prosperous peacetime decade of 1955–1964, the United States devoted 10 percent of GNP annually to national defense.

Entitlements and Mandatory Programs.—Entitlement spending in this decade, and indeed since 1975, has generally fluctuated within the range of 10 to 11 percent of GNP. In 1988 entitlements and other mandatory programs accounted for 10.2 percent of GNP, not very different from the 10.0 percent prevailing in 1980, or the 10.1 percent in 1975. This period of relative stability has come after a decade of unsustainably rapid growth, during which entitlements more than doubled, starting from 4.2 percent of GNP in 1965.

Although the overall share of GNP devoted to mandatory programs was constant, Social Security, Medicare, and Medicaid have grown steadily over the last 15 years, and are now the three largest mandatory programs. Medicare has grown the most rapidly, as a share of GNP; indeed, it has grown almost as rapidly in constant dollars as the much larger Social Security program. These increases have been offset by declines in unemployment compensation and veterans entitlements. Low-income benefit programs (including Medicaid) have fluctuated narrowly between 1.8 and 2.0 percent of GNP.

Measured in real terms, programs for the elderly have increased from $210 billion in 1980 to $285 billion in 1988, and will grow to $303 billion by 1990. Real benefits for Social Security recipients have been maintained in this decade. Social Security has grown as a share of GNP from 4.4 to 4.5 percent between 1980 and 1988; total real outlays have increased from $137 billion in 1980 to $174 billion over the same period. During the same period, Medicare has grown from 1.1 to 1.6 percent of GNP, and real outlays have almost doubled, from $36 billion to $69 billion, despite almost annual reforms intended to curb the growth of costs.

Programs for the poor have increased from $61 billion in 1980 to $75 billion in 1988. Medicaid accounts for much of the growth. Spending on programs for the poor doubled as a share of GNP between 1965 and 1975, and has remained almost constant since

then. Real outlays have therefore risen as the economy has grown. Outlays have also risen relative to the number of poor people; real benefits per person below the poverty line reached a record high level of $1,920 in 1987, compared to $1,816 in 1980 and $1,603 in 1975.

The composition of benefits to the poor has changed substantially. There has been a long-term shift from cash to in-kind transfers. Real cash outlays have not kept pace with the number of poor people since about 1973, and while real cash outlays per poor person are higher in 1987 than they were in 1985, they are still below the 1980 level. In-kind benefits, meanwhile, have been increasing. Total real benefits were $11 billion higher in 1988 than in 1980, and $10 billion higher in 1980 than in 1975.

Discretionary Programs.—Total outlays for nondefense discretionary programs have been reduced in this decade, both in real dollars and as a share of GNP. In 1980, these programs accounted for 5.8 percent of GNP; by 1988, this was cut by one-third, to 3.8 percent. Real outlays have been reduced by about 20 percent, from $182 billion to $146 billion. Real outlays grew by about 50 percent during the 1970s, and this growth has been reversed in the present decade; discretionary outlays are now down to about their level in 1976. As a share of GNP, discretionary outlays are now lower than they have been for at least a quarter century. These numbers include housing assistance, even though it is not an entitlement.

There has been a substantial reshaping of the nondefense discretionary budget, as well as an overall reduction. The President has identified a number of national priorities that have received funding increases. They include the war on drugs, education and research to prevent and treat AIDS, basic scientific research, and the space program. Total real outlays for these priorities will double in this decade from $9.1 billion in 1980 to $18.5 billion in 1990. At the same time, the basic legislative, executive, and judicial functions of the government have been maintained, and the Nation's role in international affairs has been strengthened. Other discretionary programs have been given lower priority, and total real spending on these programs has been reduced by 25 percent.

One important area that has been reshaped is the financial relationship between the Federal Government and State and local governments. Federal grants to State and local governments have been cut back sharply in this decade, when payments for individuals are excluded. (These are primarily programs for the poor and are included in the previous discussion of entitle ments.) Grants have been cut almost in half as a share of GNP, from 2.2 percent in 1980 to 1.3 percent in 1988, and by more than a third in real terms, from $68 billion in 1980 to $43 billion in 1988. Grants have been reduced for programs where the benefits are primarily local

rather than national, among them local economic development and local transportation systems. Some unnecessary or unsatisfactory grant programs have been eliminated, such as general revenue sharing and public service employment.

Conclusion.—Significant changes have indeed occurred in the budget during this decade, but they should be put in the context of longer-term trends. The year 1980 is sometimes taken as a normative standard, against which succeeding budget policy should be evaluated. But in 1980, the public was generally dissatisfied with the growth and the composition of the Federal budget. Defense outlays had declined in real terms for several years, in the aftermath of the Vietnam War, while domestic discretionary programs had grown rapidly, and in some cases haphazardly, during the preceding decade. Entitlements also were growing in real terms, though their share of the budget stabilized after 1975. The policy of this administration has been to reverse some of these trends, restoring national defense capabilities and cutting back sharply on lower priority domestic discretionary programs. Many of the entitlement programs have been restructured to a greater or lesser extent over the course of this administration, but the basic entitlement programs for the elderly, the poor, and other important groups have been preserved.

The President's budget for fiscal year 1990 is a continuation and extension of the changes that have occurred during this decade to date. The proposals contained in this budget are designed to meet the Gramm-Rudman-Hollings deficit target of $100 billion for 1990, and the subsequent targets, including a balanced budget in fiscal year 1993.

PRIORITIES IN THE 1990 BUDGET

Under the 1990 budget proposals, outlays would increase by $14.8 billion from 1989 to 1990. Rather than allow all programs to grow at the same rate, the administration has selectively proposed program reforms and initiatives to strengthen high priority programs while reducing programs of lower priority. Entitlements and other mandatory programs would grow by $4.6 billion between 1989 and 1990, slowing growth in programs that have exploded in size in recent years. Spending for defense programs would increase by $4.7 billion while spending for international discretionary and domestic discretionary programs would grow by $1.1 billion and $4.1 billion, respectively.

1990 BUDGET PROPOSAL

(In billions of dollars)

	1989	1990	Proposed change
Receipts	975.5	1,059.3	83.8
Outlays:			
Defense	298.3	303.0	4.7
International discretionary	16.3	17.5	1.1
Domestic discretionary:			
Initiatives	47.5	53.9	6.3
Terminations	17.0	13.8	−3.3
Other	112.8	113.8	1.0
Subtotal, domestic discretionary	177.4	181.5	4.1
Entitlements and other mandatory	523.3	528.0	4.6
Asset sales [1]	−7.1	−6.1	0.9
User fees	.....	−1.0	−1.0
Other collections	.....	−4.4	−4.4
Net interest	165.7	170.2	4.5
Undistributed offsetting receipts	−36.9	−36.6	0.3
Total, outlays	1,137.0	1,151.8	14.8
Deficit (−)	−161.5	−92.5	69.0
MEMORANDUM			
Deficit (−) without asset sales	−168.6	−98.6	69.9

* $50 million or less.
[1] Includes related debt service.

The budget:

- Meets the deficit target for 1990 called for in the G-R-H Act. The budget also meets the Act's requirement for a balanced budget by 1993.
- Does not require new taxes.
- Does not tamper with social security, and assures that truly needy beneficiaries are protected.
- Provides sufficient funding for national security needs as well as high priority non-defense initiatives.

- Includes appropriate entitlement reforms that affect only providers, states or local governments and middle- and upper-income recipients.
- Reduces or terminates unnecessary Federal programs.
- Only includes increased revenues from extending existing revenues, reproposing user fees and proposing a moderate level of loan and physical asset sales that are considered to be "good government" proposals and are not needed to meet the G-R-H targets.
- Includes expanded privatization initiatives, including efforts to encourage marketplace competition in the public sector.
- Continues and expands management improvement initiatives.
- Proposes credit and budget process reform.

Under the 1990 budget proposals, the deficit is estimated to decline from $161.5 billion in 1989 to $92.5 billion in 1990, $7.5 billion below the requirements of the G-R-H Act. Adoption of Presidential proposals would bring the budget into surplus by 1993. By 1994, the surplus would reach $33.4 billion and this is being accomplished without raising new taxes or reducing any benefits to needy beneficiaries.

This section discusses the major proposals in the 1990 budget. The following table shows the budget plan by category. The remainder of this section discusses proposals in each category. It also discusses the administration's management and privatization initiatives.

COMPREHENSIVE BUDGET PLAN

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
Receipts	975.5	1,059.3	1,140.5	1,212.2	1,281.4	1,345.0
Outlays:						
Defense	298.3	303.0	314.4	326.4	339.9	354.3
International discretionary	16.3	17.5	17.4	18.0	17.8	17.9
Domestic discretionary	177.4	181.5	187.3	189.8	192.2	194.6
Entitlements and other mandatory	523.3	528.0	566.2	599.4	630.7	659.6
Asset sales [1]	−7.1	−6.1	−2.4	−2.0	−0.8	−0.8
User fees	.....	−1.0	−1.3	−1.7	−2.0	−2.2
Other collections	.....	−4.4	−1.6	0.4	−0.9	0.1
Net interest	165.7	170.2	165.8	154.4	143.8	132.1
Undistributed offsetting receipts	−36.9	−36.6	−38.4	−40.2	−41.7	−43.9
Total, outlays	1,137.0	1,151.8	1,207.3	1,244.4	1,279.0	1,311.6
Surplus/deficit (−)	−161.5	−92.5	−66.8	−32.2	2.4	33.4

* $50 million or less.
[1] Includes related debt service.

NATIONAL DEFENSE

The budget proposes $315.2 billion in budget authority for national defense for 1990 and $330.8 billion for 1991. These levels

would provide about 2 percent annual real growth above the 1989 level, reversing a trend of four straight years of real decline in defense funding. The budget proposal provides the funds needed to continue modernization of U.S. strategic and conventional forces, maintain readiness, and improve combat sustainability. These increases are sorely needed if a strong national defense is to be maintained. The budget also proposes several initiatives for improving defense program management.

The administration's strategic modernization program remains a high priority. The budget requests $5.9 billion for the Strategic Defense Initiative in 1990—an increase of $1.8 billion above the level provided in 1989. The budget also requests funds to modernize and upgrade strategic arms verification capabilities. These capabilities will help our Nation verify future arms control agreements, assure compliance with these agreements, and keep pace with changes in technologies in other nations. Conventional force capability improvements would also continue.

The budget requests $9.0 billion in budget authority for atomic energy defense activities, an increase above the 1989 level of 8 percent in real terms. This funding level includes $2.0 billion for environmental, safety, health, and waste disposal activities and $1.3 billion for modernization of the atomic energy defense production complex.

As budget pressures have increased there has been emphasis on improved management of defense programs. Stretchouts of procurement programs are avoided and production rates are maintained at or above minimum economic levels. To improve program stability, the budget proposes multi-year procurement of 32 additional weapons programs. Funds are also provided to initiate the base closings recommended by the Secretary's Base Closures Commission. Expected savings from base closings are estimated to be $2.0 billion by 1994.

REQUEST FOR NATIONAL DEFENSE

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
DoD—Military:						
Proposed budget authority	290.2	305.6	320.9	335.7	350.7	365.6
Proposed outlays	289.8	293.8	304.7	316.2	329.4	343.5
Outlay change from 1989 level	.....	4.0	14.9	26.4	39.6	53.7
Atomic energy defense and other:						
Proposed budget authority	8.6	9.5	9.9	10.4	10.7	11.0
Proposed outlays	8.5	9.2	9.7	10.2	10.5	10.8
Outlay change from 1989 level	.....	0.7	1.3	1.7	2.1	2.4
Total, national defense:						
Proposed budget authority	298.8	315.2	330.8	346.1	361.4	376.6
Proposed outlays	298.3	303.0	314.4	326.4	339.9	354.3
Outlay change from 1989 level	.....	4.7	16.2	28.2	41.7	56.1

DISCRETIONARY PROGRAMS

Funding for discretionary programs is determined by annual appropriations actions. This category includes a wide diversity of Federal programs ranging from basic activities of government such as the conduct of foreign affairs, to grants to State and local governments for education, highway construction and community development.

INTERNATIONAL AFFAIRS

This budget requests increased funding for international affairs discretionary programs to meet emerging needs of developing countries, to respond to reform by the United Nations, and to enhance U.S. Government and Government-sponsored radio broadcasting abroad. The increases are partly offset by a program termination and selective reductions. Overall, international discretionary programs are funded at $19.4 billion in budget authority, $1.1 billion above the 1989 enacted level. Under the budget proposals, 1990 outlays are estimated to be $1.1 billion above 1989.

For the foreign aid component of international affairs the budget proposes a $0.8 billion budget authority increase over 1989. One major element of this increase is international security assistance which provides grants for the export of U.S. military goods and services and for related support of the economies of key recipient governments. The $8.5 billion in budget authority proposed ($0.4 billion over 1989) will continue or enhance activities promoting the security of countries in such areas as the Middle East, Central America and South Asia.

REQUEST FOR INTERNATIONAL DISCRETIONARY PROGRAMS

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
Foreign aid:						
Proposed budget authority	13.8	14.6	14.7	14.8	14.9	15.1
Proposed outlays	12.7	13.4	13.4	14.1	13.9	14.0
Outlay change from 1989 level	.....	0.6	0.7	1.3	1.2	1.3
Export-Import Bank:						
Proposed budget authority	0.7	0.1	.....	.....	.....	.....
Proposed outlays	−0.3	−0.2	−0.4	−0.5	−0.6	−0.7
Outlay change from 1989 level	.....	0.1	−0.1	−0.2	−0.3	−0.4
Other:						
Proposed budget authority	3.8	4.7	4.4	4.5	4.5	4.6
Proposed outlays	3.9	4.3	4.4	4.4	4.5	4.6
Outlay change from 1989 level	.....	0.4	0.4	0.5	0.6	0.6
Total, international discretionary:						
Proposed budget authority	18.3	19.4	19.1	19.3	19.5	19.6
Proposed outlays	16.3	17.5	17.4	18.0	17.8	17.9
Outlay change from 1989 level	.....	1.1	1.0	1.6	1.5	1.6

* $50 million or less.

The budget proposes that the direct lending program of the Export-Import Bank be terminated. This proposal is largely the result of the successful efforts of the administration to reduce subsidized export lending by all developed countries through international credit restraint agreements. The Bank's broad range of guaranteed loan and insurance programs will continue to provide comprehensive support for U.S. exporters.

DOMESTIC DISCRETIONARY

As in the international affairs area, requests for domestic discretionary programs are based on the relative merits of each program. Increases are requested for high priority programs, while those that are either of low priority or the responsibility of State and local governments are proposed for termination or deep reductions. Budget authority of $145.0 billion is requested for domestic discretionary programs in 1990, $1.4 billion over the 1989 enacted level. Outlays for discretionary programs are estimated to total $181.5 billion in 1990.

Space and Science.—The programs in this category—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—help ensure U.S. strength and leadership in science and space technology. The budget requests $15.5 billion in budget authority for these programs, 22 percent more than the 1989 enacted level.

Under the administration's proposals, NSF would emphasize the need for academic basic research and for science and engineering education. Also proposed is a second competition for interdisciplinary basic science and technology centers to complement the 11 established in 1989, encouraging substantial participation by industry and the States to speed the transfer of new knowledge from the laboratory to the marketplace.

Budget authority of $12.2 billion is proposed for space-related activities of NASA, an increase which would allow for a safe and sustainable space shuttle flight rate. The budget request would allow for the completion of modifications and redesigns identified by post-Challenger accident reviews. Continued development of a new advanced solid rocket motor is proposed to improve the safety, reliability, and performance of the shuttle fleet. A continued national commitment to a permanently manned space station is essential to technological and economic progress. The budget also provides for continued expansion of the manned space station, which is to become operational in the mid-1990's.

The budget requests an increase of 27 percent over the 1989 enacted level for Department of Energy general science programs. This includes funding for the Federal share of the initiation of

REQUEST FOR DOMESTIC DISCRETIONARY PROGRAMS

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
Space and science:						
Proposed budget authority	12.7	15.5	17.4	18.9	19.9	20.7
Proposed outlays	12.6	14.8	16.6	18.0	19.1	20.1
Outlay change from 1989 level	.....	2.3	4.1	5.4	6.5	7.5
Transportation and public works:						
Proposed budget authority	16.2	15.5	15.3	15.3	15.4	15.4
Proposed outlays	32.2	32.3	32.4	32.1	31.9	31.6
Outlay change from 1989 level	.....	0.1	0.2	−0.1	−0.3	−0.6
Economic subsidies and development:						
Proposed budget authority	27.6	26.0	25.8	25.2	25.1	24.3
Proposed outlays	33.8	31.8	30.1	28.7	27.3	26.4
Outlay change from 1989 level	.....	−2.0	−3.7	−5.1	−6.5	−7.4
Education and social services:						
Proposed budget authority	40.6	40.8	49.6	49.1	48.3	48.0
Proposed outlays	47.0	49.1	51.0	52.1	53.1	54.1
Outlay change from 1989 level	.....	2.1	4.0	5.1	6.1	7.1
Health research and services:						
Proposed budget authority	25.7	26.3	27.4	27.9	28.5	29.1
Proposed outlays	24.8	25.9	26.8	27.5	28.0	28.6
Outlay change from 1989 level	.....	1.1	2.0	2.7	3.2	3.8
Law enforcement and other:						
Proposed budget authority	20.8	21.3	21.7	22.2	22.4	22.3
Proposed outlays	27.0	27.9	29.4	29.4	29.8	29.4
Outlay change from 1989 level	.....	0.9	2.4	2.4	2.8	2.9
Allowances:						
Proposed budget authority	.....	−0.4	0.8	1.9	2.9	3.7
Proposed outlays	.....	−0.4	0.9	2.0	3.1	4.0
Outlay change from 1989 level	.....	−0.4	0.9	2.0	3.1	4.0
Total, domestic discretionary:						
Proposed budget authority	143.5	145.0	157.9	160.5	162.5	163.5
Proposed outlays	177.4	181.5	187.3	189.8	192.2	194.6
Outlay change from 1989 level	.....	4.1	9.9	12.4	14.8	17.2

* $50 million or less.

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 20 times greater than can be produced today.

Transportation and Public Works.—This category includes air, water, and ground transportation programs as well as Federal water resource projects. The budget requests $15.5 billion in budget authority for these programs, a 4.5 percent decrease from the 1989 enacted level. Increases for modernizing the air traffic control system would be offset by reductions in low priority programs such as mass transit. The budget also proposes termination of unnecessary subsidy programs, such as payments to air carriers for providing service to certain communities, and grants to Amtrak.

The administration requests funding for eleven new construction starts for the Corps of Engineers, including the Santa Ana flood

control project in southern California. Construction of these projects would be contingent on the willingness of State and local governments, and other non-Federal project sponsors, to share in project costs in accordance with the Water Resources Development Act of 1986.

For 1990, the administration requests a 41 percent increase in funding above the 1989 enacted level to continue the Federal Aviation Administration's (FAA) airspace modernization program, and improve the reliability, capacity, and safety of the air traffic control system. In addition, the budget includes a proposed 14 percent increase in funding for FAA's operations in order to augment and upgrade the safety critical workforce including air traffic controllers, aviation safety inspectors, and aviation security specialists.

The budget recommends legislation to reform the operating differential subsidy program. The legislation would increase the competitiveness of the U.S. flag fleet by expanding carriers' operating flexiblity, implementing certain cost-saving reforms and allowing additional carriers to participate in the program.

In keeping with the administration's policy of reducing Federal responsibility for rail activities unrelated to safety, the administration proposes terminating subsidies for Amtrak. Amtrak serves less than one percent of all intercity travel. Given limited budgetary resources and competing demands of higher priority Federal programs, the administration believes the Federal Government cannot afford to continue subsidizing the trips of business travellers and vacationers. In addition, the budget proposes an immediate end to mass transit discretionary grant funding, which has promoted the construction of local transit systems that often have been too costly and underutilized. The administration also proposes terminating operating subsidies to large- and medium-sized cities, but not those to small urban and rural areas. Most of the operating subsidies are absorbed by high wages and low labor productivity in public mass transit systems.

Economic Subsidies and Development.—This category includes programs for energy, natural resources and the environment, agriculture, commerce and housing credit, and community and regional development. Many programs in this area are proposed for reduction or termination in the 1990 budget 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. The administration proposes reducing budget authority for this category from $27.6 billion in 1989 to $26.0 billion in 1990.

The budget increases funding over the 1989 level for basic operations and maintenance by the Federal land management agencies. The budget includes a proposal to fund future forest fire fighting

costs outside the annual appropriations process. The administration also proposes to increase funding for the Superfund hazardous waste cleanup program by $0.3 billion over the 1989 enacted level to continue the program's momentum and support a stronger enforcement role. This level would keep the Environmental Protection Agency on target to meet the statutory deadline for cleanup starts.

The budget proposes direct funding to fill the strategic petroleum reserve at an average rate of 50,000 barrels per day over the two year period 1989–90. The budget also proposes to sell the Government-run naval petroleum reserves as discussed in the revenues section below. Proceeds from the sale would include oil that would be used to provide additional inventory for defense purposes and accelerate the strategic petroleum reserve fill rate to an average 75,000 barrels per day from 1990 through 1994.

The budget proposes termination of the Small Business Administration's disaster assistance program, which provides loans to homeowners and businesses for uninsured losses suffered as a result of physical disaster. Elimination of this program would encourage homeowners and businesses to obtain and maintain adequate private insurance coverage against disaster-related losses instead of relying on the availability of direct Federal loans at preferential interest rates. The administration also proposes elimination of several grant programs currently providing support for local community development projects, including the Economic Development Administration (EDA) and the Appalachian Regional Commission (ARC). There is no evidence that these programs have resulted in net job creation nationwide.

The administration again proposes to implement most of the Postal Rate Commission's 1986 recommendations for reform of the postal subsidy program, including elimination of 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.

The budget requests $1.2 billion in budget authority for sewage treatment construction grants for 1990, $0.8 billion less than the 1989 enacted level. This level is sufficient to fund the Federal share for all projects needed to meet the 1988 municipal compliance requirements and complete all treatment plants that were started with Federal funds.

The budget proposes major reforms in the repayment practices of the Power Marketing Administrations (PMAs). As a result of financial subsidies from the Federal Government, PMA power rates are often significantly below prevailing electric power rates. The proposed reforms would establish sound business practices by requiring a fixed straight line amortization schedule for principal repay-

ments and by establishing interest rates on unpaid principal at the rate paid by equivalent private electric utilities.

The administration proposes shifting the Rural Electrification Administration (REA) loan program from direct loans to partially guaranteed loans. Since most REA borrowers are financially healthy, they can and should increase their reliance on private sector financing. Reforms are also proposed for Farmer's Home Administration (FmHA) loan programs. The rural housing insurance fund would reduce its direct loan program and rely more heavily on housing vouchers. The agricultural credit insurance fund, the "lender of last resort" to agricultural producers, would continue to shift toward guaranteed loans as directed by the 1985 Farm Bill. The rural development insurance fund would also shift to greater use of guaranteed loans. This assistance, part of the administration's rural development initiative, provides a bridge between rural borrowers and private lenders. Loans would be used by rural communities to obtain necessary water, waste and community facilities, as well as to assist business development.

Education and Social Services.—This category includes funding for elementary, secondary, and higher education, job training, and a variety of social services. The Federal Government's role in this area is primarily to provide support for meeting the educational, social services, and training needs of the disadvantaged through programs that allow States and localities flexibility to tailor solutions to their individual problems. The administration believes that States and localities must continue to bear the major financial responsibility for these programs. Programs in this category have been strengthened with these priorities in mind, and the administration proposes termination and phase out of numerous programs that are either highly categorical and thus restrict State options, are duplicative of other Federal activities, have relatively low priority purposes or are best carried out by the private sector. Programs that serve the needs of the disadvantaged are maintained at the 1989 level or increased. The request for budget authority for this category is $40.8 billion, $0.2 billion above the 1989 enacted level.

The administration proposes to increase compensatory education programs (grants to State and local school districts that partially finance remedial education services for the educationally disadvantaged) above the 1989 enacted level. These programs provide the Federal Government's major contribution to improving the quality of education for children most in need. The budget also proposes an increase for a new program that helps dislocated workers find or train for new jobs.

The budget proposes adding 132,000 new housing subsidies for low-income households. Most of these are housing vouchers, the

cornerstone of the administration's housing policy. Vouchers, which are targeted to very low-income households, provide tenants with more housing choices, including the opportunity to live in better neighborhoods with access to available jobs and higher quality schools. They also make more efficient use of private sector housing and are far less costly than other housing programs.

The administration again proposes terminating Federal funding for the Legal Services Corporation, a private, non-profit organization that funds State and local agencies providing free civil legal assistance to the poor. State and local bar associations have developed programs to provide assistance to indigent clients, and these efforts are expected to continue to grow, consistent with private attorneys' ethical obligations to provide such services. The administration also reproposes termination of community services block grants, which have been estimated to provide less than 15 percent of the funding for community action agencies. States may continue community services programs using funds from the social services block grant program.

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. The budget authority request for health research and services is $26.3 billion, a $0.6 billion increase over the 1989 enacted level. Proposed increases for high-priority Human Immunodeficiency Virus (HIV) research would be partially offset by reductions in some programs of lesser priority such as subsidies for clinical health professions training.

Combatting HIV is the administration's highest public health priority. Supplementing State and local programs, the Federal effort encompasses health education and prevention as well as research on the causes of, potential treatment for, and vaccination against HIV. The budget authority request for Public Health Service (PHS) HIV programs is $1.6 billion, a 24 percent increase over the 1989 enacted level. The budget requests $0.9 billion in budget authority for 1990 for PHS drug abuse treatment, research, prevention, and deterrence programs, a 9 percent increase over the comparable 1989 enacted level, as well as an increase to $10.7 billion for veterans medical care.

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 budget requests $21.3 billion in budget authority for

these programs in 1990, $0.5 billion more than the 1989 enacted level.

The administration places a high priority on law enforcement activities of the Federal Government. Budget authority requested for criminal investigations of the FBI and DEA for 1990 is $2.1 billion, an increase of 10 percent over the 1989 enacted level. The budget also requests increased funding for Federal prisons, in response to the continuing growth of the Federal prison population.

The budget provides a 19 percent increase for various civil and criminal litigation activities, including organized crime, drug enforcement, environmental enforcement, and commercial litigation. Resources are also requested to administer payments authorized by the Civil Liberties Act of 1988 providing compensation for persons of Japanese ancestry who were deprived of liberty or property during World War II.

The budget also requests an increase in funding for the Internal Revenue Service to $5.5 billion, to allow expanded tax law enforcement programs and improved accuracy and accessibility in taxpayer information services as well as redesigned tax processing systems.

Allowances.—This category includes budgetary transactions that are expected to occur but are not reflected in program detail. Allowances include funding to cover civilian agency pay raises and savings from two proposed reforms. The proposed civilian agency pay raises for 1990 are 2 percent for civilian personnel and 3.6 percent for Coast Guard military personnel. It is assumed that agencies will absorb 75 percent of the increased costs associated with the civilian pay raise in 1990. Reductions in the government contribution for Federal employee health benefits, resulting from reforms discussed in the Entitlements and Other Manadatory Programs section below, would save $0.3 billion in 1990. Savings from the proposed establishment of new government mail subclasses would also total $0.3 billion in 1990. Government mail is easier and cheaper to handle than other mail and should be priced accordingly.

ENTITLEMENTS AND OTHER MANDATORY PROGRAMS

Spending for entitlement and other mandatory programs is determined by eligibility criteria and benefit formulas set in substantive law. Entitlements and other mandatory programs have been one of the fastest growing parts of the budget. If currently enacted policy continued unchanged, this category would grow by 4.5 percent between 1989 and 1990 and by an additional 27.3 percent by 1994. The administration seeks a number of important reforms in these programs to slow their growth. Under the budget proposals,

this category would grow by 0.9 percent between 1989 and 1990 and by an additional 24.9 percent by 1994.

ENTITLEMENTS AND OTHER MANDATORY PROGRAMS

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
Social security benefits:						
Proposed outlays	230.0	244.3	259.9	274.5	288.2	301.0
Proposed savings	.....	.....	.....	.....	.....	.....
Unemployment compensation and aid to the poor:						
Proposed outlays	60.3	58.6	61.0	63.7	66.5	70.0
Proposed savings	−0.1	−2.0	−1.7	−1.6	−1.7	−1.8
Medicare and medicaid:						
Proposed outlays	118.8	128.5	143.7	161.1	176.1	190.7
Proposed savings	−0.1	−6.7	−10.4	−13.5	−16.5	−19.9
Federal employee health and retirement benefits:						
Proposed outlays	51.3	51.5	53.8	56.8	60.0	63.0
Proposed savings	*	−4.4	−5.5	−6.5	−7.2	−7.8
Agriculture:						
Proposed outlays	16.9	12.4	12.5	11.0	8.5	5.8
Proposed savings	0.9	−2.6	−2.1	−2.5	−2.2	−2.1
Other:						
Proposed outlays	46.1	32.7	35.3	32.5	31.3	29.1
Proposed savings	0.2	−2.3	−3.3	−2.9	−3.0	−3.6
Total, entitlements and other mandatory:						
Proposed outlays	523.3	528.0	566.2	599.4	630.7	659.6
Proposed savings	1.0	−18.0	−23.1	−26.9	−30.6	−35.1

* $50 million or less.

Social Security.—The budget does not propose any reductions in social security benefits. Outlays for social security benefits are expected to grow from $230.0 billion in 1989 to $244.3 billion in 1990, primarily because of benefit increases tied to the consumer price index and increases in the number of beneficiaries.

Unemployment compensation and aid to the poor.—The budget proposals also exempt unemployment compensation and aid to the truly needy from fiscal restraint. No benefit reductions are proposed for regular unemployment compensation, food stamps, aid to families with dependent children (AFDC), the earned income tax credit, or supplemental security income. Improved targeting of nutrition aid is proposed. Under current law, over 15 percent of child nutrition funding provides subsidies to families who earn more than 185 percent of the poverty line. Under the budget proposals, schools and institutions would no longer receive Federal subsidies for meals served to upper- and middle-income households. One major program termination is also proposed—Trade Adjustment Assistance (TAA), which provides additional weeks of cash assistance and training to workers who have lost their jobs to imports.

This program inequitably favors one group of unemployed workers over others.

Medicare and medicaid.—The Federal Government is the largest payor of health care costs in the Nation. Spending for Medicare, which provides health care for the elderly, and Medicaid, which provides health care for low-income Americans, is projected to increase by $16.3 billion from 1989 to 1990 and by $75.4 billion from 1990 to 1994. The administration proposes reforms in both programs to slow this rapid growth rate.

Under administration proposals, Medicare would be reduced by $5.0 billion from the current services level in 1990, which would reduce growth between 1989 and 1990 from 15.4 percent to 9.5 percent. The administration proposes a moderate increase in the Medicare prospective payment reimbursement rate (one modestly below the inflation rate for hospital costs), and reductions in hospital capital payments as well as in medical education payments. In an attempt to restrain excessive growth in supplementary medical insurance (SMI) costs, the administration also seeks the extension of the current law SMI premium, limitations on physician payments, reductions in payments for certain overpriced procedures, and reforms in the durable medical equipment payment system.

The administration proposes reforms in the medicaid program that would reduce the growth between 1989 and 1990 to $1.7 billion rather than the $3.3 billion that would occur under current law. The administration proposes renewal of cost containment incentives that were originally authorized by the Omnibus Budget Reconciliation Act of 1981, but which expired at the end of 1984. The budget also proposes to restructure Federal financing of administrative expenses from a matching formula to a block grant indexed by inflation.

Federal employee retirement and health benefits.—Under current law, outlays for Federal employee retirement and health benefits are estimated to grow from $51.3 billion in 1989 to $55.9 billion in 1990. The administration proposes reforms in these benefits that would reduce this growth by $4.4 billion in 1990. The administration proposes two reforms in the Federal employee health benefits program, the world's largest multiple-choice health program. The formula used to determine the Government's contribution to enrollees' health premiums would be changed from the current Big Six formula (based on the premiums of six of the largest FEHB plans) to reflect a weighted average of all plans. The budget also proposes that employer health insurance costs for all annuitants of the District of Columbia government and the Postal Service, who participate in Federal personnel benefits, be paid by those entities rather than the Federal taxpayer.

The budget proposes that no cost-of-living adjustment (COLA) be given to Federal retirees in 1990. After 1990, retirees would receive cost-of-living adjustments equal to 1 percentage point less than the annual percentage change in the consumer price index (CPI). This would make the treatment of COLAs for Federal retirement programs generally consistent with the Federal Employees' Retirement System (FERS), which covers employees hired after January 1, 1984, and with the new Military Retirement System, which covers members entering active duty after August 1, 1986. Consistent with the administration's efforts to scale back overly generous features of the civilian retirement program, the administration also proposes to end the ability of retirees covered by civilian employee retirement systems to receive lump-sum payments based on their contributions to the retirement system. Private sector and state retirement plans generally do not have such a provision. The budget also proposes that, beginning in 1991, the Postal Service and D.C. Government make annual payments to the retirement fund to cover the full cost of COLA liabilities for their annuitants.

Agriculture.—Under current service estimates, farm price and income supports are projected to decline from $13.0 billion in 1989 to $12.6 billion in 1990, a level still far above normal historical levels. In order to mitigate the adverse effect of the 1988 drought on farm income, and to ensure that our farmers have a sufficient level of operating funds for the 1989 crop year, the administration proposes to increase the level of advance deficiency payments to 50 percent, the maximum allowable under current law. This increase in advance payments adds $0.9 billion to 1989 outlays while reducing 1990 outlays by a like amount.

The administration's goal of developing more market-oriented agricultural programs and enhanced competitiveness in export markets is working. A limited number of actions are proposed to bring program outlays back to historical levels. These proposals would reduce farm price and income support outlays by $1.1 billion in 1990.

The Farm Credit System Financial Assistance Corporation (FAC) provides assistance to Farm Credit System (FCS) institutions mainly by purchasing their preferred stock using proceeds from federally guaranteed debt issuances. The administration recommends repealing legislation enacted last year that transferred an uacceptable amount of the financial risks for the corporation from the private sector to the Federal Government.

Federal Savings and Loan Insurance Corporation (FSLIC).—During 1988 the FSLIC spent over $16.4 billion (net budget outlays were $8.1 billion) as it accelerated its efforts to close or merge the burgeoning number of insolvent thrift institutions. Net budget out-

lays for FSLIC are estimated to be $8.7 billion in 1989 and $2.1 billion in 1990. These projected levels of spending would allow FSLIC to close at least 100 of the most unprofitable and insolvent institutions, which accounted for over 77 percent of the third quarter losses realized by all insolvent thrifts. The administration has also initiated an effort to formulate a comprehensive plan to resolve remaining thrift insolvency problems and reform the Federal depository insurance system. It is expected to be presented to the new President within 60 days.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

(In billions of dollars)

	1989	1990	1991	1992	1993	1994
Disbursements	15.9	9.1	10.2	8.6	10.0	10.2
Receipts	−7.2	−7.0	−3.6	−3.7	−5.1	−6.8
Net outlays	8.7	2.1	6.6	4.9	4.9	3.4

REVENUES

In addition to the programmatic changes discussed above, the budget proposes a number of revenue changes, including increased user fees, and sales of both loans and real assets—but no new taxes.

Asset sales.—The budget estimates include proceeds from loan asset sales and loan prepayments of $3.4 billion above the current services level in 1990. These loans are to be sold without recourse. Sales of new loans, which provide an incentive for agencies to improve loan origination and documentation, and assist in determining the subsidies inherent in Federal credit programs, are estimated to yield $0.7 billion in 1990. In addition, the budget includes $1.7 billion from the 1990 sale of loan assets for programs that are proposed to be terminated.

The administration continues to promote the sale of real assets. It again proposes 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. In addition to an estimated $1.0 billion in revenues from the sale, the buyer of the fields would be required to provide oil to the strategic petroleum reserve in order to accelerate the fill rate to 75,000 barrels per day for 1990 through 1994.

The administration also reproposes the sale of the Alaska Power Administration and the Southeastern Power Marketing Administration in 1990, as well as the sale of selected assets of the other power marketing administrations in 1991 through 1994. Other real assets proposed for sale are helium-processing operations of the

ASSET SALES

(In billions of dollars)

	1990	1991	1992	1993	1994
Savings from loan asset sales:					
Rural housing insurance fund	−1.7	−0.4	−0.4	−0.4	−0.4
REA prepayments	−0.5	−0.2	−0.2	.....	.....
Elderly and handicapped housing	−0.5	−0.6	−0.6	.....	.....
Other	−0.7	−0.2	−0.2	−0.2	−0.2
Asset sale offsets	.....	0.7	0.9	1.1	1.1
Subtotal, loan asset sales	−3.4	−0.8	−0.6	0.5	0.5
Savings from real asset sales:					
Naval Petroleum Reserve	−1.0	.....	.....	.....	.....
Power marketing adminstrations	−1.3	−1.5	−1.2	−1.0	−1.0
Other	−0.1	−0.2	−0.2	−0.2	−0.2
Asset sale offsets	.....	0.6	0.5	0.5	0.5
Subtotal, real asset sales	−2.4	−1.1	−0.8	−0.6	−0.6
Total, asset sales savings	−5.9	−1.9	−1.4	−0.1	−0.1

Bureau of Mines and additional surplus property held by the General Services Administration.

User fees.—The Federal Government provides numerous services that directly benefit clearly identifiable, narrow groups of business and private users. Financing these services with user fees has several advantages. It is more equitable for those receiving benefits to pay for them. Also, it is more efficient for these types of Government services to be allocated to those willing to pay for them. User fees for Government services also allow the private sector to compete more effectively to provide such services. The budget proposes establishing or increasing a variety of fees that in total will reduce the deficit by $1.0 billion in 1990 and $8.2 billion for 1990 through 1994. The fees include loan origination fees for a variety of Federal credit programs, as well as fees for Coast Guard and Food and Drug Administration services.

Other revenues.—Other revenue proposals that will increase offsetting collections include using competitive bidding to allocate the unassigned spectrum, charging for chlorofluorocarbon (CFC) production rights, selling oil and gas leases on the Arctic National Wildlife Refuge and proceeding with four lease sales on the outer continental shelf that are now or have previously been under one year moratoria. Other proposals that affect receipts include extending medicare hospital insurance coverage to all state and local government employees, repealing the airport and airway tax trigger, revising research and experimentation tax credits, increasing Nuclear Regulatory Commission fees, and increasing Internal Revenue Service (IRS) enforcement. The administration also proposes

USER FEES AND OTHER REVENUE INITIATIVES

(In billions of dollars)

	1990	1991	1992	1993	1994
Savings from user fees:					
Credit fees	−0.6	−0.9	−1.2	−1.5	−1.8
Coast Guard	−0.2	−0.2	−0.2	−0.2	−0.2
FDA fees	−0.1	−0.1	−0.1	−0.1	−0.1
Other	−0.2	−0.2	−0.2	−0.2	−0.2
Subtotal, savings from user fees	−1.0	−1.3	−1.7	−2.0	−2.2
Savings from other revenues:					
Customs fees: [1]					
Offsetting collections	0.8	0.9	0.9	1.0	1.1
Governmental receipts	−0.6	−0.8	−0.8	−0.9	−0.9
Offsetting collections:					
FCC competitive bidding	−2.3	−1.1	.....	.....	.....
CFC production rights	−0.4	−1.4	−0.6	−0.6	−1.0
Arctic National Wildlife Refuge	−2.1	−*	−*	−1.3	−*
OCS receipts	−0.5	.....	.....	.....	.....
Governmental receipts:					
HI coverage of State & local employees [2]	−1.8	−1.9	−1.9	−1.9	−1.9
R&E revisions	2.1	1.4	1.8	2.0	2.3
Airport and airway trigger repeal [2]	−0.9	−1.6	−1.7	−1.8	−1.9
IRS enforcement intiative	−0.3	−0.6	−0.7	−0.7	−0.7
NRC fees	−0.3	−0.3	−0.3	−0.4	−0.4
Other	0.1	*	*	0.2	0.2
Subtotal, savings from other revenues	−6.2	−5.4	−3.2	−4.2	−3.1
Total, revenue initiatives	−7.3	−6.7	−4.9	−6.2	−5.3

* $50 million or less.
[1] Part of the customs fee proposal involves repeal of a provision that requires OMB to account for the existing customs user fee as an offsetting collection. Under the proposal, the fees would be classified as governmental receipts consistent with budget principles.
[2] Net of income tax offsets.
Note: Increases in receipts are shown as negatives since they reduce the deficit.

reforms in the existing ad valorem fee charged by the Customs Service to make the fees consistent with the General Agreement on Tariffs and Trade (GATT).

CREDIT REFORM INITIATIVE

The administration proposes changing 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. 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.

PRIVATIZATION INITIATIVES

Privatization is an important management tool to raise productivity, cut costs and improve the quality of Government services. Privatization, defined as the transfer of Government services, assets and/or enterprises to private sector providers, replaces monopolies with competition, thereby allowing the competitive pressures of the marketplace to encourage efficiency, quality, and innovation in the delivery of goods and services within the Government. Privatization does not imply abrogation of Government responsibility for any of these services. Rather, it recognizes what matters most is the service provided, not who provides it.

In order for Government departments and agencies to take full advantage of the potential savings opportunities afforded by privatization, the administration has developed three initiatives designed to realize immediate cost efficiencies as well as long-term fiscal savings. The first initiative is to inject the incentives of marketplace competition into the public sector. The second initiative is to expand the role of the private sector in improving public infrastructure. Finally, privatization pilot projects and studies underway would be continued.

OTHER MANAGEMENT INITIATIVES

Improved management of the Federal Government has been a high priority of this administration. The administration has successfully mobilized the extensive resources of the Federal Government to pursue its management improvement agenda.

The cornerstone of the administration's management improvement effort has been Reform '88. This program offered five strategies for achieving better Government through better management. The first strategy was to eliminate the Federal Government role in activities not properly Federal responsibilities. The second was to make full use of Inspectors General and build on their significant record of accomplishment. Improving individual agency operations through intensive management reviews and effective corrective actions was the third strategy. The fourth strategy was to put in place Government-wide management systems. The final strategy was to improve the timeliness, quality, and efficiency of Government services. Much progress has been made in improving Government management through each of these strategies.

CONCLUSION

In summary, the proposals put forth in this budget represent a comprehensive program for reducing Federal spending that will enable the Gramm-Rudman-Hollings deficit target for 1990 to be met without an increase in taxes. It contains no cuts in social security and preserves benefits for the truly needy. It provides for

strong national defense and high-priority non-defense initiatives while eliminating programs that are ineffective or inappropriate to the Federal Government.

Part 3

ECONOMIC OUTLOOK

The economy and the budget are interrelated. Federal receipts and outlays are partly determined by the state of the economy. They in turn affect the level and pattern of economic activity. In estimating Federal receipts and outlays for future years, therefore, the underlying economic assumptions must be clearly specified.

SHORT–RANGE ECONOMIC FORECAST

(Calendar years; dollar amounts in billions)

Item	Actual 1987	Forecast		
		1988	1989	1990
Gross national product:				
Current dollars:				
Amount	4,527	4,857	5,211	5,570
Percent change, fourth quarter over fourth quarter	8.3	6.6	7.4	7.0
Constant (1982) dollars:				
Amount	3,847	3,994	4,123	4,254
Percent change, fourth quarter over fourth quarter	5.0	2.6	3.5	3.4
Incomes (current dollars)				
Personal income	3,780	4,052	4,326	4,633
Wages and salaries	2,248	2,434	2,605	2,780
Corporate profits before tax	277	301	351	396
Price level (percent change, fourth quarter over fourth quarter:				
GNP deflator	3.1	3.9	3.7	3.5
Consumer Price Index [1]	4.6	4.2	3.6	3.5
Unemployment rate (percent):				
Total, annual average [2]	6.1	5.4	5.3	5.1
Insured, annual average [3]	2.4	2.1	2.0	1.9
Federal pay raise, January (percent):				
Military	3.0	2.0	4.1	3.6
Civilian	3.0	2.0	4.1	2.0
Interest rate, 91–day Treasury bills (percent) [4]	5.8	6.7	6.3	5.5

[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] This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under the program. It does not include recipients of extended benefits under that program.
[4] Average rate on new issues within period, on a bank discount basis.

The accompanying two tables show the economic assumptions that underlie the estimates in this budget. The first table shows the short-range economic forecast through 1990; the second table shows the long-range assumptions for 1991 to 1994. The common practice is followed in showing these assumptions for calendar

LONG–RANGE ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

Item	Assumptions			
	1991	1992	1993	1994
Gross national product:				
Current dollars:				
Amount	5,939	6,296	6,640	6,968
Percent change, fourth quarter over fourth quarter	6.4	5.8	5.3	4.7
Constant (1982) dollars:				
Amount	4,396	4,539	4,684	4,834
Percent change, fourth quarter over fourth quarter	3.3	3.2	3.2	3.2
Incomes (current dollars):				
Personal income	4,924	5,202	5,461	5,719
Wages and salaries	2,969	3,159	3,342	3,515
Corporate profits before tax	442	475	498	522
Price level (percent change, fourth quarter over fourth quarter):				
GNP deflator	3.0	2.5	2.0	1.5
Consumer Price Index [1]	3.0	2.5	2.0	1.5
Unemployment rate (percent):				
Total, annual average [2]	5.0	5.0	5.0	5.0
Insured, annual average [3]	1.8	1.8	1.8	1.8
Federal pay raise, January (percent):				
Military	3.2	3.0	3.0	3.0
Civilian	3.0	2.8	2.3	1.8
Interest rate, 91–day Treasury bills (percent) [4]	4.5	4.0	3.5	3.0

[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] This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under the program. It does not include recipients of extended benefits under that program.
[4] Average rate on new issues within period, on a bank discount basis.

years, rather than fiscal years. To facilitate comparisons, current services estimates of receipts and outlays also are based on these economic assumptions; hence, differences between current services and policy estimates are due entirely to differences in policy and do not reflect the possible effects of any induced changes in the economy.

The economic expansion that began in December 1982 is now in its seventh year. Although it is a mature expansion, it shows no sign of ending. If the administration's policy proposals presented in this budget are enacted, the economy should continue to grow. A declining budget deficit will encourage capital formation and contribute to higher rates of productivity growth.

Real GNP is projected to rise by 3.5 percent this year, 3.4 percent in 1990, and 3.2 percent a year in 1991–94. The inflation rate is projected to decline gradually from its 1988 rate of 3.9 percent to about 3.7 percent this year and 3.5 percent in 1990. It is then projected to decline steadily to 1.5 percent in 1994. This is accompanied by a gradual decline in interest rates.

Part 4

FEDERAL RECEIPTS BY SOURCE

This section describes the major sources of receipts (budget and off-budget) and the legislative proposals and administrative actions affecting them. The economic assumptions underlying the estimates are in Part 3.

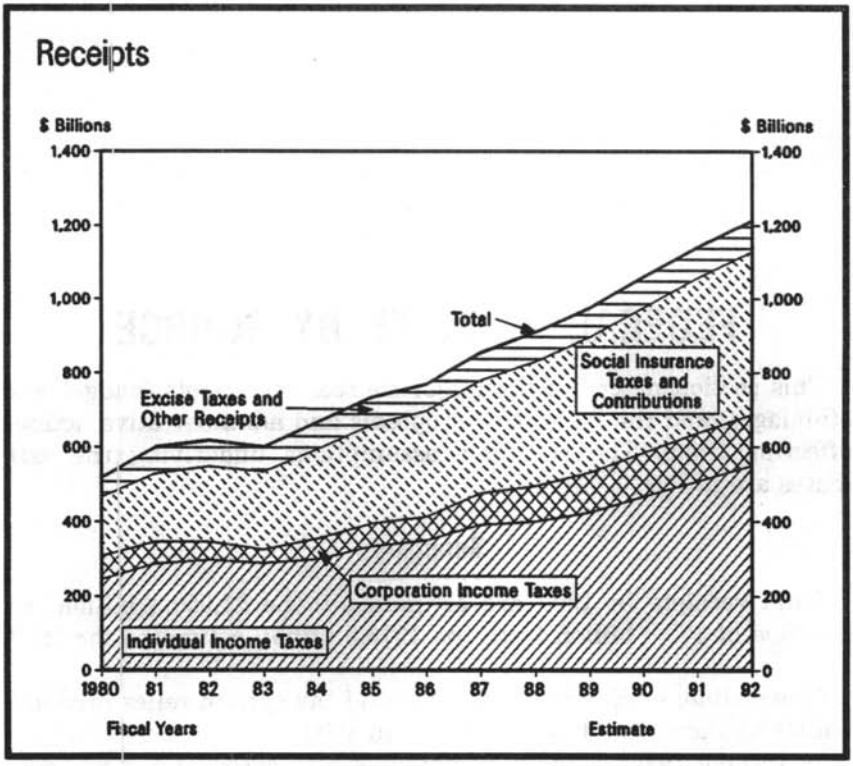
Summary

Total receipts in 1990 are estimated to be $1,059.3 billion, an increase of $83.8 billion from the $975.5 billion estimated for 1989.

Composition of Receipts.—The Federal tax system relies predominantly on income and payroll taxes. In 1990:

- Income taxes paid by individuals and corporations are estimated at $466.7 billion and $117.4 billion, respectively. Combined, these sources account for 55.1 percent of estimated receipts.
- Social insurance taxes and contributions—composed largely of payroll taxes levied on wages and salaries, most of which are paid equally by employers and employees—will yield an estimated $391.5 billion, 37.0 percent of the total.
- Excise taxes imposed on selected products, services, and activities are expected to provide $35.3 billion, 3.3 percent of the total.
- Estate and gift taxes, customs duties and fees, and miscellaneous receipts are estimated at $48.4 billion, the remaining 4.6 percent of receipts.

Because of legislated tax changes, the composition of receipts in 1990 is estimated to be much different than in 1980, the year before the administration took office. Although the Federal tax system relied predominantly on income and payroll taxes in 1980, as it will in 1990, the income tax share of total receipts in 1990 is expected to be 4.6 percentage points less than in 1980. In contrast, the social insurance taxes and contributions share of receipts in 1990 is estimated to be 6.4 percentage points higher than in 1980. The share of all other receipts is expected to decline 1.9 percentage points, from 9.8 percent in 1980 to 7.9 percent in 1990.



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 16 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.[1] The zero bracket amount, which was $3,400 for a 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

[1] 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.

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 $2,000 in 1989. In addition, effective January 1, 1989, the individual income tax brackets and the standard deduction are adjusted annually for inflation; the personal exemption will be adjusted annually beginning in 1990.

NET EFFECT OF MAJOR ENACTED LEGISLATION ON RECEIPTS [1]

(In billions of dollars)

	1988	1989	1990	1991	1992	1989–90
Economic Recovery Tax Act of 1981	−264.4	−290.9	−322.8	−357.7	−397.6	−613.7
Tax Equity and Fiscal Responsibility Act of 1982	57.3	55.7	57.2	61.2	64.7	112.9
Highway Revenue Act of 1982	4.9	5.1	5.1	5.1	5.1	10.2
Social Security Amendments of 1983	24.6	30.9	23.4	23.8	25.2	54.4
Interest and Dividends Tax Compliance Act of 1983	−1.8	−2.0	−2.5	−2.8	−3.1	−4.4
Railroad Retirement Revenue Act of 1983	1.2	1.1	1.1	1.1	1.2	2.3
Deficit Reduction Act of 1984	25.4	27.7	31.0	33.8	37.9	58.7
Consolidated Omnibus Budget Reconciliation Act of 1985	2.9	3.0	3.0	3.2	3.5	6.0
Federal Employees' Retirement System Act of 1986	−0.2	−0.2	−0.3	−0.4	−0.4	−0.5
Omnibus Budget Reconciliation Act of 1986	2.4	2.0	1.0	0.1	1.0	3.0
Superfund Amendments and Reauthorization Act of 1986	0.6	0.8	0.8	0.8	0.8	1.6
Continuing Resolution for 1987	2.8	3.0	2.6	2.6	2.6	5.6
Tax Reform Act of 1986	−8.9	−24.4	−20.3	−16.4	−20.9	−44.6
Omnibus Budget Reconciliation Act of 1987	8.6	13.9	16.1	15.4	12.2	30.0
Continuing Resolution for 1988	2.0	2.7	2.6	2.7	2.7	5.3
Medicare Catastrophic Coverage Act of 1988 [2]	.....	0.6	6.6	7.2	6.9	7.2
Family Support Act of 1988	.....	0.1	0.2	0.3	0.3	0.3
Technical and Miscellaneous Revenue Act of 1988	.....	−0.4	−0.1	0.1	−0.3	−0.6
Net tax reduction (−)	−142.6	−171.3	−195.3	−219.8	−258.3	−366.6
ADDENDUM						
Net effect on receipts by source:						
Individual income taxes	−201.4	−237.6	−259.4	−288.4	−326.9	−496.9
Corporation income taxes	24.0	27.2	33.7	42.6	43.7	60.8
Social insurance taxes and contributions	29.2	35.9	27.6	25.9	27.8	63.5
Excise taxes	12.9	11.5	11.7	9.5	8.0	23.3
Estate and gift taxes	−8.0	−8.9	−9.3	−9.6	−11.1	−18.1
Customs duties and fees	0.2	0.2	*	.....	.....	0.2
Miscellaneous receipts	0.5	0.3	0.3	0.3	0.3	0.7

*$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] Includes the effect on income taxes of the substitution of cash benefits for a portion of employer medigap insurance that would have been otherwise provided.

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 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, established a fund to finance the cleanup of wastes from leaking underground petroleum storage tanks, provided catastrophic illness and prescription drug benefits to individuals eligible for medicare, and reformed the aid to families with dependent children (AFDC) program.

As a result of these legislated changes, taxes have been reduced, on net, by $171.3 billion in 1989 and $195.3 billion in 1990 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 $496.9 billion over these two years.

Receipts Proposals

The receipts changes proposed in this budget are estimated to increase receipts by $1.8 billion in 1990. However, because the proposed reclassification of the ad valorem customs user fee is estimated to increase outlays by $0.8 billion, the combined impact is a reduction in the 1990 deficit of $1.0 billion.

The administration proposes that:

- Medicare hospital insurance (HI) coverage be extended to all State and local government employees.
- The research and experimentation (R&E) allocation rules be revised.
- A permanent R&E tax credit be established.
- IRS funding for tax law enforcement be increased.
- Fees be increased to recover 100 percent of the Nuclear Regulatory Commission's costs.
- The scheduled reduction in airport and airway trust fund taxes be repealed.
- The ad valorem customs user fee be made consistent with General Agreement on Tariffs and Trade (GATT) requirements and reclassified as a budget receipt.

EFFECT OF PROPOSED LEGISLATION AND ADMINISTRATIVE ACTION ON RECEIPTS [1]

(In billions of dollars)

	1989	1990	1991	1992
HI coverage of State and local employees [2]		1.8	1.9	1.9
R&E allocation rules		−1.7	−0.7	−0.8
R&E tax credit		−0.4	−0.7	−1.0
IRS enforcement initiative		0.3	0.6	0.7
NRC fees		0.3	0.3	0.3
Aviation related taxes [2]		0.9	1.6	1.7
Other	−*	−0.1	0.2	0.1
Subtotal, policy proposals	−*	1.2	3.2	3.0
Subtotal, customs reclassification		0.6	0.6	0.6
Total effect on receipts	−*	1.8	3.8	3.6
Total effect on customs outlays		0.8	0.9	0.9
Total deficit increase/decrease (−)	*	−1.0	−2.9	−2.7
ADDENDUM				
Effect of proposals on receipts by source:				
Individual income taxes		−0.3	−0.4	−0.4
Corporation income taxes		−2.0	−1.2	−1.5
Social insurance taxes and contributions	−*	2.0	2.0	2.1
Excise taxes		1.2	2.1	2.2
Customs duties and fees		0.6	0.8	0.8
Other		0.4	0.5	0.4
Total effect on receipts	−*	1.8	3.8	3.6
Total effect on customs outlays		0.8	0.9	0.9
Total deficit increase/reduction (−)	*	−1.0	−2.9	−2.7

*$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.

Part 5

FEDERAL PROGRAMS BY FUNCTION

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 homogenous 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 or charts 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. Table 4 at the back of this volume supplies the outlay data underlying the charts that appear in this section.

One functional reclassification has been made for this budget. This change involves the shifting of the ready reserve force from the defense related activities subfunction in the defense function to the water transportation subfunction in the transportation function. The ready reserve force maintains government-owned merchant ships in an advanced state of readiness to meet surge shipping requirements during a national emergency.

There are two additional modifications that involve changes in subfunctions within a function. The first is the creation of an other

undistributed offsetting receipts subfunction in the undistributed offsetting receipts category. Estimated receipts from the proposed sale by the Federal Communications Commission of the unassigned radio frequency spectrum, which were previously classified in the sale of major assets subfunction in this category, are included in this new subfunction. Estimated receipts from the proposal to charge for chlorofluorocarbon production rights are also classified in this subfunction. The second subfunction change involves moving the account financing payments to the Asia Foundation from the conduct of foreign affairs subfunction to the foreign information and exchange activities subfunction, both of which are in the international affairs 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 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. Table 6 at the end of this volume shows these data by agency.

The budget reflects the administration's proposal to separate the subsidy from the non-subsidy portion of Federal credit activities. The outlays for the subsidy portion are shown in the functional location of the credit programs, while the non-subsidy portion is shown in the central Federal credit activities function.

The credit budget and the administration's credit reform proposal are explained in Part 6 of this volume and in Special Analysis F.

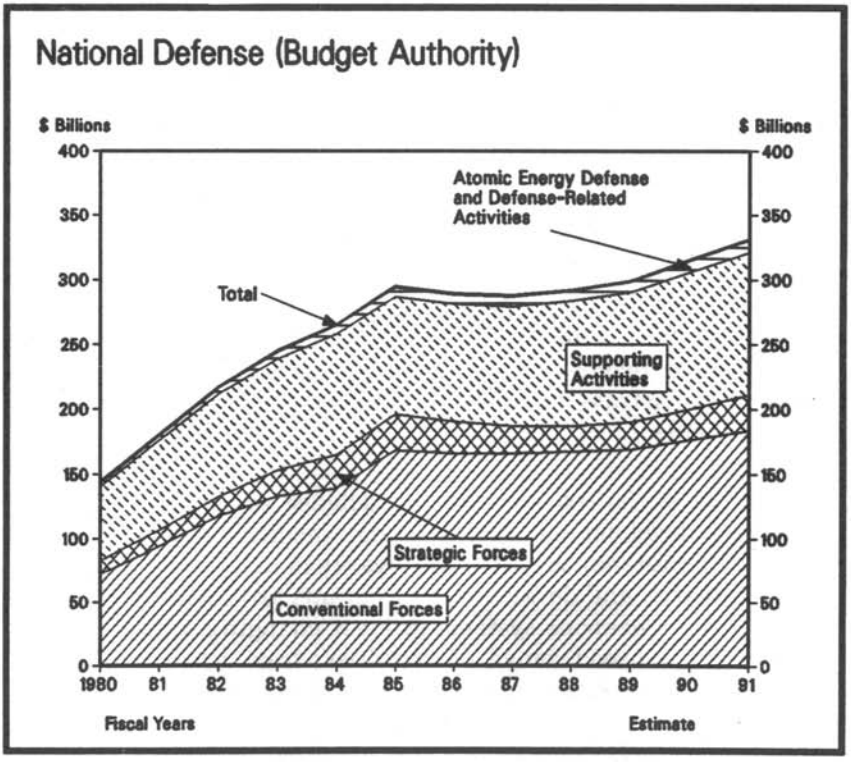
Tax Expenditures.—Tax expenditures are provisions of the income tax laws that provide special benefits in comparison with what would be permitted under the general provisions of the Internal Revenue Code. They arise from special exclusions, exemptions, or deductions from gross income, or from special 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 at the end of this section.

NATIONAL DEFENSE

This function includes activities directly related to the defense and security of the United States. The national defense program

seeks to preserve peace by maintaining sufficient military strength to deter war and provide for a successful defense if war should occur.

Budget authority for national defense declined in real terms for the fourth straight year with funding of $298.8 billion provided for 1989. This decline in real defense funding levels has resulted in smaller annual procurements of equipment, ammunition, and war reserve stocks than previously planned and in slower development of new weapons. Also, delays in equipment maintenance have increased.



To reverse this adverse trend, the budget proposes sustained, moderate growth above inflation of about 2 percent a year in 1990 and 1991, and in subsequent years. Compared to last year's estimate, total 1989–1993 funding for national defense is lower by $19.1 billion.

As required by the Defense Authorization Act of 1986, a two-year budget for 1990 and 1991 is submitted for national defense. It proposes $315.2 billion in budget authority and estimates $303.0 billion in outlays for the national defense function in 1990 and

$330.8 billion in budget authority and $314.4 billion in outlays for 1991.

Conventional Forces.—Conventional forces are required to deter nonnuclear aggression and to respond to aggression if deterrence should fail. The major elements supporting these forces are the purchase, operation, and maintenance of conventional arms such as tanks, ships, and aircraft; procurement of ammunition and spare parts; and training. Major proposed acquisitions include new helicopters and M-1 tanks for the Army, new Navy ships and aircraft, and Air Force fighter and cargo aircraft.

Strategic Forces.—Strategic forces are required to deter Soviet conventional or nuclear attack against the United States and its allies. The budget includes proposals for continuing the modernization of our strategic bomber forces by acquiring B-2 advanced technology (stealth) bombers and advanced cruise missiles. Land-based strategic forces would be modernized by developing a survivable rail-mobile basing system for the Peacekeeper missile. Sea-based forces would be modernized by procuring one Trident submarine a year and by developing and procuring new Trident II sea-launched missiles. Funding increases are proposed for the President's strategic defense initiative—a research and technology program to demonstrate the feasibility of effective defenses against ballistic missiles.

Supporting Activities.—Supporting defense activities include research and development, training and medical services, central supply and maintenance, and other overhead and logistic activities. Defense research and development programs are intended to devise new and better weapons systems to meet changing military needs. They involve a broad range of activities, from basic research to construction of full-scale prototypes of weapons systems.

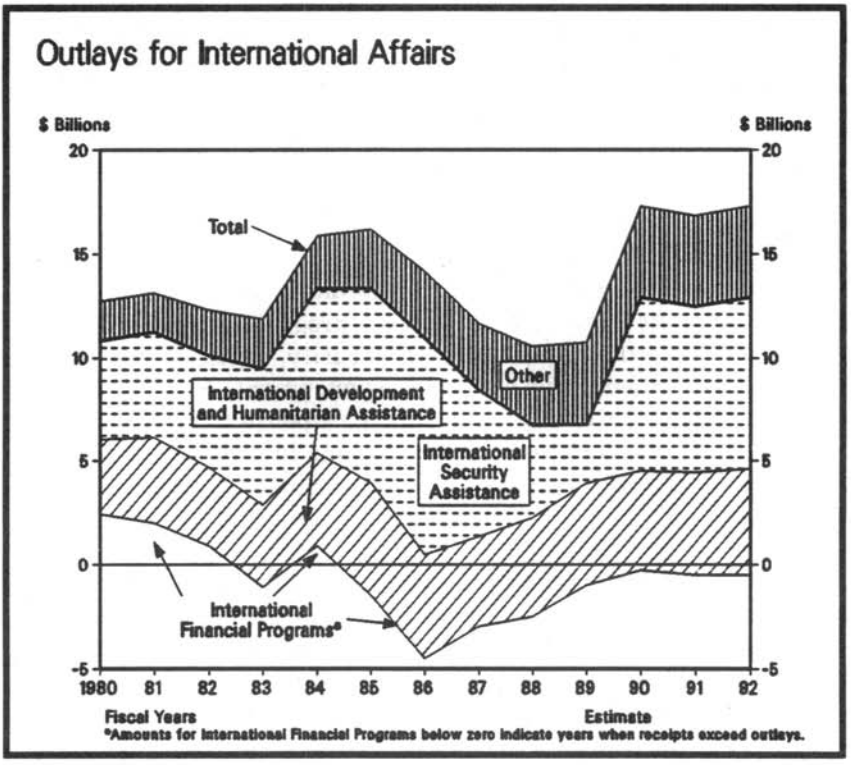
Atomic Energy Defense and Defense-Related Activities.—The Department of Energy develops, tests, and produces reactors for nuclear-powered ships, and nuclear weapons.

Other defense-related activities include developing civil defense plans and maintaining a stand-by Selective Service System.

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. U.S. foreign policy is directed toward achieving a peaceful world environment, built on international security and prosperity, in which individuals may enjoy

political and economic freedom. Outlays for international affairs programs in 1990 are estimated to be $17.3 billion, an increase of $6.6 billion over estimated outlays for 1989.



Foreign Aid.—*International security assistance* programs serve primarily to bolster allied and friendly governments where the United States has special security concerns. These programs enable certain governments to strengthen their economies and to acquire U.S. military equipment necessary for their defense. Outlays in 1990 for these programs are estimated to be $8.4 billion. This is an increase of $5.6 billion from the $2.8 billion estimated for 1989, due to military loan prepayments in 1989 that will not occur again in 1990.

International development and humanitarian assistance programs are an important complement to security assistance. These programs provide both multilateral and bilateral assistance to poorer countries in order to both help meet their development and humanitarian needs and to encourage the expansion of market-oriented economies. Outlays for these programs are estimated to be $4.9 billion for 1989 and $4.8 billion for 1990.

Multilateral development assistance is provided through the World Bank group of institutions, regional development banks, the United Nations, and related organizations. The estimated outlays during 1990 for these programs are $1.6 billion, $314 million of which will be used to make up for arrearages on past commitments to the United Nations and multilateral development banks. Bilateral development assistance programs are largely carried out by the Agency for International Development (AID). AID programs support economic growth in developing countries through projects in agriculture, population, health, education, and energy. The estimated outlays for AID for 1990 are $2.4 billion compared with outlays of $2.1 billion for 1989.

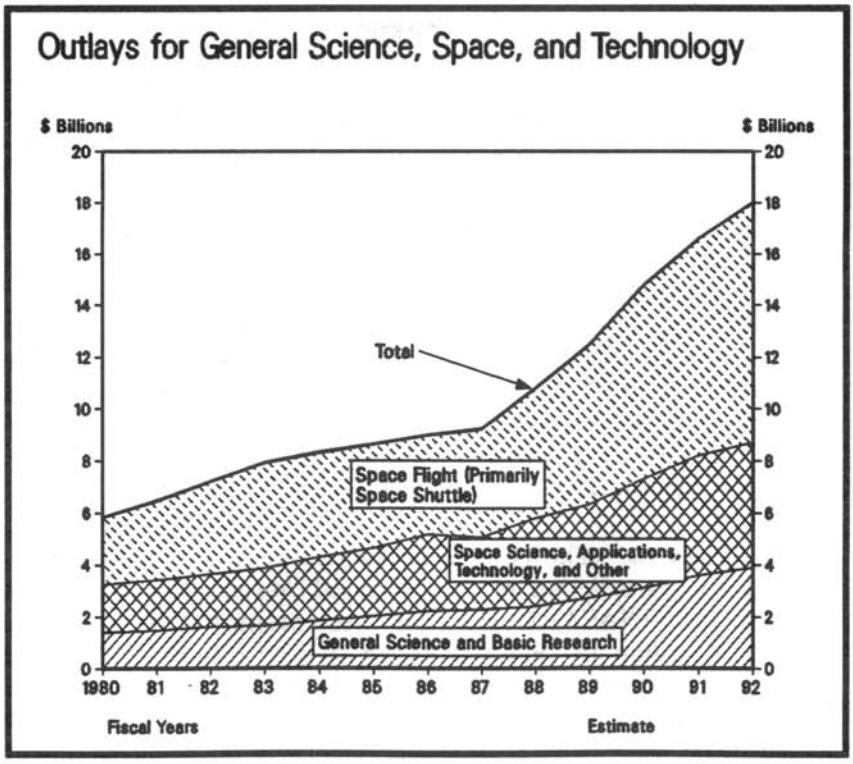
Public Law 480 food aid provides surplus U.S. agricultural commodities to foreign governments under either long-term low interest rate loans or grants. The food aid program serves U.S. objectives in promoting international security, agricultural export market development, and economic development. PL 480 also constitutes the U.S. Government's primary response to emergency food needs overseas. Outlays for these programs in 1990 are expected to remain at 1989 levels, primarily due to technical financing adjustments.

International Finance 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. For 1990, collections are estimated to exceed outlays by $291 million.

Other.—Funds for the conduct of foreign affairs cover the operating costs of the Department of State, including diplomatic security expenditures, as well as U.S. membership contributions to international organizations. Outlays are estimated to be $2.8 billion and $3.1 billion in 1989 and 1990, respectively. Estimated outlays for the U.S. Information Agency for 1990 are $944 million, an increase of $41 million over 1989.

GENERAL SCIENCE, SPACE, AND TECHNOLOGY

The programs in this function emphasize investments that contribute to long-term economic growth and the technological strength of the Nation. Federal support is proposed for general science and basic research, space research and technology, and space flight. Outlays for these programs are estimated to be $14.9 billion in 1990, a $2.3 billion or 18 percent increase over the estimated 1989 level.



General Science and Basic Research.—This area covers the scientific and engineering research programs supported across all disciplines by the National Science Foundation (NSF), as well as the general science programs in nuclear and high energy physics supported by the Department of Energy (DOE). Outlays for these programs in 1990 are estimated to be $3.1 billion, an increase of 15 percent or $399 million over the 1989 level. This level of funding would maintain the Nation's commitment to these important areas of basic research.

The increased level of basic research support proposed for 1990 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. The administration proposes continued support for the 11 interdisciplinary Science and Technology Centers that were established in December 1988, as well as initiation of a second round of competition. All of these centers focus on research between scientific disciplines, and encourage substantial participation by industry and the States to speed the transfer of new knowledge from the laboratory to the market-

place. The 1990 budget includes an estimated $2.0 billion in outlays for the NSF, an increase of 9 percent over the 1989 level. Within this amount, outlays for basic research would be $1.6 billion in 1990.

The budget proposes continued funding for operation of the nuclear and particle physics accelerators supported by DOE. In addition, the 1990 budget requests $250 million for the initiation of construction of the Superconducting Super Collider (SSC), a Presidential initiative to build the world's most powerful atom smasher. The actual initiation of site specific construction will be dependent upon the details of non-Federal cost sharing commitments to the project. The budget projections assume approximately one-third cost sharing by the host State and other nations, beginning in 1990. Outlays for these programs are estimated to be $1.1 billion in 1990, 27 percent over the 1989 level.

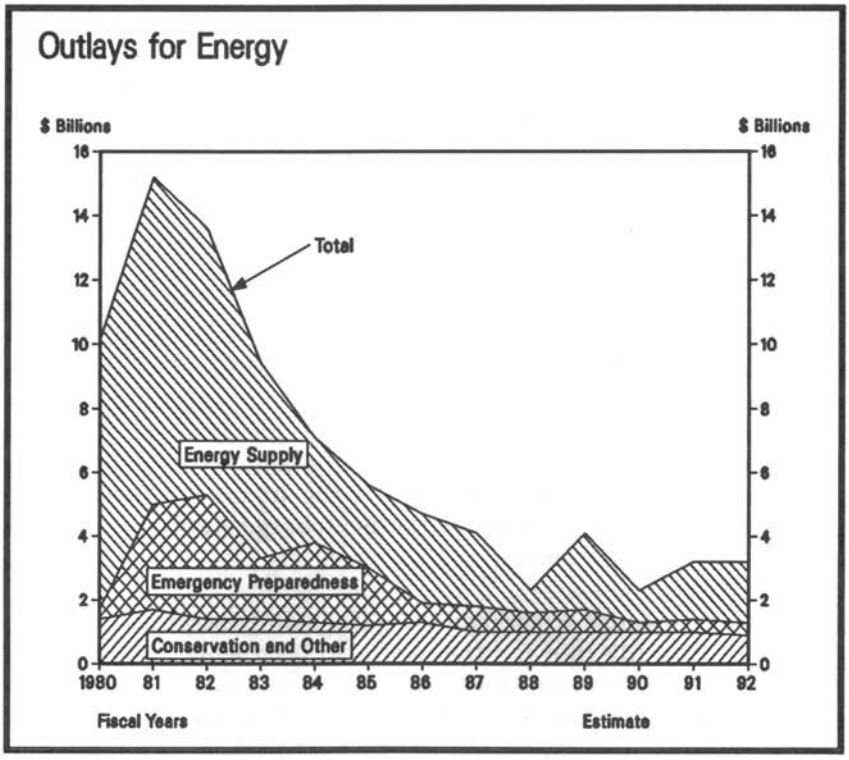
Space Programs.—The Federal civilian space program is primarily under the jurisdiction of the National Aeronautics and Space Administration (NASA). Outlays for these programs are estimated to be $11.7 billion in 1990, compared to $9.9 billion in 1989, an increase of approximately 19 percent. Under the proposed budget for 1990, the space shuttle flight rate increases from five in 1989 to nine in 1990. Development of a new advanced solid rocket motor would continue in 1990 seeking private sector financing. The budget proposes $2.1 billion in 1990 for continued development of the manned space station, with a request for a 3-year advance appropriation and a total development cost ceiling. 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 budget includes funding for other programs in this area that study the solar system, the universe, and the Earth's resources and environment; support research on materials processing in space; and develop technology for future space programs. Funding is proposed to initiate the development of the Comet Rendezvous-Asteroid Flyby (CRAF)/Cassini Mission. The CRAF mission will fly by an asteroid and make on-site observations of a comet. The Cassini mission will make detailed observations of Saturn and its moons. The budget includes funding to continue the National Aerospace Plane program, jointly conducted by NASA and the Department of Defense. In addition, the civil space technology initiative started in 1988, and the Pathfinder program begun in 1989, would continue in 1990. A new program to develop engineering experiments to be flown aboard the space shuttle and space station is proposed to be initiated in 1990. These programs and initiatives are intended to strengthen the technology base for continued U.S. leadership in space.

ENERGY

The Nation needs adequate supplies of energy at reasonable costs. Experience indicates that the best way to meet this need is to rely on the private market and limit the role of the Federal Government.

Consistent with this philosophy, the budget proposes a number of reductions in energy programs and major divestiture initiatives that both provide new revenues and curtail inappropriate Federal involvement in energy markets. Total outlays for energy are estimated to be $2.3 billion in 1990, a decrease of $1.9 billion from the 1989 level. This decrease is due mainly to the effect of power marketing divestitures and repayment reforms and reduced appropriation-funded oil acquisition for the strategic petroleum reserve.



Energy Supply.—Programs in this area include energy research and development, direct production programs, and subsidies for certain electric utilities and telephone systems.

The budget proposes support for energy research and development, limited primarily to research that complements, rather than replaces, ongoing research and development investment by the pri-

vate sector. Outlays of $2.6 billion are estimated for 1990, $88 million less than in 1989.

Direct production programs include the enrichment of uranium for use as fuel at nuclear power plants; development of facilities to provide for nuclear waste disposal; production of petroleum at the naval petroleum reserves (NPRs) in California and Wyoming; and the generation and sale of electricity at the Tennessee Valley Authority and at the five regional power marketing administrations. Outlays in 1990 for this purpose will decline $1.1 billion from the 1989 level. The administration proposes to sell the NPRs in a manner that would promote national security as well as help reduce the deficit. It also proposes sale of the Alaska Power Administration and of selected assets of the Southeastern Power Administration. Divestiture of these assets would provide greater local control and result in a more efficient electric power system. In addition, the administration proposes divestiture of selected assets of other Federal power administrations under conditions that would both protect the interests of and provide long-term benefits to current power customers. The estimated proceeds from these sales are reflected in the undistributed offsetting receipts category.

The administration proposes reforms to overhaul the lending practices of the Rural Electrification Administration (REA), reducing costly subsidies by relying on partial REA guarantees of private loans rather than direct REA lending.

Energy Conservation.—Outlays for energy conservation grants and R&D programs are estimated to be $316 million in 1990. Research and development spending encourages development of new methods to use energy more efficiently in buildings, transportation, and industry. No new funding for State and local government grant programs is proposed, in view of the high costs of this program and the existence of petroleum overcharge funds available to the States for this purpose.

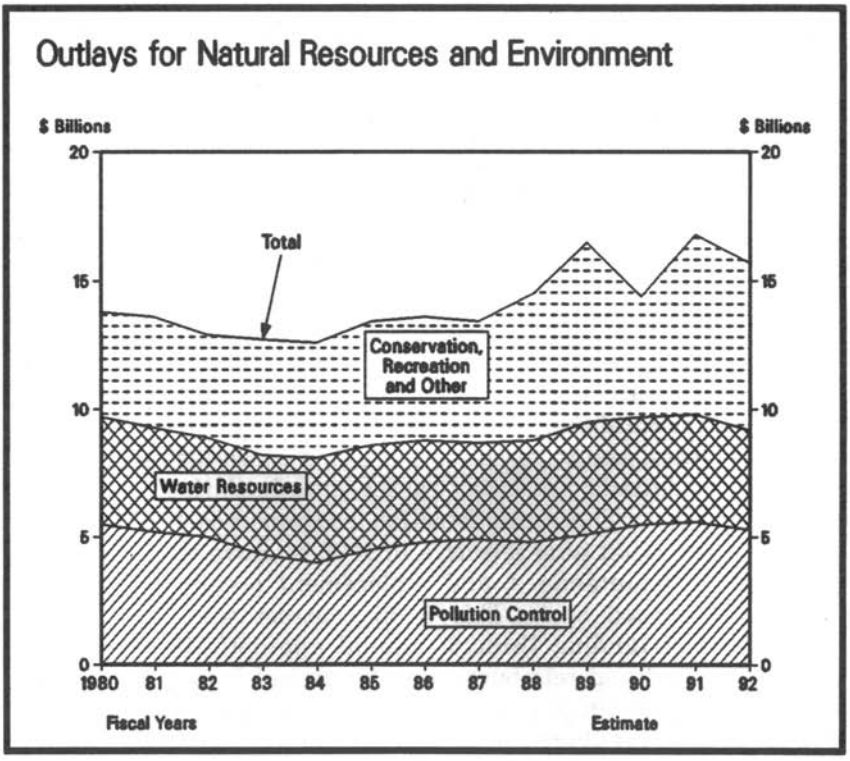
Emergency Energy Preparedness.—The administration proposes to increase the fill rate for the strategic petroleum reserve from the currently approved rate of 50,000 barrels a day to 75,000 barrels a day in 1990 and to create a 10 million barrel petroleum inventory for defense purposes. The oil for the accelerated fill rate and the additional defense inventory would be supplied by the purchaser of the NPRs as part of the NPR sales agreement. This proposal would permit a reduction in outlays for appropriations-financed oil acquisition. Outlays for both proposals in 1990 would be $348 million.

Other.—Outlays for other energy programs for 1990 are estimated to be $635 million. These funds support the work of the Nuclear

Regulatory Commission, the Federal Energy Regulatory Commission, and various Department of Energy operating and administrative expenses.

NATURAL RESOURCES AND ENVIRONMENT

The Federal Government shares responsibility with State and local governments for management and conservation of the Nation's natural resources, and for protection of human health and the environment. Outlays to fulfill these responsibilities in 1990 are estimated at $14.4 billion, $2.1 billion less than in 1989. This change results primarily from a $2.1 billion estimate of receipts from the initial oil and gas leasing on the coastal plain of the Arctic National Wildlife Refuge.



Pollution Control.—Outlays are estimated to increase from $5.1 billion in 1989 to $5.5 billion in 1990. Increases are proposed for the superfund hazardous waste cleanup program, for research, and for other high priority environmental problems including radon, nonattainment of Clean Air Act deadlines, and contamination of groundwater by pesticides.

The administration's request will result in estimated outlays of $2.4 billion in 1990 for financial assistance to States and municipalities for the construction of publicly owned sewage treatment facilities. The 1990 proposed budget authority level of $1.2 billion, is $750 million below the 1989 level, but is consistent with the President's long-term $12 billion phase-out program, which would set up self-sustaining financial mechanisms within the States to fund future sewage treatment construction.

Water Resources.—Outlays for water resources development are estimated at $4.2 billion in 1990. This is $144 million less than the 1989 level. Most funding covers ongoing construction of projects started in previous years, and the operation and maintenance costs of completed projects.

The administration proposes eleven new construction starts for the Army Corps of Engineers, contingent upon non-Federal cost sharing in accordance with the Water Resources Development Act of 1986 (WRDA). WRDA authorized a 0.04 percent *ad valorem* user fee for use of the 200 U.S. commercial harbors, to recover annually up to 40 percent of Corps of Engineers harbor operation and maintenance expenses. In 1990, the administration proposes using $164 million of the *ad valorem* user fee receipts to offset harbor expenses. WRDA also imposed gradual increases in the existing inland waterway fuel tax, doubling it by 1995. The administration proposes to offset 1990 construction costs of inland waterway projects with $119 million in receipts from the existing tax on fuel to transport cargo on the inland waterway system.

Funding for Bureau of Reclamation projects continues to give emphasis to maintaining and upgrading the physical condition of existing facilities, and to completing ongoing construction activities that are substantially underway rather than initiating new activities and projects. The administration recommends legislation to establish a revolving fund effective in 1990 to move the reimbursable operation, maintenance, and replacement program to a more direct user-financed basis. This is in contrast with the current arrangement of funding through annual appropriations from the reclamation fund and reimbursement by project beneficiaries. This change would allow improved planning for the operation and maintenance of existing dams, power plants, and irrigation facilities.

The administration does not repropose merging the Soil Conservation Service (SCS) small watershed program accounts, which provide flood control facilities in rural areas. However, funding for new starts is not being proposed. The budget again reflects legislation making SCS flood control cost sharing consistent with WRDA provisions.

Conservation, Recreation, and Other.—Estimated outlays for conservation and land management decrease from $3.3 billion in 1989 to $1.2 billion in 1990. Requested spending for the management of national forests, cooperative forestry, and forest research decreases by $347 million. Furthermore, the budget assumes offsetting receipts from the first Arctic National Wildlife Refuge (ANWR) coastal plain oil and gas lease sale in 1990 ($2.1 billion) and the second sale in 1993 ($1.3 billion). ANWR receipts would be deposited in the Treasury General Fund to benefit all Federal taxpayers and serve the Nation's highest priorities.

The administration proposes capping budget authority for the Wallop-Breaux Sport Fish Restoration and the Pittman-Robertson Federal Aid in Wildlife programs at $100 million each, beginning in 1990. Unappropriated balances in the trust fund that finances the sport fish restoration program will increase due to the cap and continue to be available for appropriation in the future. The outlay reduction resulting from this proposal will allow the continuation of other Federal programs directly contributing to fish and wildlife restoration.

Estimated outlays for recreational resources decrease from $1.7 billion in 1989 to $1.6 billion in 1990. However, proposed funding for operation of the national park system is increased. The administration recommends legislation to broaden the type of recreation fees that can be retained by the Forest Service so that funding for recreation programs will be augmented.

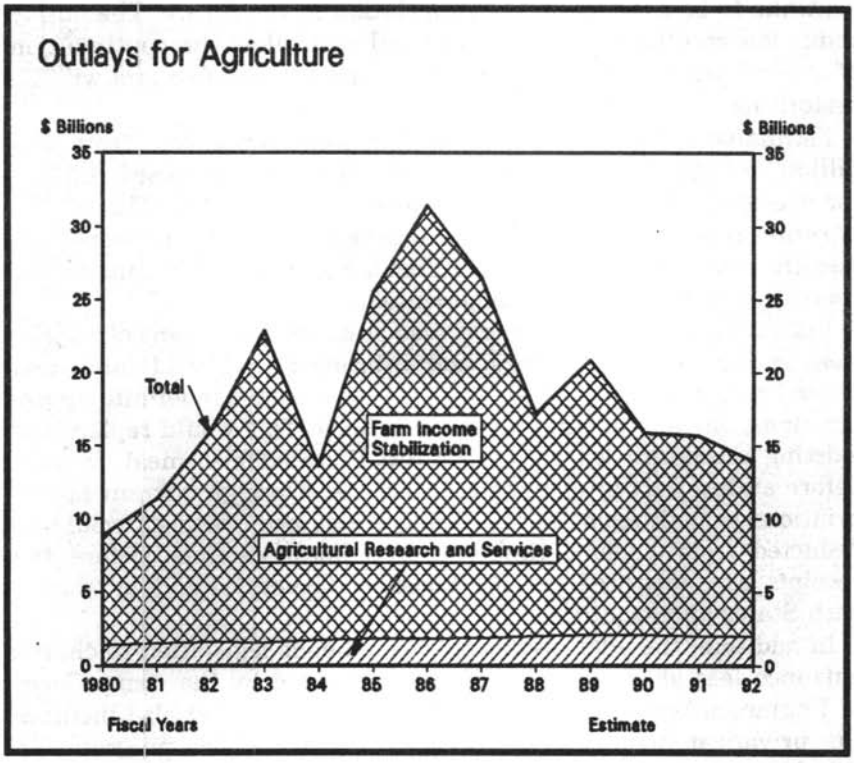
Beginning in 1990, the budget also assumes enactment of legislation to fund all Agriculture and Interior forest, wild land, and other fire-fighting costs from two, new permanent indefinite appropriations, one administered by each agency. This would replace the existing procedure whereby costs are financed piecemeal, in part before and in part after costs are incurred, through current appropriations to both agencies. The budget assumes fire costs would be deducted from Federal timber and mineral receipts, before the receipts are deposited in the Treasury General Fund or shared with States and localities.

In addition, the administration recommends legislation to charge entrance fees at recreation units administered by the Army Corps of Engineers beginning in 1990. The budget proposal also includes the privatization of Federal helium operations. For programs in this function of the National Oceanic and Atmospheric Administration in the Department of Commerce, estimated outlays decrease by $78 million from 1989 to 1990. However, increased funding is included for the procurement of next generation technologies to modernize the National Weather Service, including doppler weather radars, a class VII supercomputer, an automated surface observing system, an improved communications system, and improved forecaster workstations. This will enable the National Weather

Service to provide improved weather forecasts and severe weather warnings to the public through a nationwide network of 115 enhanced Weather Forecast Offices.

AGRICULTURE

The goals of Federal agricultural price support, credit, and insurance programs are to promote economic stability and a market-oriented farm economy. Total agriculture outlays are estimated to be $15.9 billion in 1990, a $5.0 billion decrease from 1989. This decrease is the result of projected reductions in spending on farm price support programs and a continuing shift away from direct Federal lending to Federal guarantees of private loans.



Farm Income Stabilization.—Expenditures for farm income stabilization programs are estimated to be $13.8 billion in 1990 and represent 87 percent of total 1990 outlays for all agricultural programs. Specific programs include those of the Commodity Credit Corporation, which provides producers of agricultural commodities with price and income support through loans, purchases, payments,

and other activities. In addition, the Federal Government provides crop insurance and credit to farmers.

Outlays for commodity price and income support programs, excluding credit reform, are estimated to total $11.8 billion in 1990, a $2.1 billion decrease from 1989. The projected decrease is the result of a continuation of administration policies aimed at developing more market-oriented price levels and enhancing the United States' competitiveness. These policies are clearly working because the value of farm exports in 1988 is almost double the 1987 level, farm debt is projected to decline again for the sixth straight year, and although farm income is expected to be down slightly due to the 1988 drought, income will still be near record levels in 1989.

The administration plans to achieve outlay reductions of $2.0 billion in 1990 and additional annual reductions of between $2.0 and $2.5 billion in each year from 1991 through 1994.

The most direct way to achieve these outlay reductions would be a 5 percent reduction in target prices for the 1990 crops, with slightly higher percentage reductions in the 1991–1993 crops. It would also be possible to lower the share of production eligible for deficiency payments. In addition, outlays for other commodities would be reduced to provide equitable reductions across the farming sector.

The current price support program for the sugar industry poses significant problems in the areas of trade policy, foreign policy, and agricultural policy. Changes are needed in the sugar program to make it more market-oriented and to reduce Government interference in trade.

Outlays for Federal crop insurance are estimated to be $586 million in 1990. The total amount of insurance in force in 1990 is projected to reach $9.1 billion.

The administration's request for agricultural credit contains $3.7 billion in total credit authority in 1990 to help ensure that viable but higher risk farmers have credit available to continue operations. Within this level of credit authority, direct Government lending is reduced and Federal guarantees of private loans are increased. Owing in part to the reduction in direct lending activities, outlays for agricultural credit programs are estimated to be $2.0 billion in 1990, a $1.4 million decrease from the 1989 level.

Nearly half of the Farmers Home Administration's (FmHA) $25 billion farm loan portfolio is owed by borrowers who are delinquent on one or more of their loans. The Agricultural Credit Act of 1987 provided FmHA the authority to either restructure loans held by delinquent borrowers or declare the loans in default. This authority is expected to result in an estimated $9 billion in write-offs in FmHA loans during 1989, 1990, and 1991.

The administration recommends legislation to repeal a provision of the 1989 Rural Development, Agriculture and Related Agencies

Appropriations Act that will cause the Farm Credit System Financial Assistance Corporation to be scored on-budget beginning in 1990. Failure to enact this repeal is expected to result in an increase in outlays of over $650 million in 1990.

Agricultural Research and Services Programs.—Research and development program outlays in 1990 are estimated to be $1.0 billion, about equal to the 1989 level. Emphasis will be given to the national priorities in basic research to advance biotechnology in both plant and animal science. To promote environmental quality, a government-wide initiative is proposed to address the potential for, and prevention of, groundwater contamination from farming activities. Assessment of the relationship between global climate change and agriculture is also an integral part of the 1990 program.

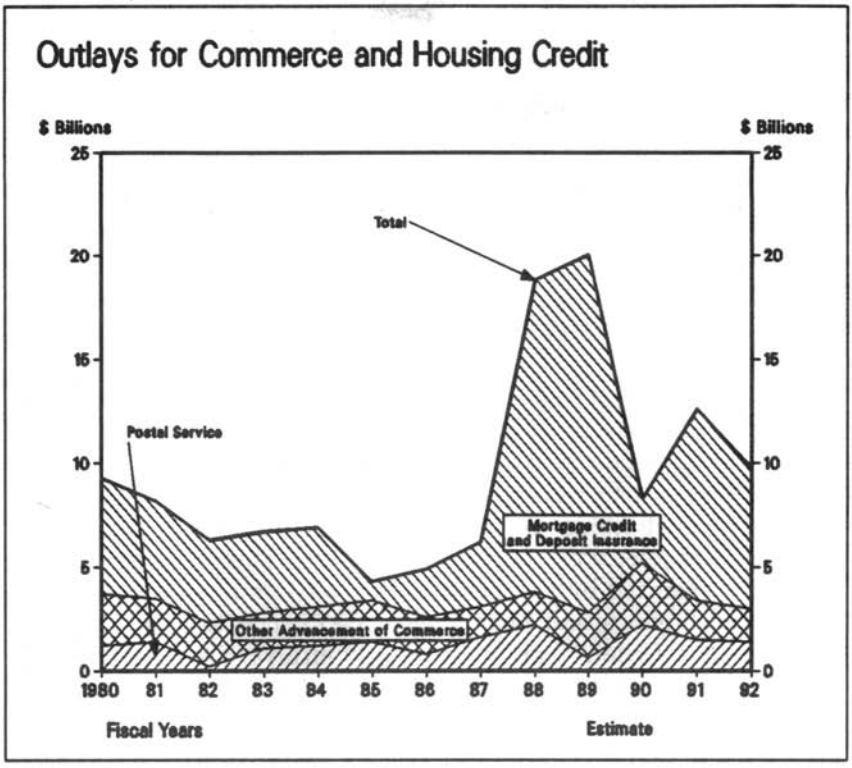
Federal outlays for extension programs are proposed to be reduced from $353 million in 1989 to $327 million in 1990. Extension Service outlays would be reduced by lowering the Federal share of Extension support and the funding for categorical grants. States would be required to match the Federal funds for categorical grants as they do now with formula grants.

Other Federal expenditures for agricultural services include marketing assistance, animal and plant health programs, and the collection and distribution of economic data. Most of the marketing assistance services are now funded on a user fee basis. Marketing program outlays in 1990 are estimated to be $146 million, an $18 million decrease from the 1989 level.

Outlays for animal and plant health programs are estimated to be $296 million in 1990.

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. Outlays are estimated to be $8.3 billion in 1990, down $11.8 billion from the estimated 1989 level of $20.0 billion.



Mortgage Credit Insurance.—The Federal Government aids the housing industry and homebuyers by promoting stable, non-inflationary economic growth. Consistent with the policy to reduce Federal intervention in private markets, the administration is proposing to terminate or privatize programs in which beneficiaries are better served by existing private market mechanisms.

The Federal Housing Administration (FHA) insures loans for housing, particularly home mortgages for low- and moderate-income first-time homebuyers. However, some families using the FHA programs may qualify for private mortgage insurance.

The Government National Mortgage Association (GNMA) provides loan guarantees, which enhance the saleability of FHA-insured and Department of Veterans Affairs (VA)-guaranteed mortgages in the capital markets. The administration estimates guaranteed loan commitments of $66 billion for 1990. The administration has recently published a notice of intent to deregulate the fee GNMA mortgage-backed issuers earn servicing the underlying mortgages. The budget also proposes to increase the guarantee fee paid to GNMA from 6 basis points to 10 basis points beginning in 1991, and to 15 basis points in 1992. Similar fees are being proposed

for other Federal credit programs and the Government-sponsored enterprises as part of the administration's credit management initiatives.

The administration proposes to change the method of financing housing development for elderly and handicapped low-income households from loans to more cost-effective credit vouchers. For 1990, the administration is requesting $78 million in credit vouchers, which are expected to help subsidize $389 million in loans.

The administration also proposes to replace some rural housing direct loan programs with rental housing vouchers, which provide recipients with increased flexibility in their housing choices.

Bank, Thrift, and Credit Union Deposit Insurance.—The provision of deposit insurance is an increasingly important stabilizing influence on the Nation's economy, given the record number of recent bank failures, which were due in part to continued problems in the agricultural and energy sectors, and the continued financial problems for a segment of the thrift industry. These insurance programs are operated by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration. Outlays are estimated to exceed receipts for these insurance funds by $12.4 billion in 1989 and $0.5 billion in 1990.

Postal Service.—The Federal Government provides funds to the U.S. Postal Service (USPS) to subsidize religious and charitable mailings, and to cover USPS's loss when outlays exceed revenues. Consistent with a recent Postal Rate Commission study, the administration proposes to achieve competitive postal reforms through privatization efforts and reductions in ratepayer subsidies.

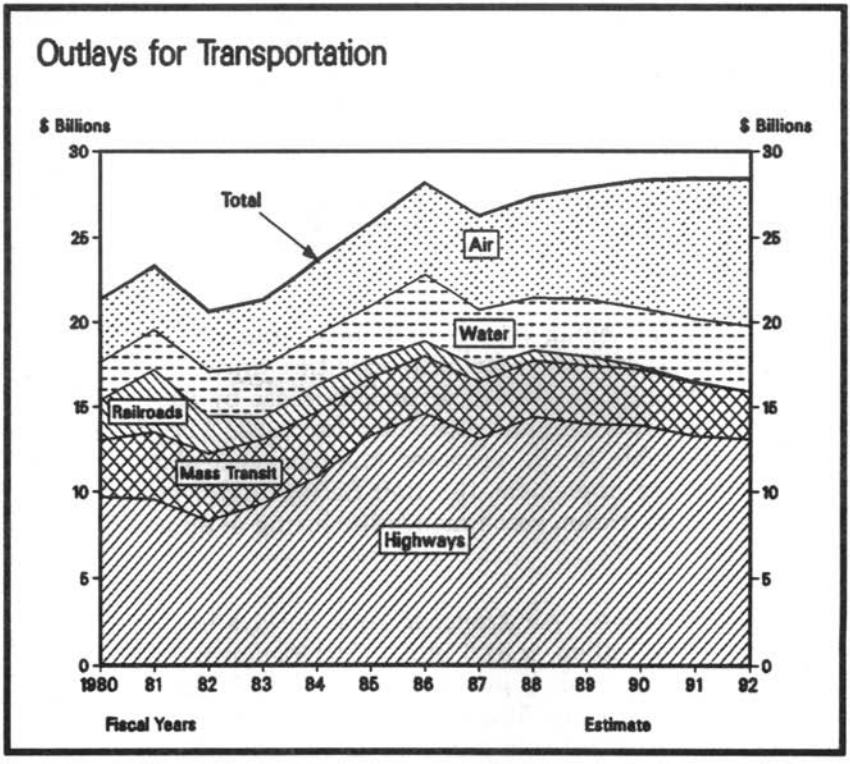
Other Advancement of Commerce.—The Small Business Administration (SBA) provides credit assistance to small and minority businesses through direct loans and loan guarantees. The administration proposes to terminate SBA direct loans and to consolidate the minority development assistance program, currently in the Department of Commerce, into the minority business assistance programs within the SBA. Credit management reforms are being proposed that would increase SBA guarantee fees and reduce the Federal Government's contingent liability. In addition, the administration proposes to sell loans during 1990, resulting in $182 million in gross proceeds.

The administration is requesting funding of $1.5 billion for the Bureau of the Census to help finance activities associated with the 1990 Decennial Census. This is an increase of over $900 million above the 1989 level.

TRANSPORTATION

The viability of the national economy, interstate commerce and travel, and national defense depends on a safe, efficient, and well integrated transportation network. The Federal Government promotes such a system through programs that provide national services either directly or indirectly through assistance to State and local governments and private enterprises.

Outlays for transportation are estimated to be $28.3 billion in 1990, about $0.3 billion more than in 1989. The administration continues to believe that transportation users should pay for a substantial portion of the transportation benefits they receive; that unnecessary Federal transportation regulations and subsidies should be eliminated; and that reduced, but more equitable, funding for local transportation projects should be provided. The administration also believes that programs providing much needed national improvements and benefits (e.g., the modernization of the air traffic control system) should receive priority funding consideration.



Highways.—Total outlays for highway and highway safety programs are estimated to be $13.7 billion in 1990, $0.2 billion less than 1989. The proposed 1990 funds would continue the highway authorization included in the Surface Transportation and Uniform Relocation Assistance Act. Current support for Federal vehicle safety research and development and for promulgation and enforcement of Federal safety standards would also be maintained. Overall, the administration proposes to limit 1990 funding for programs supported by the highway trust fund to anticipated highway user fee receipts. 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 "demonstration" and special interest projects, all of which are currently 100 percent federally-funded. The 1990 funding level increases support for State and local efforts to promote safety awareness among motor vehicle drivers and passengers as well as reducing the level of alcohol-related traffic accidents.

Mass Transit.—The $3.3 billion in proposed outlays for mass transit in 1990 represents a $0.2 billion decrease from 1989, reflecting the administration's efforts to reduce expensive and unjustifiable levels of mass transit funding. The reduction proposed will limit 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. Discretionary grant funding, which in the past has provided funds for the construction of costly and underutilized transit systems in a number of cities, would be eliminated and operating subsidies for large and medium-sized cities would be terminated.

Railroads.—In keeping with the administration's policy of reducing Federal responsibility for rail activities unrelated to safety, proposed outlays for railroad programs decrease by $324 million in 1990 from the $514 million estimated for 1989. The decrease is largely attributable to the proposed elimination of Amtrak subsidies. However, to implement the Rail Safety Improvement Act of 1988, the administration recommends the hiring of an additional 34 rail inspectors.

Air Transportation.—Air transportation outlays in 1990 are estimated to be $7.5 billion, a $1.0 billion increase over 1989. Most of the requested 1990 funding increase is due to a 15 percent proposed funding increase for the Federal Aviation Administration (FAA). This includes a 41 percent increase in the administration's program to modernize our Nation's air traffic control system. The administration also requests a 14 percent increase in funding for FAA operations to increase the size and effectiveness of essential

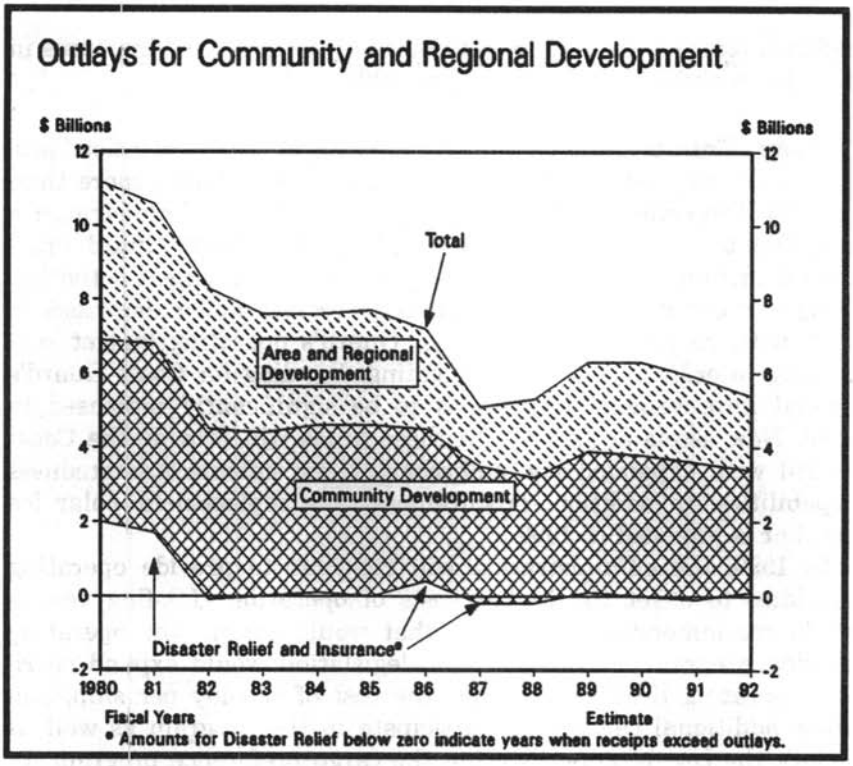
safety-related workforces commensurate with projected increases in aviation activity through the early 1990s.

Water Transportation.—Outlays for water transportation programs are estimated to be $3.4 billion in 1990, slightly more than in 1989. The estimated outlay increase reflects the administration's proposal to increase the funds available for Coast Guard operations, including search and rescue and law enforcement activities. Drug law enforcement will continue to receive major emphasis in 1990 with 25 percent of the Coast Guard's operating budget supporting interdiction of drug smuggling. Funding for Coast Guard's capital improvement program is to be significantly increased in 1990. New assets acquired with these funds will provide the Coast Guard with expanded law enforcement and defense preparedness capabilities. In addition, procurement of a replacement polar ice breaker is provided in 1990.

In 1990, the administration will continue to provide operating subsidies to offset the higher costs of operating U.S.-flag vessels while recommending legislation that would reform the operating subsidy program. Specifically, the legislation would expand carriers' operating flexibility, reduce the cost of subsidy per ship, and allow additional carriers to participate in the program as well as reduce the cost of administering the cargo preference program. In addition, the administration assumes enactment of legislation to return the Saint Lawrence Seaway Development Corporation to direct financing from toll and other revenue, consistent with its organization and mission.

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. The administration believes that responsibility for programs that support community and regional development should be transfered as much as possible to State and local governments. The administration proposes to eliminate a number of Federal categorical programs currently providing support for specific local community and economic projects. Outlays for community and regional development programs are estimated to be $6.4 billion in 1990, slightly more than the 1989 level.



Community Development.—The Community Development Block Grant (CDBG) program, administered by the Department of Housing and Urban Development (HUD), is the principal program in this category. These grants provide Federal support for cities, counties, Indian tribes, and U.S. territories to help them meet their community and development needs. The program allows the State and local governments to use their CDBG funds in ways that they choose, and is therefore less restrictive than many other community development programs. The administration proposes to establish the CDBG program level at $2.8 billion for 1990, slightly below the 1989 program level of $3.0 billion. Although this will reduce the total resources available for this program, recently enacted legislation increases the percentage of funds used to benefit low and moderate income persons from 51 percent to 60 percent.

Other community development programs include urban development action grants (UDAG), rental rehabilitation grants, and rental development grants. The Congress provided no new funding for the UDAG and rental development grant programs in 1989. Both programs are proposed for termination by 1990. The $352 million in outlays estimated for these programs in 1990 reflects the

continued spendout of funds approved in prior year. The more flexible CDBG program will allow communities to meet most of these same program objectives with greater local discretion. The administration is proposing a $150 million program level for the rental rehabilitation grant program for 1990.

Area and Regional Development.—Programs in this category support rural development, development of American Indian reservations, and multi-State regional development. Total outlays are estimated to be $2.2 billion in 1990, only $300 million below 1989 largely because of spending from prior years.

The administration, as part of its Rural Development Initiative, proposes to continue its program of grants, and direct and guaranteed loans through the Farmers Home Administration (FmHA). For 1990, the administration is requesting $75 million in grants, $196 million in guaranteed loans, and $214 million in direct loans to assist small rural communities in the financing of water and waste treatment systems, community facilities, and economic development.

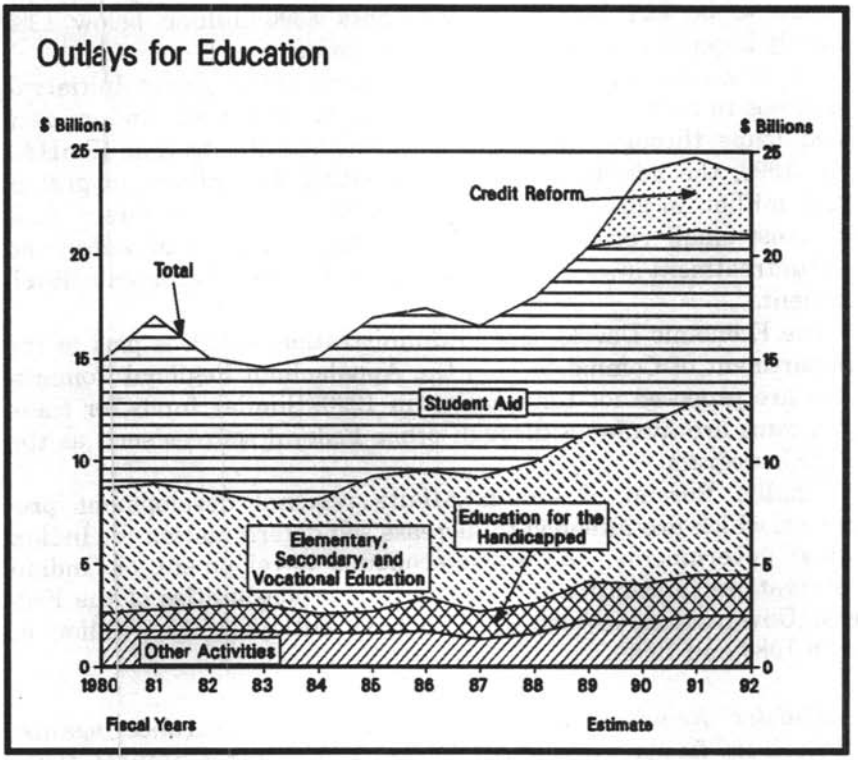
The Economic Development Administration, which is part of the Department of Commerce, and the Appalachian Regional Commission are proposed for termination in 1990. Similar funds for these programs are available through other Federal sources such as the CDBG program.

Finally, Bureau of Indian Affairs regional development programs, which are intended to increase self-determination for Indian tribal governments, encourage economic development on Indian reservations, and fulfill the trusteeship responsibilities of the Federal Government, are expected to have outlays of $1.1 billion in both 1989 and 1990.

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 when those resources are insufficient. One such Federal program is the Small Business Administration (SBA) business disaster loan program. The administration is proposing to terminate this program in 1990, and to sell the disaster loan portfolio over a period of 5 years beginning in 1990. The FEMA disaster relief program, which provides supplemental assistance to individuals and State and local governments in the event of a Presidentially-declared emergency is estimated to have outlays of $276 million in 1990.

EDUCATION

Federal programs for education assist parents, States, and localities in providing education, especially for educationally disadvantaged, low-income, and handicapped persons. Excluding the financing effects of the proposed credit reform legislation, outlays for education are estimated to be $20.9 billion in 1990, an increase of $426 million above the 1989 level.



Elementary, Secondary, and Vocational Education.—These programs are primarily Federal grants designed to help States educate students with special needs. For 1990, the administration proposes to increase funding above 1989 levels for most of the major State and local formula grant programs, including compensatory education for the disadvantaged, education for handicapped children, vocational education and the education block grant. The administration seeks to increase Federal funds supporting the drug-free schools program. The elimination or reduction of some smaller programs for which Federal support is inappropriate is also being sought. Estimated outlays in 1990 for elementary, secondary, and

vocational education programs are $9.7 billion, $509 million above the 1989 level.

Higher Education.—The budget continues the Federal Government's commitment to increasing access to higher education for lower income persons. Total aid to students in 1990 under the administration's proposals would be over $19 billion, higher than ever before. Proposals include expansion of the income contingent loan program; additional funding for the Pell grant program; and legislative initiatives to reduce the cost of the student loan program and the number of student loan defaults. No funding is requested in 1990 for new capital grants to schools for Perkins loans or for State student incentive grants. Excluding the financing effects of the proposed credit reform legislation, estimated outlays for higher education are $9.7 billion in 1990, $173 million below the 1989 level.

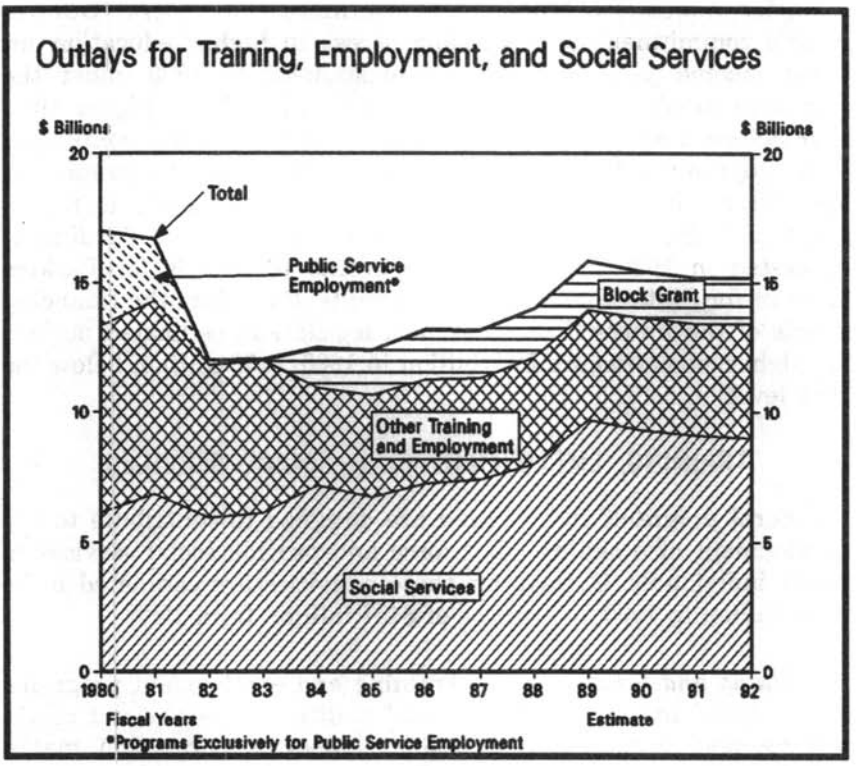
TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Federal programs in this area are designed to contribute to the development of a skilled labor force and provide social services to needy individuals. Outlays for these activities are estimated to be $15.4 billion in 1990, a decrease of $457 million from 1989.

Training and Employment.—Training and employment programs are designed to improve individuals' abilities to obtain and retain jobs by developing job skills and to support services that match individuals with jobs. The major Federal activities in this area are financed through grants to States. These grants include a block grant that allows States to implement training programs to meet the needs of their disadvantaged population. Categorical grants are provided for the Employment Service, subsidized employment for lower-income older workers, summer youth employment and training, and job placement and training for workers displaced by changing economic conditions. In addition, the Federal Government contracts for the operation of other job training programs, including the Job Corps. Outlays for training and employment are estimated to be $5.3 billion in 1990.

The administration proposes to change 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, thereby

allowing local areas to put together the best combination of services for their jurisdiction.



Two programs have been available to help workers who have lost their jobs because of changes in the economy—trade adjustment assistance (TAA) and title III of the Job Training Partnership Act (JTPA). Beginning with the 1989 program year, the current JTPA program will be replaced by a new dislocated worker training program. The Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), which is an outgrowth of an administration proposal, was enacted as part of the Omnibus Trade and Competitiveness Act of 1988 and amends the JTPA dislocated worker title replacing all current provisions of that portion of the law. EDWAA requires each State to designate an identifiable dislocated worker agency responsible for the program at the State level that has the capability to respond rapidly on site to major layoffs and plant closures. In addition, EDWAA establishes a sub-State service delivery system similar to the other JTPA programs, and authorizes funds for rapid response assistance, basic readjustment and support services, retraining services, needs related payments, and the promotion of labor-management committees to assist in transition ac-

tivities during a plant or facility closure. Individuals eligible for assistance include those affected by layoffs or plant closings, unemployed persons who have exhausted their eligibility for unemployment compensation, the long-term unemployed, and self-employed persons, including farmers. The unsuccessful Trade Adjustment Assistance program is proposed for termination.

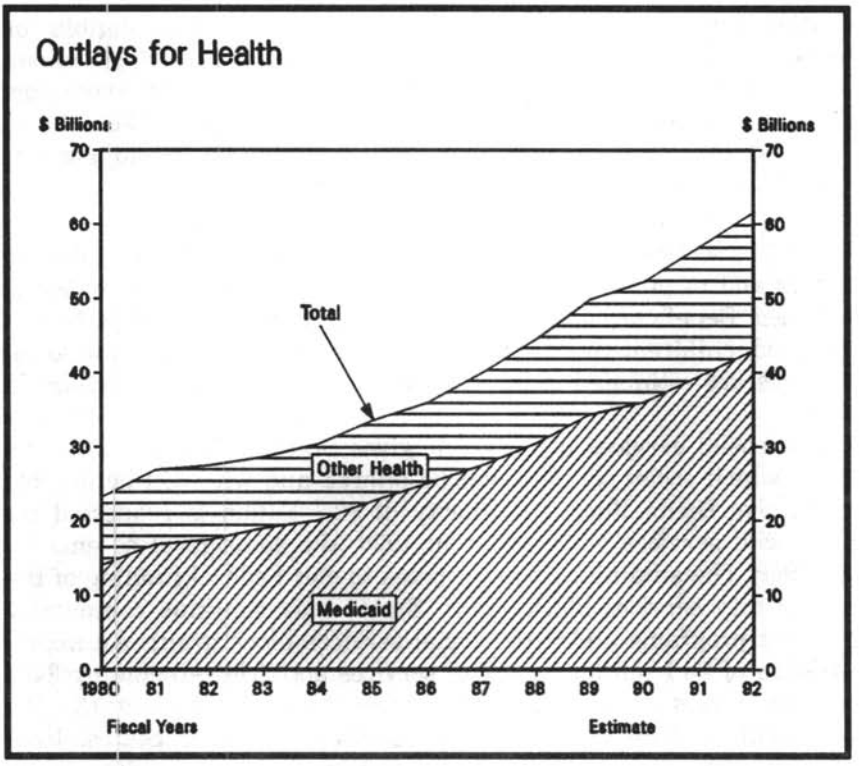
Social Services.—The Federal Government makes grants to States and to public and private institutions for a variety of social services. Beneficiaries include low-income persons, the elderly, the disabled, children, youth, and Native Americans. Outlays for social services are estimated to be $9.7 billion in 1989 and $9.3 billion in 1990.

The social services block grant gives States discretion to determine which social services will be offered and who will be eligible to receive them. Budget authority of $2.7 billion is requested for the social services block grant in 1990, the same level as enacted for 1989. The administration proposes to end Federal funding of the community services block grant. States may continue community services programs under the social services block grant. An appropriation of $3.1 billion for social services activities—including $483 million proposed for transfer from foster care—will allow the Department of Health and Human Services to assist States, local governments, and community organizations to serve children, older Americans, the developmentally disabled, and Native Americans. An increase of $69 million over the 1989 enacted level is proposed for the rehabilitation services programs in 1990, for a total of $1.7 billion.

Legislation is proposed to transfer $483 million in payments to States for foster care and adoption assistance to discretionary child welfare services. Outlays for foster care and adoption assistance are estimated to be $900 million in 1990.

HEALTH

The Federal Government contributes to meeting national health care needs by financing and providing health care services, promoting disease prevention, and supporting research, training, and consumer and occupational health and safety. Excluding medicare, military, and veterans medical programs, Federal outlays are estimated to increase from $49.8 billion in 1989 to $52.2 billion in 1990.



Medicaid.—Under current law, the Federal Government will finance, on average, 56 percent of the cost of the joint State-Federal medicaid program. In 1990, the State and local share is projected to be $29.4 billion, while the Federal share is expected to be $37.4 billion, a spending increase of 9 percent over 1989. The medicaid program will finance health care for 25 million Americans. Federal outlays are projected to increase by an average of 9 percent per year between 1989 and 1994.

In 1990, the President's budget proposes to renew cost containment incentives and to restructure Federal financing of administrative expenses.

Federal Employees Health Benefits (FEHB).—The administration is proposing two reforms in the FEHB program, the world's largest multiple-choice health program. The first proposal is to change the calculation of the Government's contribution to enrollees' health premiums, using a formula that reflects the recent shift of enrollees from high-option to low-option coverage and the dramatic growth in the number of FEHB plans. The second proposal is that the respective employer health insurance costs for current annu-

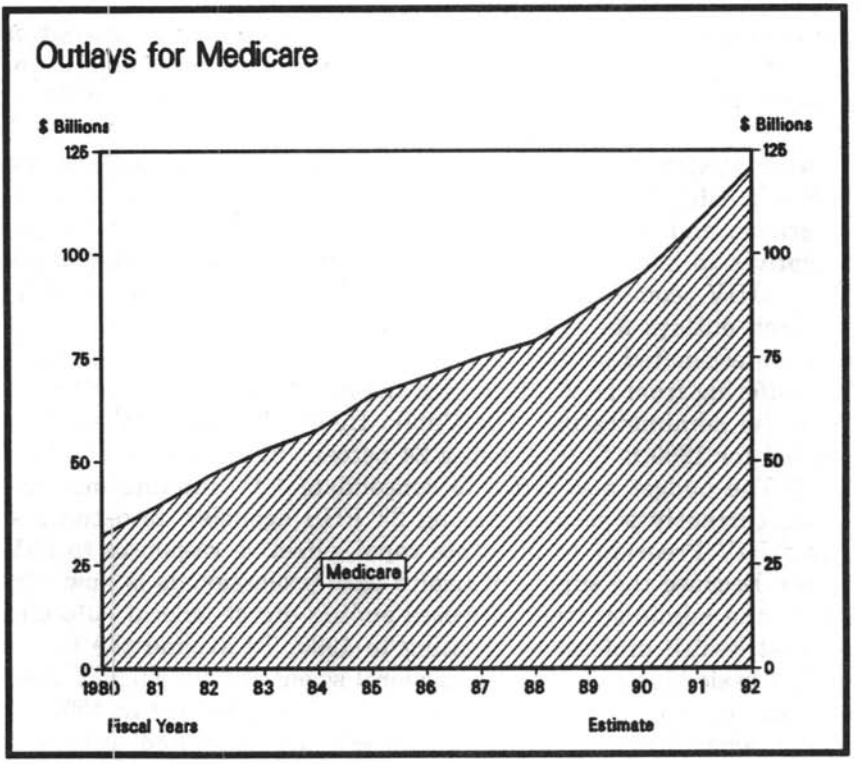
itants be transferred to the U.S. Postal Service and the District of Columbia government. Federal outlay reductions for Federal employees health benefits in 1990 are estimated to be $958 million.

Other Health Programs.—Programs in this category include the Indian Health Service, health block grants to States, drug abuse programs, and health research. The administration proposes new initiatives in basic research and on the Human Immunodeficiency Virus (HIV, commonly called AIDS). Excluding efforts on HIV, research outlays for the Department of Health and Human Services are estimated at $7.2 billion in 1990. Preventing and alleviating suffering from HIV infection is the highest public health priority of the administration. The Public Health Service HIV funding request for 1990 is $1.6 billion, a 24 percent increase over the 1989 level. The budget also seeks to consolidate HIV funding management, currently separated among 23 PHS agencies, into the National HIV Program, to facilitate rapid, effective responses to HIV issues. Because the supply of health care professionals is now adequate, the administration proposes ending direct federal subsidies to most health professions training in 1990. To expand the future pool of basic biomedical and behavioral scientists, the budget seeks a three percent increase for research training. Outlays in 1990 for occupational health and consumer safety are estimated to be $1.3 billion.

MEDICARE

The Federal Government contributes to the health of aged and disabled Americans through medicare. Medicare outlays in 1990, estimated at $94.9 billion, will insure an estimated 33 million persons who are aged, disabled or suffer from end-stage renal (i.e., kidney) disease. In addition, the recently enacted Medicare Catastrophic Coverage Act of 1988 (Public Law 100–360) will expand medicare coverage and limit beneficiary out-of-pocket expenses for medicare covered services.

Under current law, medicare outlays are expected to increase 11 percent annually, or nearly $53 billion between 1990 and 1994, reaching a level of $175 billion, or 13 percent of total Federal outlays for current services in 1994. Even with the administration's savings proposals, medicare outlays are projected to increase from $94.9 billion in 1990 to $143.3 billion in 1994. This increase significantly exceeds general inflation and the growth in the beneficiary population. The administration proposes to modestly restrain the rate of increase in per capita medicare spending, but without adversely affecting beneficiaries or altering the new Medicare Catastrophic Coverge Act benefits. Medicare spending per beneficiary increases from $2,857 in 1990 to $4,039 in 1994.



Hospital Insurance.—The budget proposes to reduce medicare capital payments in 1990 by 10 percentage points below 1989 current law rates. The indirect medical education add-on would be reduced from 7.7 percent to 4.05 percent, and the prospective payment system hospital rate increase would be limited to hospital inflation minus 1.5 percent.

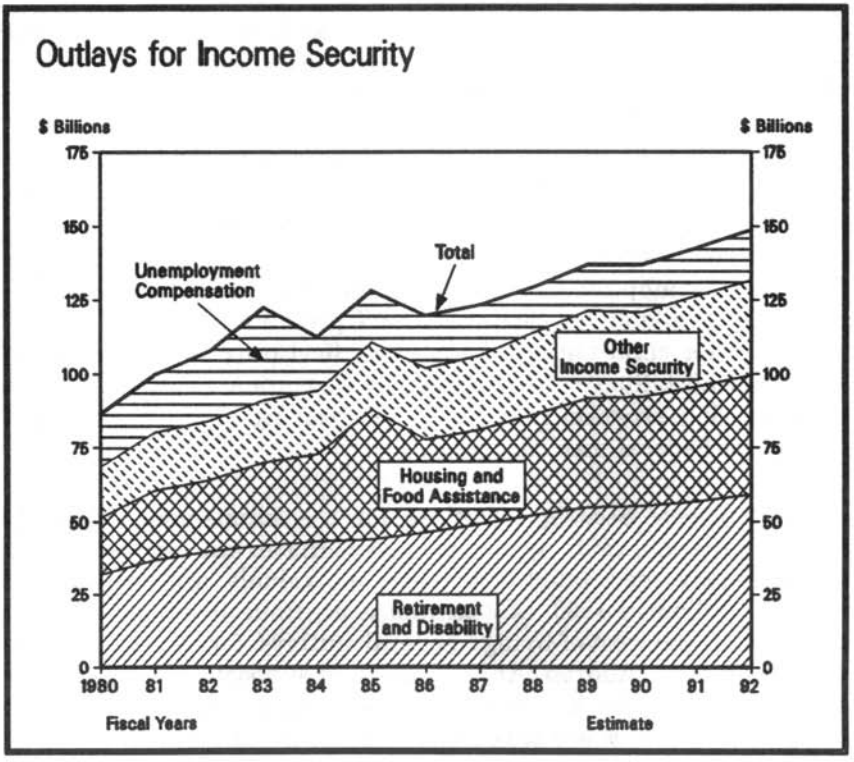
Supplementary Medical Insurance.—The administration proposes to restrain excessive growth in the supplementary medical insurance program by limiting payments to non-primary care physicians, by reducing anesthesiology, radiology, and surgery reimbursement, and by reforming the durable medical equipment payment system. Additional savings from hospital outpatient services are proposed for 1991.

Catastrophic Drug Insurance.—Effective in calendar year 1990, medicare will begin to phase in coverage for outpatient prescription drugs. Coverage for home intravenous and immunosuppressive drugs, and coverage of certain other outpatient prescription drug

expenses will begin in calendar year 1990 and calendar year 1991, respectively.

INCOME SECURITY

Income security benefits are paid to the aged, the disabled, the unemployed, and low-income families. Total outlays are estimated to be $136.9 billion in 1989 and $136.8 billion in 1990. These totals reflect administration proposals concerning Federal retirement programs, the railroad pension system, and child nutrition subsidies, which are discussed below.



Retirement and Disability.—In 1990, estimated outlays of $55.2 billion will go to retired or disabled Federal civilian workers, military personnel, railroad employees, and coal miners, and their dependents and survivors. The administration is proposing to restore the railroad pension system to the private sector, to eliminate the lump-sum annuity payment to Federal civilian retirees, and to freeze the cost-of-living adjustment (COLA) for all Federal retirees except social security and veterans retirement programs.

Unemployment Compensation.—Outlays for unemployment compensation are estimated to be $15.8 billion in 1989 and $16.0 billion in 1990. About 1.8 million workers per week are estimated to receive benefits in both 1989 and 1990.

Housing and Food Assistance.—The Federal Government provides assistance for housing and food to low-income households. In 1990, an estimated 5.6 million households will receive housing aid, and an estimated 18.1 million individuals per month will receive food stamps.

Outlays for subsidized housing programs are estimated to increase from $15.3 billion in 1989 to $16.2 billion in 1990. For 1990, the administration is proposing to provide 132,000 additional households with subsidies. Virtually all of these households will receive vouchers, which are less expensive than new construction and benefit tenants by giving them more freedom of choice about where to live.

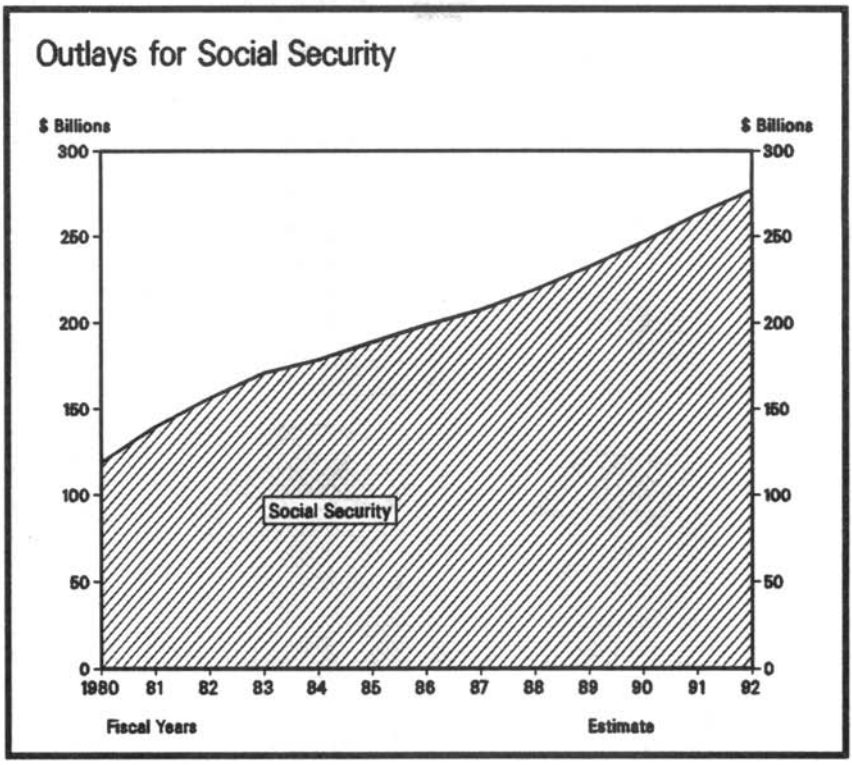
Under current law, food stamp outlays including nutrition assistance to Puerto Rico are estimated to be $13.6 billion in 1990, approximately the same amount as in 1989. To encourage States to run the best employment and training (E&T) programs for able-bodied food stamp recipients, the budget proposes to make a specific amount available for each State E&T program participant.

Outlays for child nutrition and other food programs are estimated to be $7.0 billion in 1990. The administration proposes to focus on improving program integrity, and ensuring efficient and effective use of Federal meal subsidies.

Other Income Security.—Outlays for the supplemental security income program (SSI), which pays benefits to an estimated four million needy aged, blind or disabled individuals, are estimated to be $12.1 billion in 1990. SSI payments continue to be adjusted for changes in the cost-of-living. Federal outlays for aid to families with dependent children (AFDC) and child support enforcement are estimated to be $11.2 billion in 1990. Approximately 3.7 million low-income families are expected to receive AFDC benefits in 1990. Other income security programs include the earned income tax credit and low-income home energy assistance.

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 1990.

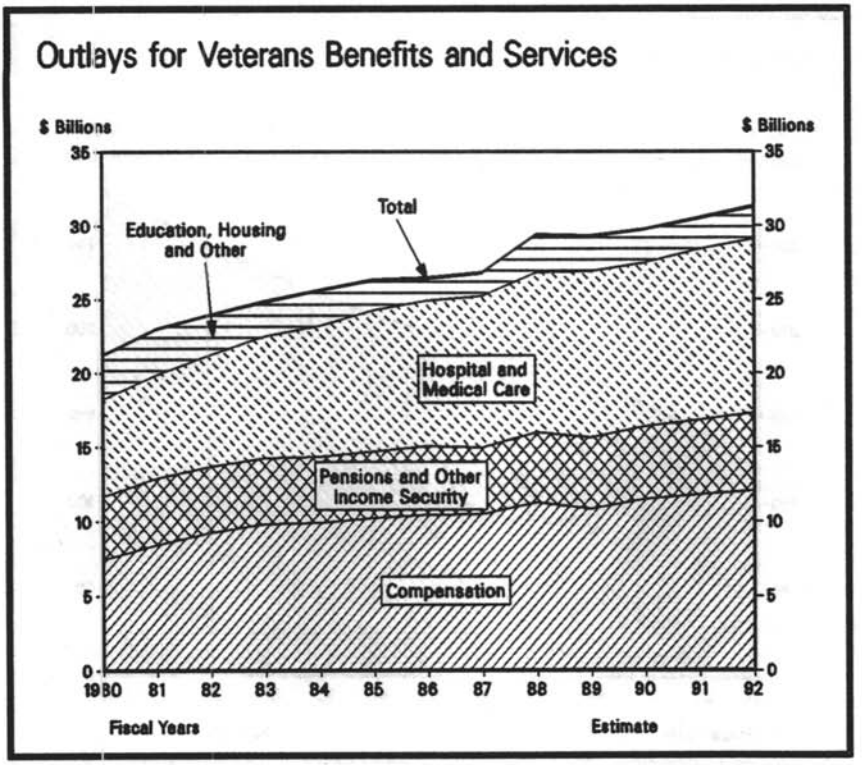


Social security affects the lives of most Americans, either through benefits received or through payroll taxes deducted from earnings. One in every six Americans receives social security benefits. Outlays for social security old-age, survivors, and disability programs are estimated to increase from $232.3 billion in 1989 to $246.7 billion in 1990, primarily because of cost-of-living increases and increases in the number of beneficiaries.

VETERANS BENEFITS AND SERVICES

Benefits and services are provided to meet the Nation's obligation to veterans of military service. Outlays for this function are expected to be $29.9 billion in 1990.

In March 1989, after 58 years of serving the Nation's veterans, the Veterans Administration will be established as a Cabinet agency: the Department of Veterans Affairs (VA). Cabinet status will provide veterans continued access to decision making at the highest levels of government and give them the recognition that they deserve.



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. In addition, VA is obligated by law to provide care on a first-priority basis to veterans who have service-connected disabilities for medical conditions that are not related to military service; certain special categories of veterans, such as former prisoners of war; and lower income veterans who do not have service-connected disabilities. VA may provide care, if resources are available after treating higher priority veterans, to veterans without service-connected disabilities with moderate to high incomes. Currently, most of the system's users are either veterans with service-connected disabilities or lower income veterans. Adequate medical care for America's disabled and lower income veterans is one of the Nation's highest priorities. The administration's proposal for VA medical care provides sufficient resources to treat all service-connected, special categories and lower income veterans, and to treat most moderate and higher income veterans expected to apply for care.

Outlays for hospital and medical care programs, excluding receipts, are estimated at $11.4 billion in 1989 and $11.5 billion in 1990.

Compensation.—Compensation benefits are provided to an estimated 2.5 million veterans with service-connected disabilities and survivors of such veterans. Outlays for veterans compensation benefits are estimated to increase from $10.8 billion in 1989 to $11.5 billion in 1990. These estimates reflect an administration proposal to link the compensation cost-of-living adjustment to the annual change in the consumer price index.

Pensions.—Pensions are provided to needy veterans with wartime service—both combat and non-combat veterans alike—and to needy survivors of deceased veterans. Outlays for pension benefits are estimated to increase by $94 million to $4.0 billion in 1990. Pension recipients are scheduled to receive an estimated 3.6 percent increase in benefits, effective with the January 1990 payments.

Education, Training, and Rehabilitation.—The Vietnam-era GI bill provides education benefits to veterans and active duty personnel who served, at least in part, between February 1, 1955, and December 31, 1976. These benefits are designed primarily to help veterans adjust to civilian life.

Individuals who entered military service after 1976 and before July 1985 are eligible for the post-Vietnam era education program. Enrollment in this program was closed as of March 1987. The current educational assistance program—the Montgomery GI bill—offers more generous benefits as an aid to recruitment and retention. Nearly 78,600 veterans and servicepersons and 213,000 reservists are expected to use benefits under this program in 1990.

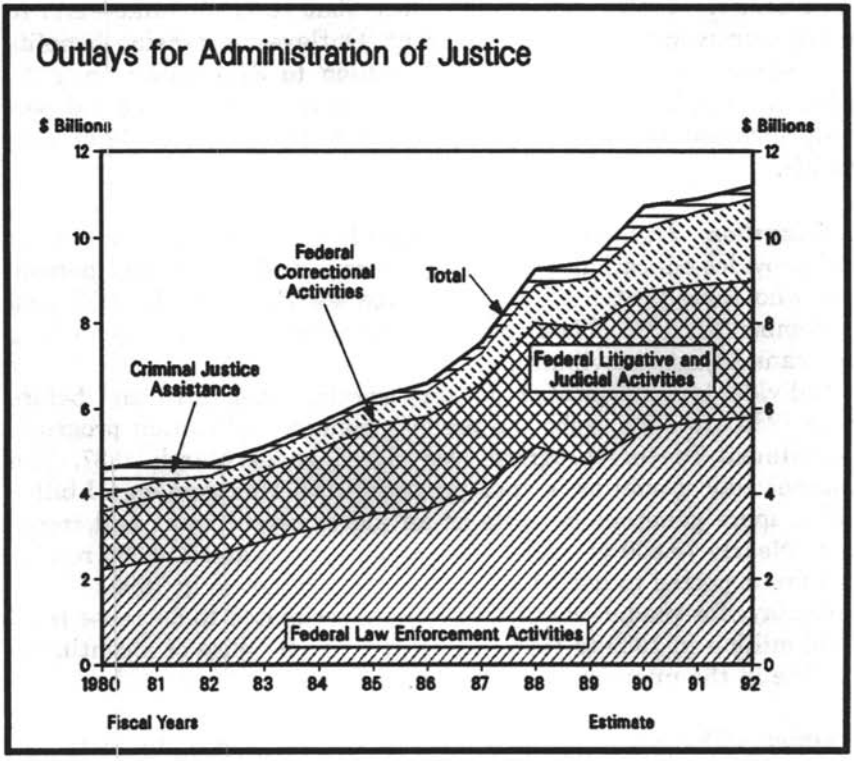
Outlays for readjustment benefits are estimated to decrease from $654 million in 1989 to $606 million in 1990, because of a continued decline in the number of eligible beneficiaries.

Other.—The VA provides additional assistance to veterans through housing loan guarantees. New guaranteed loan commitments are expected to increase by $71 million to $1.2 billion in 1990. The administration continues to support negotiated interest rates on VA-guaranteed mortgages as a way to provide veterans with maximum flexibility in financing home purchases and proposes to increase and make permanent the expiring fee charged on VA guaranteed loans from the current 1 percent to 3.8 percent of the mortgage amount. Direct loans are available to disabled veterans eligible for specially adapted housing and to non-veterans who purchase property from the VA portfolio.

Other benefits and services, including insurance programs and burial benefits, are available to veterans through a network of 59 VA regional offices.

ADMINISTRATION OF JUSTICE

Federal activities in this function include law enforcement, litigative and judicial activities, the operation of prisons to house Federal inmates, and criminal justice assistance to State and local Governments. Outlays for these activities are estimated to be $10.6 billion in 1990, $1.2 billion or 11 percent above the anticipated 1989 level.



Federal Law Enforcement Activities.—Approximately 52 percent of outlays for programs in this function are for law enforcement activities. Outlays for this purpose are estimated to be $5.5 billion in 1990, $800 million above the 1989 level.

The Justice Department carries out criminal investigations primarily through the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA). The FBI and DEA work together with other Federal agencies through 13 regional task

forces on organized crime drug enforcement. In 1990, outlays for the FBI and DEA are anticipated to be $1.4 billion and $507 million, respectively. This outlay level includes funding for over 275 new positions for the DEA, as well as funding to improve DEA's technical equipment capabilities. The FBI and DEA will undertake new and intensified drug enforcement responsibilities in 1990 as authorized by the Anti-Drug Abuse Act of 1988.

Overall, the administration anticipates outlays in excess of $5 billion in 1990 for a wide variety of programs to combat drug abuse. These programs, many of which are included in other functions, focus on interdicting drug shipments, arresting drug traffickers, and curbing the demand for illegal drugs thorough drug abuse prevention, treatment, research, and education.

Outlays for border enforcement activities are estimated to be $2.3 billion in 1990. Almost $1 billion of this money will go to the Immigration and Naturalization Service, which will be in its fourth year of expanded responsibilities under the Immigration Reform and Control Act of 1986. The United States Customs Service outlays are expected to be $1.3 billion in 1990.

Federal Litigative and Judicial Activities.—The administration's efforts in this area focus on enforcing organized crime and drug statutes; strengthening efforts to combat fraud and waste; recovering delinquent debt owed the Government; and defending civil claims filed against the Government and its officials. Total outlays in 1990 for these activities is projected at $3.2 billion.

The 1990 budget asks that no further Federal funding be provided for the activities of the Legal Services Corporation. State and local bar associations have developed numerous, effective programs to provide free assistance to indigent clients, and these efforts are expected to grow, consistent with private attorneys' ethical obligations to provide such free services.

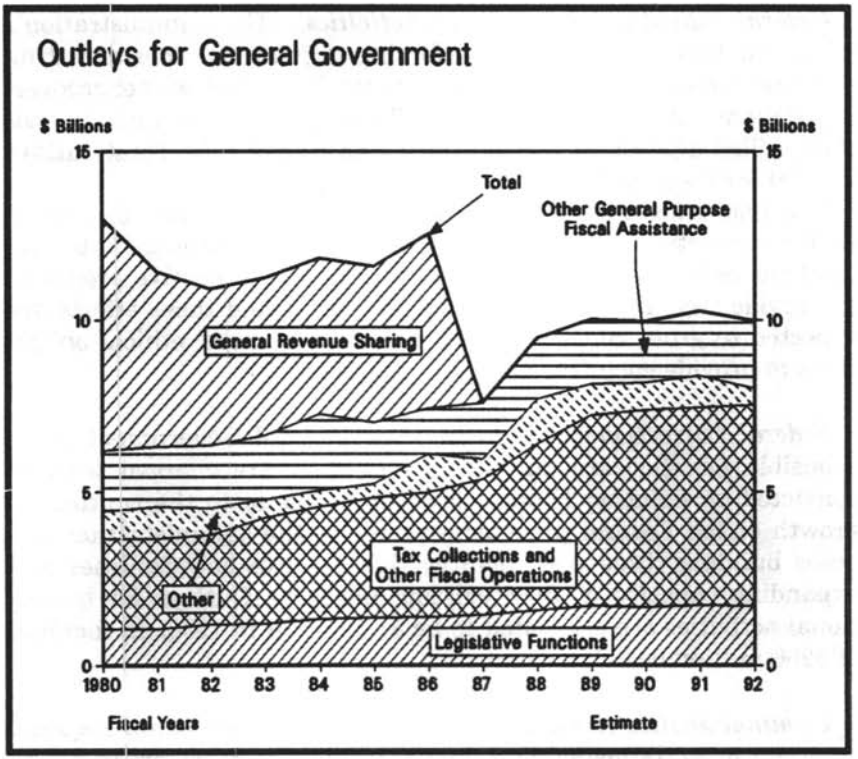
Federal Correctional Activities.—The Federal Government is responsible for the care and custody of prisoners charged with or convicted of violating Federal laws. In response to the continuing growth of the Federal prisoner population, the administration proposes building three new facilities, leasing two new facilities and expanding capacity at nine existing facilities. Outlays for correctional activities are estimated to be $1.5 billion in 1990, an increase of $266 million over 1989.

Criminal Justice Assistance.—The administration again requests that the juvenile justice and delinquency prevention programs be terminated because the primary objective of the programs—the separation of juvenile from adult offenders—has largely been accomplished. The administration also proposes that funding for the

State and local assistance, anti-drug abuse, regional information sharing, and Mariel Cuban reimbursement programs be ended, since States and localities benefit directly from them. Outlays for criminal justice assistance in 1990 are estimated to be $444 million, $71 million above the 1989 level.

GENERAL GOVERNMENT

The general government function includes the central management activities for both the executive and legislative branches of the Federal Government. It also comprises tax collection by the Internal Revenue Service (IRS), general property and procurement activities of the General Services Administration (GSA), central personnel management activities of the Office of Personnel Management (OPM), and archive and recordkeeping activities. General purpose fiscal assistance includes payments to the District of Columbia, grants from Forest Service and Interior Department timber and mineral receipts, payments in lieu of taxes, and payments to territories, Freely Associated States, and Puerto Rico.



The four central management agencies—the Office of Management and Budget, the Office of Personnel Management, the Gener-

al Services Administration, and the Department of the Treasury—are working with other agencies on a variety of management reform initiatives. These management improvements include procurement simplification, real property management, personnel retention and recruitment, quality and productivity improvement, business-like cash management practices, financial management systems upgrades, and credit management and debt reform. Estimated outlays for the general government function increase from $10.0 billion in 1989 to $10.3 billion in 1990.

CENTRAL FEDERAL CREDIT ACTIVITIES

This new function is proposed to begin in 1990. 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. One of the new revolving funds is to finance direct loans, the other fund finances guaranteed loan insurance.

The Direct Loan Fund and Guaranteed Loan Fund are to be established within the Department of the Treasury. Federal agencies would be required to obtain appropriations from Congress to finance the subsidies implicit in all new direct loans obligated and guaranteed loans committed in 1990 and later years. The financing and payment of loans obligated or committed before 1990 would not be affected.

Under the administration's credit reform proposal, agencies would continue to originate and close direct loans as they do now. But as borrowers draw down obligated direct loans, the agency would pay the subsidy component of each loan into the direct loan revolving fund. This fund would provide the balance of the loan—the non-subsidized financing portion—through borrowing from Treasury. The borrower would pay interest and repayments of principal to the agency that originated the loan; the agency would deposit these amounts in the Direct Loan Fund to repay the Treasury for its financing of the loan.

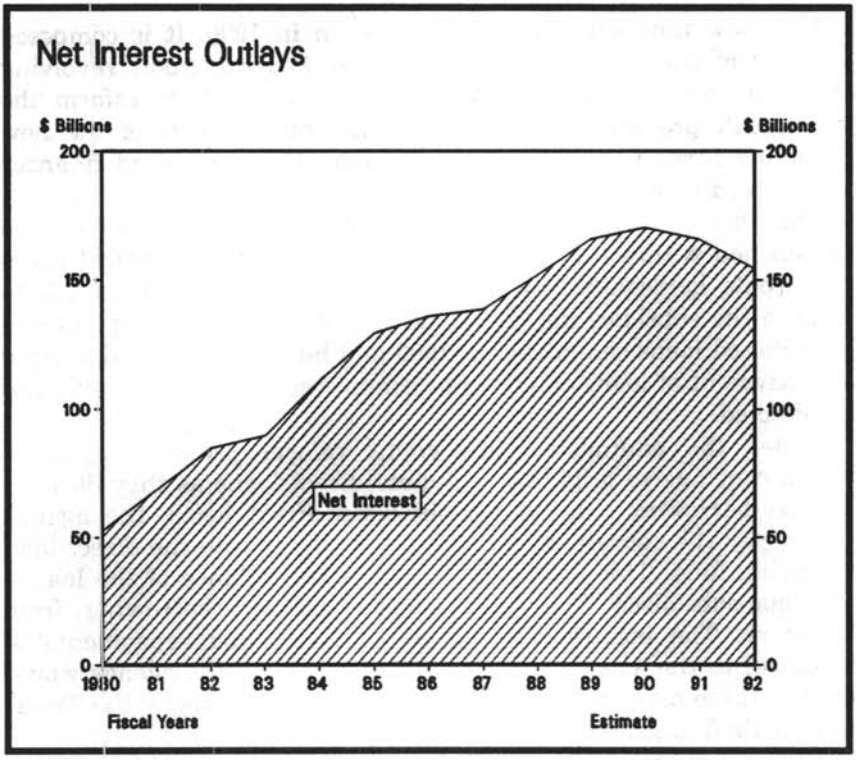
For loan guarantees, the appropriated subsidy would be paid by the agency to the Guaranteed Loan Fund when a loan being guaranteed is disbursed by a lender. All fees and premiums collected by the agency would be deposited in the Guaranteed Loan Fund. In turn, the Guaranteed Loan Fund would assume the financial responsibility for payment of defaults. In all other respects, agencies would continue to make loan guarantees as they do now.

The outlay estimate for this function in 1990 is $−7.2 billion because of the large amounts of offsetting collections paid into the loan guarantee revolving fund from other budget accounts. The outlays, however, are offset fully by corresponding adjustments in

other functions. Credit reform is discussed in more detail in Part 6 of the *Budget.*

NET INTEREST

Net interest includes the Federal Government's cost of borrowing and most of its income from lending money. It consists of the interest costs of borrowing to finance the public debt and the collections of interest payments by Government trust funds and from the public.



The public debt is composed of Treasury securities held by the public and by Government accounts. The interest cost associated with these securities is shown as interest on the public debt. The gross Federal debt is rising significantly, but projected declines in interest rates offset some of the cost associated with this growth. Net interest outlays are estimated to be $165.7 billion in 1989 and $170.1 billion in 1990.

Most trust fund balances are required by law to be invested in Federal securities. The interest outlays on this debt are included in interest on the public debt. However, the interest earned by most

trust funds is deducted in this function so that net interest includes only the Government's net transactions with the public.

Other interest income from Federal agencies and the public as well as other interest costs of the Government are also included in this function in order to show net interest transactions with the public.

NET INTEREST

(In billions of dollars)

	1988 actual	1989 estimate	1990 estimate	1991 estimate	1992 estimate
Interest on the public debt	214.1	235.6	248.1	251.8	247.5
Interest received by on-budget trust funds	−34.5	−39.8	−44.7	−49.2	−52.5
Interest received by off-budget trust funds	−7.4	−11.2	−14.9	−19.7	−24.0
Other interest	−20.4	−18.9	−18.4	−17.1	−16.4
Net interest outlays	**151.7**	**165.7**	**170.1**	**165.7**	**154.5**

ALLOWANCES

Allowances cover certain forms of budgetary transactions that are expected to occur but are not reflected in the program details of the preceding functions. When these transactions take place, they are reported as outlays or receipts for the appropriate agencies and functions.

This allowance covers the costs of pay raises for civilian agency employees and Coast Guard military personnel in 1990 and subsequent years. In 1990, pay raises for top level officials in the executive, legislative, and judicial branches are proposed for full absorbtion. After 1990, funding for these raises is included. Allowances to cover similar pay raises for military and civilian personnel of the Department of Defense—Military are included in the national defense function.

The budget includes a 2.0 percent pay increase for civilian employees and a 3.6 percent pay increase for Coast Guard military personnel, effective in January 1990. It assumes that each agency will be required to absorb 75 percent of the costs of these proposed increases. The allowance covers the remaining 25 percent of the proposed increases. The pay raise allowances for 1991 and 1992 assume that Federal civilian employees will receive pay raises of 3.0 percent and 2.8 percent, respectively, effective in January, and that Coast Guard military personnel will receive 3.2 percent and 3.0 percent, respectively, also effective in January.

The administration proposes a reform in the Federal Employees' Health Benefits program that would change the formula used to determine the Government's contribution to enrollees' health premiums to a weighted average that reflects the premiums of all

FEHB plans and the distribution of enrollees among those plans. This proposal is discussed in further detail in the health function. The savings from this proposal would accrue to agencies throughout the Government. These savings, estimated to be $256 million in 1990, are included as an allowance.

The budget reflects a proposed change in postal rates for Government mail. Separate subclasses would be established to eliminate excess overhead charges paid by the Government. Rates would be based on actual attributable costs and overhead charges equal to average overhead rates for comparable classes of mail. Government mail would still be processed in USPS's current mail stream, without change in service standards, but would be charged rates more closely aligned with actual costs incurred. The budget includes an allowance of $261 million in outlay savings from the reduced rates. The Department of Defense allowance for contingencies also contains $85 million for this reduced government mail rate proposal.

An allowance for other requirements contains amounts for potential reestimates and minor programmatic changes, which net to zero.

UNDISTRIBUTED OFFSETTING RECEIPTS

Offsetting receipts are collections by the Federal Government that are deducted as offsets to outlays rather than recorded as governmental receipts. Although offsetting receipts are generally deducted from agency and subfunction outlay totals, some categories of collections are deducted from the aggregate budget totals, as "undistributed" offsetting receipts. These categories include employer share, employee retirement; rents and royalties on the Outer Continental Shelf (OCS); sales of major assets; and sales of spectrum and chlorofluorocarbon (CFC) production rights.

Employer Share, Employee Retirement.—Agency contributions for employee retirement are counted as outlays of the paying accounts. Since these are intragovernmental transactions, these collections must be deducted from the budget totals to derive net Federal transactions with the public. Deductions for the receipt of these payments are not made against the receiving agencies and functions, because to do so would seriously understate the benefit payments and associated costs of these programs. Instead, the collections are recorded as undistributed offsetting receipts.

The collections received by on-budget accounts, primarily the military retirement and civil service retirement trust funds, are estimated to be $29.4 billion in 1989 and $27.8 billion in 1990. The budget also reflects proposed legislation that would require the U.S. Postal Service (USPS) to fund new liabilities created with each new retirement cost-of-living adjustment (COLA) for postal annu-

itants. However, because the budget proposes a 1990 COLA freeze for government annuitants, USPS's initial annual payment to the retirement fund will begin in 1991.

Rents and Royalties on the Outer Continental Shelf.—The Federal Government administers the OCS and collects rents and royalties from the companies that successfully bid for the right to explore and produce oil and gas from the OCS. Because the income to the Government from this source is sufficiently large to distort the functional totals if "distributed," rents and royalties from the OCS are treated as undistributed offsetting receipts. Offsetting collections for OCS oil and gas development are estimated to be $2.7 billion in 1989 and $3.7 billion in 1990. The 1990 estimate assumes no continuation of the current "one-year" leasing moratoria for certain OCS areas, which circumvet the effective management of OCS resources set forth in the OCS Lands Act.

Sales of Major Assets.—The administration's proposals for 1990 include the sale of two Federal dams and associated hydropower systems in Alaska for $85 million, the sale of selected assets of Southeastern Power Marketing Administration for $1.2 billion, and the sale of the naval petroleum reserves (NPR) in Elk Hills, California. The buyer of the NPR is expected to pay the Government at least $1.0 billion in 1990 and to supply an additional 50,000 barrels per day of oil to the strategic petroleum reserve from 1990 through 1995 at no cost to the Government. These asset sales are discussed in greater detail in the energy and natural resources functions.

Charges for Spectrum and Chlorofluorocarbon Rights.—Beginning in 1990, the U.S. Government will use a competitive bidding process to license exclusive use of certain unassigned portions of the spectrum for services such as cellular radio and private land mobile radio services. This process, expected to be more efficient than current procedures, will raise an estimated $2.3 billion in revenues in 1990.

The administration is also proposing to charge market value for the rights to produce chlorofluorocarbons (CFCs) and related substances that deplete the ozone layer (CFCs are used as refrigerants and solvents as well as to make insulation). Current regulations, which require major reductions in the production of CFCs, will lead to a significant rise in the price of CFCs. By charging market value for these limited production rights, the revenue resulting from the price rise would accrue to the Treasury for the benefit of the general public, rather than to producers as windfall profits. Capturing this windfall will also remove the potential disincentive that profits might have on current producers to quickly develop environmentally safer but potentially less profitable substitutes for

CFCs. Mechanisms to be considered could include permit fees and auctions. The charges for these rights are expected to generate proceeds in 1990 of $0.4 billion.

TAX EXPENDITURES

Tax expenditures are features of the tax laws that provide special benefits or incentives 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.

Tax expenditures are so designated because they are one means by which the Federal Government carries out public policy objectives; in many cases, they can be considered as alternatives to direct expenditures. For example, investment in research and development is encouraged by allowing such costs to be expensed; a program of direct capital grants could also achieve this objective. Similarly, State and local governments benefit from both direct grants and the ability to borrow funds at tax-exempt rates.

Because tax expenditures can be viewed as alternatives to direct Federal spending programs, it is desirable that estimates of tax expenditure items be comparable to outlay programs. Thus, tax expenditures are generally shown as outlay equivalents, that is, the amount of budget outlays required to provide the same level of after-tax benefits by substituting a direct spending program for the tax expenditure. The accompanying table displays estimates of tax expenditures classified by function. Special Analysis G contains more detailed estimates and explanations.

TAX EXPENDITURES ESTIMATED AS OUTLAY EQUIVALENTS

(In billions of dollars)

Function	1988	1989	1990
National defense	2.2	2.2	2.3
International affairs	6.7	7.0	7.5
General science, space, and technology	2.6	2.8	3.0
Energy	0.8	0.9	1.0
Natural resources and environment	3.1	3.2	3.3
Agriculture	0.5	0.7	0.5
Commerce and housing credit	143.2	152.9	160.7
Transportation	0.2	0.2	0.1
Community and regional development	1.4	1.8	2.2
Education, training, employment, and social services	20.7	20.6	21.6
Health	42.8	47.4	51.0
Income security	81.6	82.9	89.3
Social security	17.4	17.4	18.2
Veterans benefits and services	2.0	1.9	2.0
General government	34.5	35.5	37.7
Net interest	0.9	0.9	1.0

Part 6

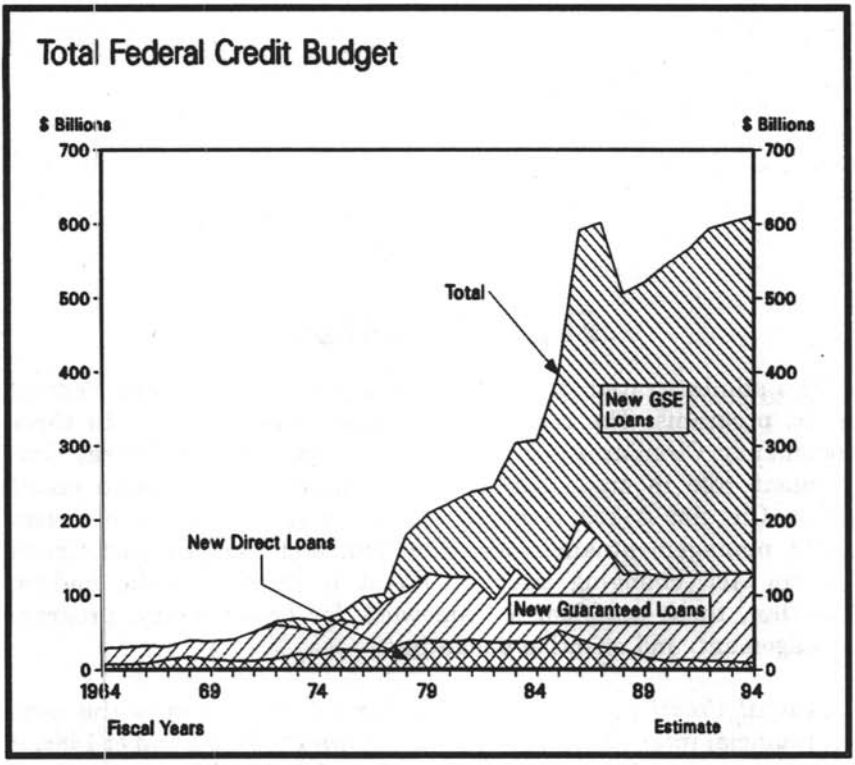
FEDERAL CREDIT

This administration placed a high priority on reforming Federal credit programs. The results of this effort are embodied in three documents: Circular A-70, defining the appropriate Federal Government role in credit and providing guidance for sound credit policy; Circular A-129, establishing goals and procedures for better credit management and debt collection; and the proposed Credit Reform Act, changing the way credit is treated in the budget. Together, these establish a framework for credit policy, program management, and effective budgeting.

Federal Credit Activities.—The Federal Government is the largest financial intermediary in the United States. At the end of 1988, it held outstanding loans with a face value of $222 billion in its direct loan portfolio and had another $550 billion in guaranteed loans outstanding. (All data in this discussion are based on the face value of the loans, not the unsubsidized market value.) Government-sponsored enterprises had an additional $666 billion of loans outstanding at the end of the year. Thus, directly or indirectly, the Government had influenced the allocation of $1.4 trillion of outstanding credit.

In 1990, the Government will provide an estimated $12 billion in new direct loans and $112 billion in new guaranteed loan commitments. Government-sponsored enterprises will lend an additional $422 billion. The accompanying chart summarizes Federal and federally assisted credit activity from 1964 to 1994.

Federal credit is provided on easier terms and conditions than are available from private lenders. Thus, they provide a grant to help particular borrowers or to encourage certain activities along with the loan or loan guarantee. The subsidies in this budget for 1990 total $9.3 billion, of which $4.1 billion is for education, $3.2 billion is for housing, and $1.8 billion is for agriculture. These subsidies come at the expense of the general taxpayers and of all borrowers who did not receive subsidized credit, some of whom have paid higher interest rates and fees or have not been able to borrow at all.



Reducing Federal Intervention.—Over the past eight years, this administration has sought both to constrain the rapid growth of Federal credit and to establish cross-cutting policies based on sound economic principles. The administration proposed to reduce or terminate lending to borrowers who were able to obtain loans in the private market and to raise interest rates and fees which had lagged below market rates by widening amounts. Programs were also modified to improve targetting to those most in need. The administration used the credit budget to limit the volume of new credit extended in line with these principles.

Establishing Credit Policy.—A consistent credit policy was developed and issued as OMB Circular A–70. This limits the Federal role in credit programs to two broad categories: where Federal objectives require correction of a specific capital market imperfection, or where a subsidy to specific beneficiaries is provided more efficiently through a loan than a grant.

The Circular specifies that direct loans should be used only when loan guarantees cannot provide the intended degree of subsidy. The amount of direct loan obligations peaked in 1985; the share of Federal credit extended as direct loans peaked at 39 percent in

1982 and is proposed to be only 10 percent in 1990. Private lenders are required to bear a substantial share of the risk of guaranteed loans. The 1990 budget proposes additional measures to implement this requirement.

Improving Credit Management.—A nine-point program was developed and implemented to improve loan servicing and debt collection. Agencies were required to check borrowers' creditworthiness with credit bureaus, and in turn to report the status of all commercial and delinquent consumer loans to credit bureaus. They were to upgrade and automate servicing or contract out with private firms. Delinquent accounts were offset against tax refunds and Federal employee salaries. They were to refer accounts to the Department of Justice for litigation, and when all else failed, to write off the account. All of these steps have been and are being taken by all credit agencies.

A pilot program of loan asset sales was started in 1987 to help agencies improve credit management. Financial advisors were employed by major credit programs to evaluate their portfolios, help with the sale, and recommend management improvements. Preparation of loan portfolios for sale has made selling agencies aware of private standards for loan documentation and servicing. Lessons from implementing the nine-point program and from the loan asset sales have been incorporated in a comprehensive revision of OMB Circular A-129 setting Government-wide standards for credit management.

Reforming the Budgetary Treatment of Credit.—As noted above, Federal credit programs combine in a single transaction a grant and a direct loan or loan guarantee. The grant component is similar to other grants, transfers, and purchases in the Federal budget. Special budgetary treatment is required in order to separate the two components and to measure properly the subsidy or grant component.

The administration has proposed legislation to reform the budgetary treatment of credit programs so as to require agencies to estimate the subsidies inherent in the direct loans or guaranteed loans they plan to make and to obtain an appropriation for these subsidies. The program, agency, and function would record this budget authority and the outlays resulting from it. The nonsubsidy portion of direct loans, the payments to satisfy defaults on guaranteed loans, and all repayments, fees, and interest would be recorded in a Direct Loan Fund or a Guaranteed Loan Fund to be created in the Treasury Department and reported in a new central credit function. These changes would put credit programs on an expenditure basis consistent with other programs in the Federal budget.

Achievements.—In sum, this administration has established a consistent framework of credit policy, set forth standards for credit management, and proposed a major reform in the budgetary treatment of credit programs. Much progress has been made in implementing these principles, but more remains to be done. In particular, credit reform legislation is necessary to improve the allocation of scarce Federal resources and scarce private credit.

Part 7a

THE BUDGET PROCESS

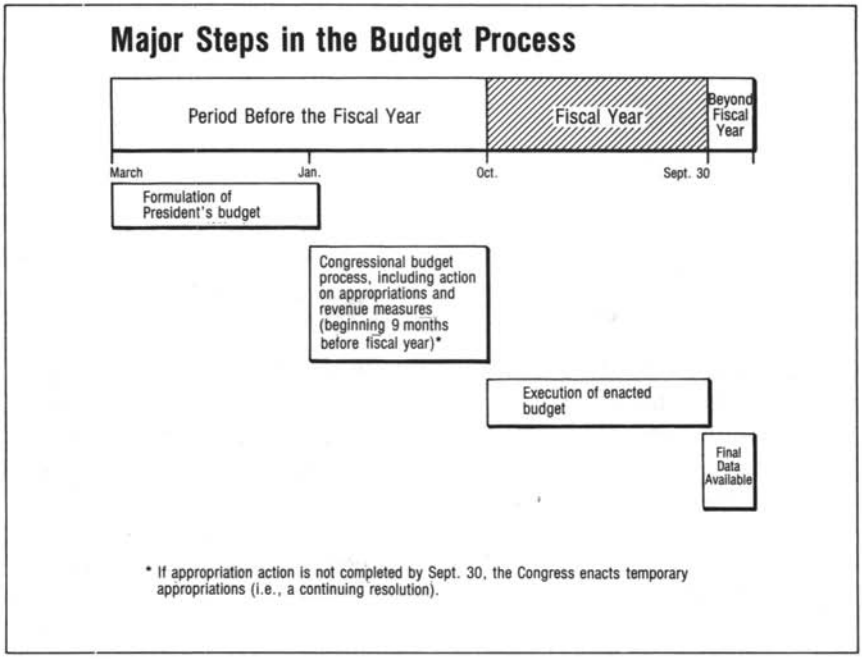
The budget system of the U.S. Government provides the framework within which decisions on resource allocation and program management are made in relation to the requirements of the Nation, availability of Federal resources, effective financial control, and accountability for use of the resources. The budget process 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. This budget also includes appropriations requests for both 1990 and 1991 for the Department of Defense and related agencies and for the Coast Guard, as required by law.

The President transmits his budget to the Congress early in each calendar year, eight to nine months before the next fiscal year begins on October first. In a year in which a new President takes office, as in this year, the outgoing President submits a budget. Usually, the new President proposes changes to that budget.

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 1990 budget, which is being transmitted to the Congress in January of 1989, the process began in the spring of 1988.

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.

Agencies submit budget requests 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. 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, which specifies deficit targets for each fiscal year designed to achieve a balanced budget by 1993.

Congressional Action.—The Congress can 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 future outlays. For the majority of Federal 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 or other authority to incur obligations, under which funds become available annually without further congressional action. In recent years, more obligational authority has become available under permanent appropriations than by current actions of the Congress. In turn, the outlays from permanent appropriations, together with the outlays from obligations incurred in prior years, comprise the majority 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.

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 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 1990, the maximum deficit is $100 billion.

Congressional budget resolutions do not require Presidential approval. Frequently, however, there is informal consultation between the congressional leadership and the Administration, because legislation developed to attain congressional budget targets must be sent to the President for his approval. In some recent years, the Congress enacted omnibus reconciliation legislation that reduced budget authority and outlays or increased receipts to achieve specified levels of budget authority and outlays. In 1987, the President and the joint leadership of Congress reached an agreement on the broad outlines of a deficit reduction strategy for 1988 and 1989. This agreement, known as the Bipartisan Budget Agreement, was reflected in the budget legislation passed for those years.

Congressional consideration of requests for appropriations and changes in revenue laws occurs first in the House of Representatives. The Appropriations Committees, 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.

After 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 completed action on all of the thirteen regular appropriations bills for 1989 before the start of the fiscal year so such a resolution was not needed.

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 1990, the target is $100 billion. For 1991 through 1993, the targets are $64 billion, $28 billion, and zero, respectively. According to the Act, the President's budget must propose receipts and outlays consistent with the deficit target for the budget year. 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 (i.e., cancel or withhold from obligation) budgetary resources to reduce outlays by the amount required to meet the specified target for the year ahead.

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. If his estimates show that the projected deficit

exceeds the specified target by more that $10 billion (zero in 1993) and that the requisite amount of net deficit reduction has not been achieved, he must calculate the amount of reductions in budgetary resources 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.

Budgetary resources have been sequestered only once since the Act was passed. That was in 1986. On November 20, 1987, the President issued a sequester order for FY 1988 but the order was reversed and the sequestered resources restored as a result of the enactment of the Omnibus Reconciliation Act of 1987.

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.

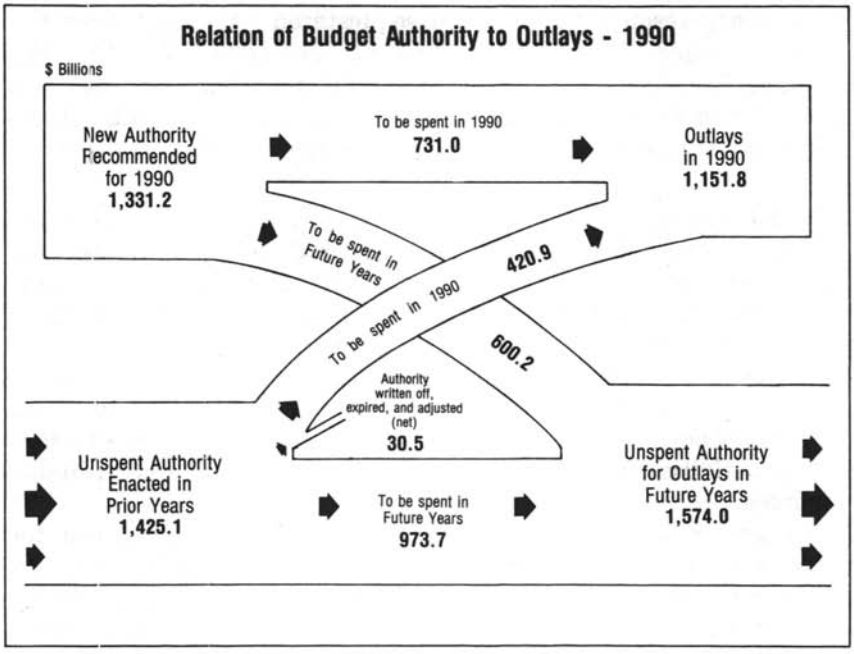
Changes in laws or other factors may indicate the need for additional appropriations during the year, and supplemental requests may have to be sent to the Congress. On the other hand, amounts appropriated may be withheld temporarily from obligation under certain, limited circumstances. The executive branch, in regulating the rate of spending, must report to the Congress 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.

Relation of Budget Authority to Outlays

Not all of the new budget authority for 1990 will be obligated or spent in that year. For example:

- Budget authority for most trust funds comes from the authority of these funds to spend their receipts and is used over time as needed for purposes specified by law.
- Budget authority for many major construction and procurement programs covers the estimated full cost of projects at the time they are started.
- Budget authority for most long-term contracts covers the estimated maximum obligation of the Government.

As a result of these factors, a large amount of budget authority carries over from one year to the next. Most is earmarked for specific uses and is not available for other programs.



Part 7b

GLOSSARY OF BUDGET TERMS[1]

AUTHORIZING LEGISLATION—Legislation enacted by the Congress to permit the establishment or continuation of a Federal program or agency. Authorizing legislation is normally required before the enactment of budget authority, and such authority is usually provided in separate legislation.

BUDGET—A comprehensive financial plan for the Federal Government, encompassing the totality of Federal receipts and outlays (expenditures). The budget documents routinely include the on-budget and off-budget amounts and combine them to derive a total of Federal fiscal activity, and the focus of the budget documents is on the combined totals.

BUDGET AUTHORITY (BA)—Authority provided by law to enter into obligations that will result in immediate or future outlays. It may be classified by the period of availability, by the timing of congressional action, or by the manner of determining the amount available.

CONCURRENT RESOLUTION ON THE BUDGET—A resolution passed by both Houses of the Congress, but not requiring the signature of the President, setting outlay and receipt targets for the Congress.

CONTINUING RESOLUTION—Legislation that provides budget authority for specific ongoing activities when a regular appropriation for these activities has not been enacted by the beginning of the fiscal year. Some continuing resolutions provide interim funding for part of the fiscal year until the regular appropriations bill has been enacted. Others provide funding for the full fiscal year.

CREDIT BUDGET[2]—A plan of proposed direct loan obligations and guaranteed loan commitments.

CURRENT SERVICES ESTIMATES[2]—Estimates of receipts, outlays, and budget authority for coming fiscal years that assume no policy changes from the year in progress. The estimates include the effects of anticipated changes in economic conditions (such as unemployment or inflation), beneficiary levels, pay increases, and changes required under existing law.

FEDERAL FUNDS—All amounts collected and used by the Federal Government for the purposes of the Government, except those classified as trust funds.

FISCAL YEAR—The Federal Government's yearly accounting period, which begins on October 1 and ends on the following September 30. The fiscal year is designated by the calendar year in which it ends; e.g., fiscal year 1989 begins on October 1, 1988, and ends on September 30, 1989. (From 1844 to 1976 the fiscal year began on July 1 and ended on the following June 30.)

OFF-BUDGET— Federal fiscal activities that are defined by budget concepts as belonging in the budget (on-budget) but have been excluded from the on-budget totals under provisions of law. Currently, social security taxes and outlays are

[1] For more details, see section 14 of OMB Circular No. A-11, "Budget Concepts."

[2] For more details, see *Special Analyses, Budget of the U.S. Government, FY 1990.*

off-budget. All other receipts and outlays are on-budget. The on-budget and off-budget amounts are added together to arrive at Government totals.

OFFSETTING RECEIPTS—Collections deposited in receipt accounts that are offset against budget authority and outlays rather than being counted as budget receipts. These collections result from payments from one Government account to another (intragovernmental transactions) or from payments by the public to the Government for services that are of a business-type or market-oriented nature (proprietary receipts).

OUTLAYS—Government spending. Outlays are payments, normally in the form of checks issued, cash disbursed, and electronic fund transfers, net of refunds, reimbursements, and offsetting collections. Outlays include interest accrued on public issues of the public debt.

RECEIPTS—All income, net of refunds, collected from the public by the Federal Government in its sovereign capacity, primarily through the exercise of its power to tax. Income from business-type transactions (such as sales, interest, and loan repayments) and payments between Government accounts are excluded from receipts and offset against outlays (see offsetting receipts).

RECONCILIATION—A reconciliation directive is a provision in the concurrent resolution on the budget that calls on various committees of the Congress to recommend legislative changes that reduce outlays or increase receipts by specified amounts. A reconciliation bill contains these changes.

SEQUESTRATION—Reduction or cancellation of new budget authority or other budgetary resources, as defined in the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

SUPPLEMENTAL APPROPRIATION—An appropriation enacted subsequent to a regular annual appropriation act. Supplemental appropriations acts provide additional budget authority for programs or activities (including new programs authorized after the date of the original appropriations act) for which the need for funds is too urgent to be postponed.

SURPLUS OR DEFICIT—Difference between receipts and outlays.

TAX EXPENDITURES [3]—Provisions of income tax law that allow a special exclusion, exemption, or deduction from gross income or provide a special credit, preferential rate of tax, or deferral of tax liability. Tax expenditures frequently have results similar to spending programs, loan guarantees, or regulations.

TRUST FUNDS—Any Federal money earmarked by law and designated by law as trust fund money. Examples include the highway, social security, and unemployment trust funds.

[3] For more details, see *Special Analyses, Budget of the U.S. Government, FY 1990.*

Part 7c
SELECTED TABLES

Table 1. **RECEIPTS, OUTLAYS, AND DEBT, 1980–92**

(In billions of dollars)

Description	Actual									Estimate			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Receipts:													
On-budget:													
Federal funds	350.9	410.4	409.3	382.3	419.6	459.5	473.5	537.8	560.2	593.8	643.6	695.7	744.2
Trust funds	94.7	106.0	122.1	147.3	158.1	197.5	206.9	216.6	232.2	250.2	270.5	285.5	300.1
Interfund transactions	−41.6	−47.4	−57.1	−76.4	−77.3	−109.1	−111.5	−113.7	−124.9	−135.3	−143.8	−153.2	−163.9
Total on-budget	**403.9**	**469.1**	**474.3**	**453.2**	**500.4**	**547.9**	**568.9**	**640.7**	**667.5**	**708.7**	**770.4**	**828.0**	**880.4**
Off-budget (trust funds)	113.2	130.2	143.5	147.3	166.1	186.2	200.2	213.4	241.5	266.9	288.9	312.5	331.8
Total receipts	**517.1**	**599.3**	**617.8**	**600.6**	**666.5**	**734.1**	**769.1**	**854.1**	**909.0**	**975.5**	**1,059.3**	**1,140.5**	**1,212.2**
Outlays:													
On-budget:													
Federal funds	433.5	496.2	543.4	613.2	637.8	725.9	756.5	760.2	813.1	877.2	884.6	924.6	946.3
Trust funds	84.8	94.2	107.9	124.4	125.4	152.7	161.8	163.5	173.2	184.3	190.8	204.1	221.2
Interfund transactions	−41.6	−47.4	−57.1	−76.4	−77.3	−109.1	−111.5	−113.7	−124.9	−135.3	−143.8	−153.2	−163.9
Total on-budget	**476.6**	**543.0**	**594.3**	**661.2**	**686.0**	**769.5**	**806.8**	**810.0**	**861.4**	**926.2**	**931.7**	**975.6**	**1,003.6**
Off-budget (trust funds)	114.3	135.2	151.4	147.1	165.8	176.8	183.5	193.8	202.7	210.9	220.1	231.7	240.8
Total outlays	**590.9**	**678.2**	**745.7**	**808.3**	**851.8**	**946.3**	**990.3**	**1,003.8**	**1,064.0**	**1,137.0**	**1,151.8**	**1,207.3**	**1,244.4**
Surplus or deficit (−):													
Federal funds	−82.6	−85.8	−134.2	−230.8	−218.2	−266.4	−283.0	−222.4	−252.9	−283.4	−241.0	−228.9	−202.1
Trust funds	8.8	6.8	6.2	23.1	32.9	54.1	61.8	72.7	97.8	121.9	148.5	162.1	169.8
Total surplus or deficit (−)	**−73.8**	**−78.9**	**−127.9**	**−207.8**	**−185.3**	**−212.3**	**−221.2**	**−149.7**	**−155.1**	**−161.5**	**−92.5**	**−66.8**	**−32.2**
On-budget	(−72.7)	(−73.9)	(−120.0)	(−208.0)	(−185.6)	(−221.6)	(−237.9)	(−169.3)	(−193.9)	(−217.5)	(−161.3)	(−147.6)	(−123.2)
Off-budget	(−1.1)	(−5.0)	(−7.9)	(0.2)	(0.3)	(9.4)	(16.7)	(19.6)	(38.8)	(56.0)	(68.8)	(80.8)	(91.0)
Debt outstanding, end of year:													
Gross federal debt	908.5	994.3	1,136.8	1,371.2	1,564.1	1,817.0	2,120.1	2,345.6	2,600.8	2,868.8	3,107.2	3,335.6	3,537.1
Held by the public	709.3	784.8	919.2	1,131.0	1,300.0	1,499.4	1,736.2	1,888.1	2,050.2	2,193.8	2,285.0	2,351.2	2,382.9

Note.—For all years, transactions of the social security trust funds are presented off-budget.

Table 2. **COMPOSITION OF RECEIPTS AND OUTLAYS IN CURRENT DOLLARS: 1975–94**

(In billions of dollars)

Fiscal year	Receipts	Outlays								Surplus or deficit (–)
		Total	National defense	Nondefense						
				Total nondefense	Payments for individuals	All other grants [1]	Net Interest	Other	Undistributed offsetting receipts	
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	1,003.8	282.0	721.8	469.4	51.8	138.6	98.4	–36.5	–149.7
1988	909.0	1,064.0	290.4	773.7	498.8	54.1	151.7	106.0	–37.0	–155.1
1989 estimate	975.5	1,137.0	298.3	838.8	534.5	56.8	165.7	118.7	–36.9	–161.5
1990 estimate	1,059.3	1,151.8	303.0	848.9	564.5	56.1	170.1	100.2	–42.0	–92.5
1991 estimate	1,140.5	1,207.3	314.4	892.9	603.4	55.7	165.7	110.4	–42.3	–66.8
1992 estimate	1,212.2	1,244.4	326.4	918.0	643.4	54.3	154.5	107.8	–42.0	–32.2
1993 estimate	1,281.4	1,279.0	339.9	939.1	680.1	53.3	144.0	105.0	–43.4	2.4
1994 estimate	1,345.0	1,311.6	354.3	957.3	718.1	53.0	132.3	99.8	–45.9	33.4

Note: Excludes transition quarter. Includes off-budget amounts.
[1] Grants to State and local governments excluding those for payments for individuals.

Table 2. **COMPOSITION OF RECEIPTS AND OUTLAYS IN CONSTANT (FISCAL YEAR 1982) DOLLARS: 1975–94—Continued**

(In billions of dollars)

Fiscal year	Receipts	Outlays								Surplus or deficit (–)
		Total	National defense	Nondefense						
				Total nondefense	Payments for individuals	All other grants [1]	Net Interest	Other	Undistributed offsetting receipts	
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	575.8	775.0	201.3	573.7	378.6	48.8	86.1	92.6	–32.5	–199.2
1984	616.6	788.1	211.3	576.8	368.7	49.3	102.7	85.6	–29.4	–171.5
1985	659.1	849.6	230.0	619.7	380.0	51.0	116.0	101.7	–29.0	–190.6
1986	673.8	867.5	243.7	623.8	390.6	50.9	118.7	92.2	–28.6	–193.8
1987	729.8	857.8	250.3	607.4	393.1	43.4	117.2	84.6	–30.8	–127.9
1988	751.0	879.2	252.9	626.3	400.1	43.4	124.4	88.9	–30.6	–128.1
1989 estimate	774.2	902.4	250.0	652.4	412.3	43.2	130.7	95.6	–29.4	–128.2
1990 estimate	810.4	881.2	244.6	636.5	420.2	40.8	129.4	78.4	–32.3	–70.8
1991 estimate	843.3	892.7	245.6	647.1	434.7	38.8	122.1	83.4	–31.9	–49.4
1992 estimate	871.7	894.9	248.3	646.6	450.8	36.4	110.7	79.3	–30.6	–23.2
1993 estimate	901.4	899.7	253.0	646.7	465.8	34.6	100.8	75.6	–30.2	1.7
1994 estimate	929.3	906.3	259.4	647.0	483.1	33.6	91.0	70.7	–31.4	23.0

Note: Excludes transition quarter. Includes off-budget amounts.
[1] Grants to State and local governments excluding those for payments for individuals.

Table 3. **RECEIPTS BY SOURCE AND OUTLAYS BY FUNCTION, 1980–90**

(In billions of dollars)

Description	Actual									Estimate	
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
RECEIPTS BY SOURCE											
Individual income taxes	244.1	285.9	297.7	288.9	298.4	334.5	349.0	392.6	401.2	425.2	466.7
Corporation income taxes	64.6	61.1	49.2	37.0	56.9	61.3	63.1	83.9	94.5	107.0	117.4
Social Insurance taxes and contributions:											
Employment taxes and contributions	138.7	163.0	180.7	185.8	209.7	234.6	255.1	273.0	305.1	336.0	364.4
Unemployment insurance	15.3	15.8	16.6	18.8	25.1	25.8	24.1	25.6	24.6	23.1	22.4
Other retirement contributions	3.7	4.0	4.2	4.4	4.6	4.8	4.7	4.7	4.7	4.7	4.7
Total social insurance taxes and contributions	157.8	182.7	201.5	209.0	239.4	265.2	283.9	303.3	334.3	363.9	391.5
On-budget	(44.6)	(52.5)	(58.0)	(61.7)	(73.3)	(79.0)	(83.7)	(89.9)	(92.8)	(97.0)	(102.6)
Off-budget	(113.2)	(130.2)	(143.5)	(147.3)	(166.1)	(186.2)	(200.2)	(213.4)	(241.5)	(266.9)	(288.9)
Excise taxes:											
Alcohol	5.6	5.6	5.4	5.6	5.3	5.6	5.8	6.0	5.7	5.6	5.6
Tobacco	2.4	2.6	2.5	4.1	4.7	4.8	4.6	4.8	4.6	4.5	4.3
Highway	6.6	6.3	6.7	8.3	11.7	13.0	13.4	13.0	14.1	14.9	14.8
Airport and airway	1.9	*	0.1	2.2	2.5	2.9	2.7	3.1	3.2	3.7	3.9
Windfall profit tax	6.9	23.3	18.4	12.1	8.9	6.3	2.3	.....	.....	.....	.....
Other	0.9	3.1	3.1	3.0	4.2	3.4	4.2	5.6	7.6	5.3	6.6
Total excise taxes	24.3	40.8	36.3	35.3	37.4	36.0	32.9	32.5	35.2	34.0	35.3
Estate and gift taxes	6.4	6.8	8.0	6.1	6.0	6.4	7.0	7.5	7.6	7.8	8.1
Customs duties and fees	7.2	8.1	8.9	8.7	11.4	12.1	13.3	15.1	16.2	16.3	18.0
Miscellaneous receipts	12.7	13.8	16.2	15.6	17.0	18.5	19.9	19.3	19.9	21.4	22.4
Total receipts	**517.1**	**599.3**	**617.8**	**600.6**	**666.5**	**734.1**	**769.1**	**854.1**	**909.0**	**975.5**	**1,059.3**
On-budget	(403.9)	(469.1)	(474.3)	(453.2)	(500.4)	(547.9)	(568.9)	(640.7)	(667.5)	(708.7)	(770.4)
Off-budget	(113.2)	(130.2)	(143.5)	(147.3)	(166.1)	(186.2)	(200.2)	(213.4)	(241.5)	(266.9)	(288.9)

OUTLAYS BY FUNCTION											
National defense	134.0	157.5	185.3	209.9	227.4	252.7	273.4	282.0	290.4	298.3	303.0
International affairs	12.7	13.1	12.3	11.8	15.9	16.2	14.2	11.6	10.5	10.7	17.3
General science, space, and technology	5.8	6.5	7.2	7.9	8.3	8.6	9.0	9.2	10.8	12.6	14.9
Energy	10.2	15.2	13.5	9.4	7.1	5.7	4.7	4.1	2.3	4.1	2.3
Natural resources and environment	13.9	13.6	13.0	12.7	12.6	13.4	13.6	13.4	14.6	16.5	14.4
Agriculture	8.8	11.3	15.9	22.9	13.6	25.6	31.4	26.6	17.2	20.9	15.9
Commerce and housing credit	9.4	8.2	6.3	6.7	6.9	4.2	4.9	6.2	18.8	20.0	8.3
Transportation	21.3	23.4	20.6	21.3	23.7	25.8	28.1	26.2	27.3	28.0	28.3
Community and regional development	11.3	10.6	8.3	7.6	7.7	7.7	7.2	5.1	5.3	6.3	6.4
Education, training, employment, and social services	31.8	33.7	27.0	26.6	27.6	29.3	30.6	29.7	31.9	36.4	39.5
Health	23.2	26.9	27.4	28.6	30.4	33.5	35.9	40.0	44.5	49.8	52.2
Medicare	32.1	39.1	46.6	52.6	57.5	65.8	70.2	75.1	78.9	86.7	94.9
Income security	86.5	99.7	107.7	122.6	112.7	128.2	119.8	123.2	129.3	136.9	136.8
Social security	118.5	139.6	156.0	170.7	178.2	188.6	198.8	207.4	219.3	232.3	246.7
On-budget	(0.7)	(0.7)	(0.8)	(20.0)	(7.1)	(5.2)	(8.1)	(4.9)	(4.9)	(5.4)	(6.2)
Off-budget	(117.9)	(138.9)	(155.1)	(150.7)	(171.2)	(183.4)	(190.7)	(202.4)	(214.5)	(226.9)	(240.6)
Veterans benefits and services	21.2	23.0	24.0	24.8	25.6	26.3	26.4	26.8	29.4	29.2	29.9
Administration of justice	4.6	4.8	4.7	5.1	5.7	6.3	6.6	7.5	9.2	9.4	10.6
General government	13.0	11.4	10.9	11.2	11.8	11.6	12.5	7.6	9.5	10.0	10.0
Central federal credit activities	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	−7.2
Net interest	52.5	68.7	85.0	89.8	111.1	129.4	136.0	138.6	151.7	165.7	170.1
On-budget	(54.9)	(71.0)	(87.1)	(91.6)	(114.4)	(133.5)	(140.3)	(143.9)	(159.2)	(176.9)	(185.0)
Off-budget	(−2.3)	(−2.3)	(−2.1)	(−1.8)	(−3.3)	(−4.1)	(−4.3)	(−5.3)	(−7.4)	(−11.2)	(−14.9)
Allowances	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	−0.4
Undistributed offsetting receipts	−19.9	−28.0	−26.1	−34.0	−32.0	−32.7	−33.0	−36.5	−37.0	−36.9	−42.0
On-budget	(−18.7)	(−26.6)	(−24.5)	(−32.2)	(−29.9)	(−30.2)	(−30.2)	(−33.2)	(−32.6)	(−32.1)	(−36.5)
Off-budget	(−1.2)	(−1.4)	(−1.6)	(−1.8)	(−2.0)	(−2.5)	(−2.9)	(−3.3)	(−4.4)	(−4.8)	(−5.6)
Total outlays	**590.9**	**678.2**	**745.7**	**808.3**	**851.8**	**946.3**	**990.3**	**1,003.8**	**1,064.0**	**1,137.0**	**1,151.8**
On-budget	(476.6)	(543.0)	(594.3)	(661.2)	(686.0)	(769.5)	(806.8)	(810.0)	(861.4)	(926.2)	(931.7)
Off-budget	(114.3)	(135.2)	(151.4)	(147.1)	(165.8)	(176.8)	(183.5)	(193.8)	(202.7)	(210.9)	(220.1)

* $50 million or less.

Table 4. **OUTLAYS BY FUNCTION AND SUBFUNCTION, 1980–92**

(In billions of dollars)

Function and subfunction	Actual									Estimate			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
National defense:													
Department of Defense-Military:													
Military Personnel	40.9	47.9	55.2	60.9	64.2	67.8	71.5	72.0	76.3	78.2	79.4	81.6	83.8
Operation and Maintenance	44.8	51.9	59.7	64.9	67.4	72.4	75.3	76.2	84.5	85.4	88.7	92.7	95.6
Procurement	29.0	35.2	43.3	53.6	61.9	70.4	76.5	80.7	77.2	80.7	78.7	81.1	85.8
Research, Development, Test, and Evaluation	13.1	15.3	17.7	20.6	23.1	27.1	32.3	33.6	34.8	37.0	38.7	40.1	41.1
Other	3.1	3.6	4.8	4.4	4.4	7.5	9.9	11.4	9.2	8.5	8.4	9.2	9.9
Subtotal, Department of Defense-Military	130.9	153.9	180.7	204.4	220.9	245.2	265.5	274.0	281.9	289.8	293.8	304.7	316.3
Atomic energy defense activities	2.9	3.4	4.3	5.2	6.1	7.1	7.4	7.5	7.9	7.9	8.6	9.2	9.7
Defense-related activities	0.2	0.2	0.3	0.3	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.5
Total national defense	**134.0**	**157.5**	**185.3**	**209.9**	**227.4**	**252.7**	**273.4**	**282.0**	**290.4**	**298.3**	**303.0**	**314.4**	**326.4**
International affairs:													
International development and humanitarian assistance	3.6	4.1	3.8	4.0	4.5	5.4	5.0	4.3	4.7	4.9	4.8	5.0	5.1
International security assistance	4.8	5.1	5.4	6.6	7.9	9.4	10.5	7.1	4.5	2.8	8.4	8.0	8.3
Conduct of foreign affairs	1.4	1.3	1.6	1.8	1.9	2.0	2.3	2.2	2.7	2.8	3.1	3.1	3.2
Foreign information and exchange activities	0.5	0.5	0.6	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.3	1.2
International financial programs	2.4	2.0	0.9	−1.1	0.9	−1.5	−4.5	−3.0	−2.5	−1.0	−0.3	−0.5	−0.5
Total international affairs	**12.7**	**13.1**	**12.3**	**11.8**	**15.9**	**16.2**	**14.2**	**11.6**	**10.5**	**10.7**	**17.3**	**17.0**	**17.4**
General science, space, and technology:													
General science and basic research	1.4	1.5	1.6	1.6	1.8	2.0	2.2	2.3	2.4	2.7	3.1	3.6	3.9
Space flight	2.6	3.1	3.5	4.1	4.0	4.0	3.8	4.1	5.0	6.2	7.5	8.4	9.3
Space, science, applications, and technology	1.3	1.4	1.5	1.5	1.7	1.9	2.1	1.9	2.3	2.7	3.0	3.3	3.5

Supporting space activities	0.5	0.6	0.6	0.8	0.8	0.8	0.8	0.9	1.1	0.9	1.2	1.4	1.3
Total general science, space, and technology	**5.8**	**6.5**	**7.2**	**7.9**	**8.3**	**8.6**	**9.0**	**9.2**	**10.8**	**12.6**	**14.9**	**16.7**	**18.0**
Energy:													
Energy supply	8.4	10.2	8.3	6.1	3.3	2.6	2.8	2.3	0.7	2.4	1.0	1.8	1.9
Energy conservation	0.6	0.7	0.5	0.5	0.5	0.5	0.5	0.3	0.3	0.3	0.3	0.2	0.1
Emergency energy preparedness	0.3	3.3	3.9	1.9	2.5	1.8	0.6	0.8	0.6	0.7	0.3	0.4	0.4
Energy information, policy, and regulation	0.9	1.0	0.9	0.9	0.8	0.7	0.8	0.7	0.6	0.7	0.6	0.8	0.8
Total energy	**10.2**	**15.2**	**13.5**	**9.4**	**7.1**	**5.7**	**4.7**	**4.1**	**2.3**	**4.1**	**2.3**	**3.1**	**3.2**
Natural resources and environment:													
Water resources	4.2	4.1	3.9	3.9	4.1	4.1	4.0	3.8	4.0	4.4	4.2	4.2	3.9
Conservation and land management	1.0	1.2	1.1	1.5	1.3	1.5	1.4	1.5	2.2	3.3	1.2	3.5	3.1
Recreational resources	1.7	1.6	1.4	1.5	1.6	1.6	1.5	1.6	1.7	1.7	1.6	1.5	1.4
Pollution control and abatement	5.5	5.2	5.0	4.3	4.0	4.5	4.8	4.9	4.8	5.1	5.5	5.6	5.3
Other natural resources	1.4	1.5	1.5	1.5	1.6	1.7	1.9	1.7	1.9	2.0	1.9	2.0	1.9
Total natural resources and environment	**13.9**	**13.6**	**13.0**	**12.7**	**12.6**	**13.4**	**13.6**	**13.4**	**14.6**	**16.5**	**14.4**	**16.7**	**15.7**
Agriculture:													
Farm income stabilization	7.4	9.8	14.3	21.3	11.9	23.8	29.6	24.7	15.2	18.8	13.8	13.7	12.0
Agricultural research and services	1.4	1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.1	2.0	2.0
Total agriculture	**8.8**	**11.3**	**15.9**	**22.9**	**13.6**	**25.6**	**31.4**	**26.6**	**17.2**	**20.9**	**15.9**	**15.7**	**14.0**
Commerce and housing credit:													
Mortgage credit and deposit insurance	5.6	4.7	4.0	3.9	3.8	0.9	2.3	3.1	15.0	17.2	3.1	9.2	6.8
Postal Service	1.2	1.4	0.2	1.1	1.2	1.4	0.8	1.6	2.2	0.6	2.2	1.5	1.4
Other advancement of commerce	2.5	2.1	2.1	1.7	1.9	2.0	1.8	1.5	1.6	2.2	3.0	1.9	1.6
Total commerce and housing credit	**9.4**	**8.2**	**6.3**	**6.7**	**6.9**	**4.2**	**4.9**	**6.2**	**18.8**	**20.0**	**8.3**	**12.6**	**9.8**

Table 4. **OUTLAYS BY FUNCTION AND SUBFUNCTION, 1980–92—Continued**

(In billions of dollars)

Function and subfunction	Actual									Estimate			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Transportation:													
Ground transportation	15.3	17.1	14.3	14.3	16.2	17.6	18.7	17.2	18.1	17.9	17.2	16.4	15.8
Air transportation	3.7	3.8	3.5	4.0	4.4	4.9	5.3	5.5	5.9	6.5	7.5	8.2	8.6
Water transportation	2.2	2.4	2.7	3.0	3.0	3.2	4.0	3.5	3.1	3.4	3.4	3.7	3.9
Other transportation	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total transportation	**21.3**	**23.4**	**20.6**	**21.3**	**23.7**	**25.8**	**28.1**	**26.2**	**27.3**	**28.0**	**28.3**	**28.5**	**28.4**
Community and regional development:													
Community development	4.9	5.1	4.6	4.4	4.5	4.6	4.1	3.7	3.4	3.8	3.8	3.7	3.3
Area and regional development	4.3	3.8	3.8	3.2	3.0	3.1	2.7	1.6	2.1	2.4	2.5	2.3	2.0
Disaster relief and insurance	2.0	1.7	−0.1	−*	0.1	−*	0.4	−0.2	−0.2	0.1	*	−0.1	*
Total community and regional development	**11.3**	**10.6**	**8.3**	**7.6**	**7.7**	**7.7**	**7.2**	**5.1**	**5.3**	**6.3**	**6.4**	**5.9**	**5.3**
Education, training, employment, and social services:													
Elementary, secondary, and vocational education	6.9	7.2	6.8	6.3	6.5	7.6	7.8	7.9	8.4	9.2	9.7	10.4	10.4
Higher education	6.7	8.9	7.2	7.2	7.4	8.2	8.4	7.4	8.3	9.9	12.9	12.8	11.9
Research and general education aids	1.2	1.0	1.0	1.1	1.2	1.1	1.2	1.3	1.3	1.4	1.5	1.6	1.5
Training and employment	10.3	9.2	5.5	5.3	4.6	5.0	5.3	5.1	5.2	5.4	5.3	5.3	5.3
Other labor services	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Social services	6.1	6.9	5.9	6.1	7.2	6.7	7.2	7.4	8.0	9.7	9.3	9.1	9.0
Total education, training, employment, and social services	**31.8**	**33.7**	**27.0**	**26.6**	**27.6**	**29.3**	**30.6**	**29.7**	**31.9**	**36.4**	**39.5**	**39.9**	**39.0**
Health:													
Health care services	18.0	21.2	21.8	23.0	24.5	27.0	28.9	32.6	36.0	40.5	42.4	46.8	51.1

Health research	3.4	3.8	3.9	4.0	4.4	4.9	5.4	5.6	6.6	7.3	8.0	8.1	8.6
Education and training of health care work force	0.7	0.8	0.7	0.6	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.5	0.4
Consumer and occupational health and safety	1.0	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3	1.3	1.3
Total health	**23.2**	**26.9**	**27.4**	**28.6**	**30.4**	**33.5**	**35.9**	**40.0**	**44.5**	**49.8**	**52.2**	**56.7**	**61.5**
Medicare	**32.1**	**39.1**	**46.6**	**52.6**	**57.5**	**65.8**	**70.2**	**75.1**	**78.9**	**86.7**	**94.9**	**107.1**	**120.9**
Income security:													
General retirement and disability insurance (excluding social security)	5.1	5.4	5.6	5.6	5.4	5.6	5.3	5.6	5.3	5.6	5.4	5.6	5.6
Federal employee retirement and disability	26.6	31.3	34.3	36.5	38.1	38.6	41.4	43.7	46.9	49.4	49.7	51.3	53.6
Unemployment compensation	18.1	19.7	23.7	31.5	18.4	17.5	17.8	17.1	15.3	15.8	16.1	16.2	17.2
Housing assistance	5.6	7.8	8.7	10.0	11.3	25.3	12.4	12.7	13.9	15.3	16.2	17.2	17.8
Food and nutrition assistance	14.0	16.2	15.6	18.0	18.1	18.5	18.6	18.9	20.1	21.3	20.6	21.8	22.5
Other income security	17.2	19.4	19.8	21.1	21.4	22.7	24.4	25.3	27.9	29.6	28.8	30.5	32.0
Total income security	**86.5**	**99.7**	**107.7**	**122.6**	**112.7**	**128.2**	**119.8**	**123.2**	**129.3**	**136.9**	**136.8**	**142.5**	**148.6**
Social security	**118.5**	**139.6**	**156.0**	**170.7**	**178.2**	**188.6**	**198.8**	**207.4**	**219.3**	**232.3**	**246.7**	**262.3**	**276.8**
On-budget	(0.7)	(0.7)	(0.8)	(20.0)	(7.1)	(5.2)	(8.1)	(4.9)	(4.9)	(5.4)	(6.2)	(4.9)	(5.5)
Off-budget	(117.9)	(138.9)	(155.1)	(150.7)	(171.2)	(183.4)	(190.7)	(202.4)	(214.5)	(226.9)	(240.6)	(257.3)	(271.3)
Veterans benefits and services:													
Income security for veterans	11.7	12.9	13.7	14.3	14.4	14.7	15.0	15.0	16.0	15.6	16.4	16.9	17.3
Veterans education, training and rehabilitation	2.3	2.3	1.9	1.6	1.4	1.1	0.5	0.5	0.5	0.4	0.3	0.3	0.4
Hospital and medical care for veterans	6.5	7.0	7.5	8.3	8.9	9.5	9.9	10.3	10.8	11.2	11.1	11.6	11.8
Veterans housing	—*	0.2	0.1	*	0.2	0.2	0.1	0.3	1.3	1.1	1.2	1.0	1.0
Other veterans benefits and services	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9
Total veterans benefits and services	**21.2**	**23.0**	**24.0**	**24.8**	**25.6**	**26.3**	**26.4**	**26.8**	**29.4**	**29.2**	**29.9**	**30.6**	**31.4**
Administration of justice:													
Federal law enforcement activities	2.2	2.4	2.5	2.9	3.2	3.5	3.6	4.1	5.1	4.7	5.5	5.7	5.8

Table 4. **OUTLAYS BY FUNCTION AND SUBFUNCTION, 1980–92—Continued**

(In billions of dollars)

Function and subfunction	Actual									Estimate			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Federal litigative and judicial activities	1.3	1.5	1.5	1.6	1.8	2.1	2.2	2.5	2.9	3.2	3.2	3.2	3.2
Federal correctional activities	0.3	0.4	0.4	0.4	0.5	0.5	0.6	0.7	0.9	1.2	1.5	1.7	1.9
Criminal justice assistance	0.7	0.5	0.3	0.2	0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.3	0.3
Total administration of justice	**4.6**	**4.8**	**4.7**	**5.1**	**5.7**	**6.3**	**6.6**	**7.5**	**9.2**	**9.4**	**10.6**	**10.9**	**11.1**
General government:													
Legislative functions	1.0	1.0	1.2	1.2	1.3	1.4	1.4	1.4	1.6	1.7	1.7	1.7	1.7
Executive direction and management	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Central fiscal operations	2.6	2.6	2.6	3.1	3.3	3.5	3.6	3.9	4.8	5.5	5.7	5.7	5.8
General property and records management	0.3	0.1	0.2	0.2	0.2	0.1	0.5	0.1	−0.2	0.1	0.2	0.5	0.1
Central personnel management	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
General purpose fiscal assistance	8.6	6.9	6.4	6.5	6.8	6.4	6.4	1.6	1.8	1.9	1.8	1.9	2.0
Other general government	0.6	0.7	0.5	0.8	0.6	0.5	0.5	0.8	1.9	0.9	0.7	0.7	0.8
Deductions for offsetting receipts	−0.4	−0.2	−0.2	−0.6	−0.5	−0.5	−0.1	−0.6	−0.7	−0.4	−0.5	−0.6	−1.0
Total general government	**13.0**	**11.4**	**10.9**	**11.2**	**11.8**	**11.6**	**12.5**	**7.6**	**9.5**	**10.0**	**10.0**	**10.3**	**9.9**
Central federal credit activities											**−7.2**	**−7.9**	**−7.4**
Net interest:													
Interest on the public debt	74.8	95.5	117.2	128.6	153.8	178.8	190.2	195.2	214.1	235.6	248.1	251.8	247.5
Interest received by on-budget trust funds	−9.7	−11.5	−14.0	−15.3	−17.0	−21.8	−26.6	−29.7	−34.5	−39.8	−44.7	−49.2	−52.5
Interest received by off-budget trust funds	−2.3	−2.3	−2.1	−1.8	−3.3	−4.1	−4.3	−5.3	−7.4	−11.2	−14.9	−19.7	−24.0
Other interest	−10.2	−13.0	−16.1	−21.7	−22.4	−23.4	−23.3	−21.7	−20.4	−18.9	−18.4	−17.1	−16.4
Total net interest	**52.5**	**68.7**	**85.0**	**89.8**	**111.1**	**129.4**	**136.0**	**138.6**	**151.7**	**165.7**	**170.1**	**165.7**	**154.5**
On-budget	(54.9)	(71.0)	(87.1)	(91.6)	(114.4)	(133.5)	(140.3)	(143.9)	(159.2)	(176.9)	(185.0)	(185.4)	(178.5)
Off-budget	(−2.3)	(−2.3)	(−2.1)	(−1.8)	(−3.3)	(−4.1)	(−4.3)	(−5.3)	(−7.4)	(−11.2)	(−14.9)	(−19.7)	(−24.0)

Allowances:													
Civilian agency pay raises	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.2	1.5	2.7
Employee health benefits reform	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	−0.3	−0.4	−0.4
Reduced Government mail rates	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	−0.3	−0.3	−0.3
Total allowances	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	**−0.4**	**0.9**	**2.0**
Undistributed offsetting receipts:													
Employer share, employee retirement (on-budget)	−14.6	−16.5	−18.2	−21.7	−23.2	−24.6	−25.4	−27.3	−29.0	−29.4	−27.8	−29.2	−30.3
Employer share, employee retirement (off-budget)	−1.2	−1.4	−1.6	−1.8	−2.0	−2.5	−2.9	−3.3	−4.4	−4.8	−5.6	−5.9	−6.4
Rents and royalties on the Outer Continental Shelf	−4.1	−10.1	−6.2	−10.5	−6.7	−5.5	−4.7	−4.0	−3.5	−2.7	−3.7	−3.3	−3.5
Sale of major assets	.....	.....	.....	.....	.....	.....	.....	−1.9	.....	.....	−2.3	−1.5	−1.2
Other undistributed offsetting receipts	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	−2.7	−2.5	−0.6
Total undistributed offsetting receipts	**−19.9**	**−28.0**	**−26.1**	**−34.0**	**−32.0**	**−32.7**	**−33.0**	**−36.5**	**−37.0**	**−36.9**	**−42.0**	**−42.3**	**−42.0**
On-budget	(−18.7)	(−26.6)	(−24.5)	(−32.2)	(−29.9)	(−30.2)	(−30.2)	(−33.2)	(−32.6)	(−32.1)	(−36.5)	(−36.4)	(−35.5)
Off-budget	(−1.2)	(−1.4)	(−1.6)	(−1.8)	(−2.0)	(−2.5)	(−2.9)	(−3.3)	(−4.4)	(−4.8)	(−5.6)	(−5.9)	(−6.4)
Total outlays	**590.9**	**678.2**	**745.7**	**808.3**	**851.8**	**946.3**	**990.3**	**1,003.8**	**1,064.0**	**1,137.0**	**1,151.8**	**1,207.3**	**1,244.4**
On-budget	(476.6)	(543.0)	(594.3)	(661.2)	(686.0)	(769.5)	(806.8)	(810.0)	(861.4)	(926.2)	(931.7)	(975.6)	(1,003.6)
Off-budget	(114.3)	(135.2)	(151.4)	(147.1)	(165.8)	(176.8)	(183.5)	(193.8)	(202.7)	(210.9)	(220.1)	(231.7)	(240.8)

* $50 million or less.
Note: For all years, transactions of the social security trust funds are presented off-budget and transactions of formerly off-budget accounts are presented on-budget.

Table 5. **OUTLAYS BY AGENCY, 1988–94**

(In billions of dollars)

	1988 actual	Estimate					
		1989	1990	1991	1992	1993	1994
Legislative Branch	1.9	2.2	2.2	2.2	2.2	2.2	2.2
The Judiciary	1.3	1.5	1.5	1.5	1.5	1.6	1.6
Executive Office of the President	0.1	0.1	0.1	0.3	0.3	0.3	0.3
Funds Appropriated to the President	7.3	5.6	11.5	11.1	11.6	11.5	11.7
Agriculture	44.0	52.1	42.4	45.2	43.3	41.2	39.3
Commerce	2.3	2.8	3.5	2.3	2.1	2.0	1.8
Defense—Military	281.9	289.8	293.8	304.7	316.3	329.4	343.5
Defense—Civil	22.0	23.4	23.8	24.8	25.6	26.3	27.1
Education	18.2	20.8	24.5	25.1	24.2	23.5	23.3
Energy	11.2	11.4	11.0	12.5	13.2	13.6	14.2
Health and Human Services, except Social Security	159.1	174.7	183.8	200.0	219.7	236.6	254.0
Health and Human Services, Social Security	214.5	226.9	240.6	257.3	271.3	284.7	297.0
Housing and Urban Development	18.9	20.4	22.6	24.1	24.4	24.1	23.3
Interior	5.1	5.5	3.1	5.1	4.8	3.3	4.5
Justice	5.4	6.0	6.8	7.3	7.4	7.5	7.6
Labor	21.9	22.8	23.0	23.6	24.6	25.6	26.4
State	3.4	3.6	3.9	3.9	4.0	4.1	4.2
Transportation	26.4	27.1	27.3	27.4	27.3	27.3	27.2
Treasury	202.4	227.7	235.7	238.9	235.7	232.3	226.6
Veterans Affairs	29.3	29.2	29.8	30.5	31.3	31.9	31.9
Environmental Protection Agency	4.9	5.2	5.5	5.6	5.3	4.9	4.7
General Services Administration	−0.3	−*	0.1	0.4	−*	0.1	*
National Aeronautics and Space Administration	9.1	10.6	12.6	14.0	15.1	15.9	16.4
Office of Personnel Management	29.2	30.8	30.5	31.8	33.9	36.2	38.3
Small Business Administration	−0.1	0.2	−0.1	−0.1	−0.2	−0.1	−0.3
Other Independent Agencies	23.4	24.7	14.9	18.3	16.2	16.0	14.9
Allowances	.....	.....	−0.4	0.9	2.0	3.1	4.0
Undistributed offsetting receipts	−78.9	−87.9	−102.1	−111.3	−118.5	−126.0	−134.0
Interest	(−41.9)	(−51.0)	(−60.1)	(−68.9)	(−76.5)	(−82.7)	(−88.1)
Other	(−37.0)	(−36.9)	(−42.0)	(−42.3)	(−42.0)	(−43.4)	(−45.9)
Total outlays	**1,064.0**	**1,137.0**	**1,151.8**	**1,207.3**	**1,244.4**	**1,279.0**	**1,311.6**
On-budget	(861.4)	(926.2)	(931.7)	(975.6)	(1,003.6)	(1,029.3)	(1,053.8)
Off-budget	(202.7)	(210.9)	(220.1)	(231.7)	(240.8)	(249.8)	(257.8)

* $50 million or less.

Table 6. **CREDIT BUDGET: NEW DIRECT LOAN OBLIGATIONS, GUARANTEED LOAN COMMITMENTS, AND SUBSIDIES BY AGENCY**

(In millions of dollars)

Department or other unit	1988 loans outstanding		Direct loan obligations			Guaranteed loan commitments			1990 loan subsidy estimates		
	Direct	Guaranteed	1988 actual	1989 estimate	1990 estimate	1988 actual	1989 estimate	1990 estimate	Direct	Guaranteed	Total
Funds Appropriated to the President	43,285	4,375	4,228	438	21	2,805	5,350	325	3	51	54
Agriculture	117,150	13,032	19,737	13,390	10,577	7,908	9,621	10,561	882	1,004	1,885
Commerce	536	438	...	...	...	93	95	...	...	...	...
Defense	1,759	...	...	...	...	...	...	...	...	...	...
Education	11,955	47,610	62	30	...	11,812	12,090	13,080	...	4,044	4,044
Health and Human Services	799	2,504	37	46	47	229	230	100	*	14	14
Housing and Urban Development [1]	15,073	306,781	667	501	158	50,123	56,762	58,979	17	2,229	2,246
Interior	176	170	34	41	44	38	45	45	22	12	34
Transportation	1,925	4,976	56	51	53	26	...	...	*	...	*
Treasury	685	952	...	...	...	450	1,000	810	...	...	...
Veterans Affairs	1,388	149,705	851	911	971	17,682	13,486	13,851	64	769	833
NASA	899	...	...	...	...	...	...	...	...	...	...
Small Business Administration	7,409	9,974	267	362	...	3,553	3,740	3,535	...	26	26
Other independent agencies:											
Export-Import Bank	9,905	5,703	693	695	...	5,739	10,200	10,384	...	136	136
Federal Deposit Insurance Corporation	3,649	...	...	...	...	...	...	...	...	...	...
Federal Savings and Loan Insurance Corporation	1,852	3,077	84	75	35	64	55	19	1	5	6
National Credit Union Administration	123	2	66	73	50	1	...	...	16	...	16
Tennessee Valley Authority	2,425	1	421	288	299	...	...	...	*	...	*
Other agencies and programs	980	666	19	32	...	144	144	...	...	...	...
Total	**221,973**	**549,966**	**27,222**	**16,933**	**12,255**	**100,668**	**112,819**	**111,689**	**1,005**	**8,291**	**9,296**
ADDENDUM											
Secondary guaranteed loans [1]	...	333,445	...	...	...	53,071	62,612	66,260	...	...	...

* $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, Department of Veterans Affairs, or Farmers Home Administration (secondary guarantees) are excluded from the totals and shown as a memorandum entry.

Table 7. **CREDIT BUDGET: NEW DIRECT LOAN OBLIGATIONS, GUARANTEED LOAN COMMITMENTS, AND SUBSIDIES BY FUNCTION**

(In millions of dollars)

	1988 loans outstanding		Direct loan obligations			Guaranteed loan commitments			1990 loan subsidy estimates		
	Direct	Guaranteed	1988 actual	1989 estimate	1990 estimate	1988 actual	1989 estimate	1990 estimate	Direct	Guaranteed	Total
050 National defense	1,759	...	...	...	...	...	...	...	...	...	...
150 International affairs	64,873	10,079	5,759	1,924	768	8,544	15,550	10,709	535	188	723
250 General science, space, and technology	899	...	...	...	...	...	...	...	...	...	...
270 Energy	36,833	3,372	2,012	2,083	299	2,000	500	1,865	1	78	79
300 Natural resources and environment	118	...	41	59	31	...	...	...	18	...	18
350 Agriculture	37,480	8,426	14,470	7,862	8,940	5,812	8,825	8,500	187	923	1,110
370 Commerce and housing credit [1]	49,187	314,140	3,116	3,036	792	53,835	60,632	62,533	124	2,259	2,384
400 Transportation	1,942	4,976	57	51	53	26	...	...	*	...	*
450 Community and regional development	11,499	2,185	816	930	352	277	505	241	67	16	83
500 Education, training, employment, and social services	11,954	47,610	62	30	...	11,812	12,090	13,080	...	4,044	4,044
550 Health	804	2,522	38	46	48	229	230	100	*	14	14
600 Income security	2,110	5,998	1	1	1	...	...	...	8	...	8
700 Veterans benefits and services	1,383	149,705	850	911	971	17,682	13,486	13,851	64	769	833
800 General government	1,131	954	...	...	...	450	1,000	810	...	...	...
Total	**221,973**	**549,966**	**27,222**	**16,933**	**12,255**	**100,668**	**112,819**	**111,689**	**1,005**	**8,291**	**9,296**
ADDENDUM											
Secondary guaranteed loans [1]	...	333,445	...	...	...	53,071	62,612	66,260	...	...	...

* $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, Department of Veterans Affairs, or Farmers Home Administration (secondary guarantees) are excluded from the totals and shown as a memorandum entry.

Table 8. FULL-TIME EQUIVALENT OF FEDERAL CIVILIAN EMPLOYMENT [1]

Agency	Fiscal Year				
	1988 actual [2]	1989 estimate	1990 estimate	1991 estimate	difference 1989–90
Agriculture	106,552	106,371	104,290	102,493	−2,081
Commerce	35,080	40,581	86,499	35,529	45,918
Defense—Civil functions	28,267	28,181	28,115	27,858	−66
Education	4,516	4,526	4,620	4,620	94
Energy	16,258	16,103	15,698	15,374	−405
Health and Human Services	118,734	114,849	114,000	111,593	−849
Housing & Urban Development	12,971	13,239	12,975	12,676	−264
Interior	70,336	70,335	68,500	68,500	−1,835
Justice	70,939	76,971	80,040	81,833	3,069
Labor	18,178	18,729	18,491	18,503	−238
State	25,482	25,977	25,881	25,736	−96
Transportation	61,330	62,069	64,253	65,577	2,184
Treasury	153,063	153,604	155,594	155,084	1,990
Veterans Affairs [3]	214,433	215,090	206,064	207,042	−9,026
Environmental Protection Agency	14,389	14,720	15,130	14,876	410
National Aeronautics and Space Administration	22,326	23,734	24,007	24,007	273
Other:					
Agency For International Development	4,582	4,520	4,640	4,640	120
General Services Administration	18,807	19,440	19,274	18,856	−166
Nuclear Regulatory Commission	3,268	3,180	3,195	3,195	15
Office of Personnel Management	5,386	5,662	5,816	5,685	154
Panama Canal Commission	8,625	8,813	8,813	8,813	.....
Small Business Administration	4,105	4,065	4,030	3,959	−35
Tennessee Valley Authority	29,265	26,000	26,000	26,000	.....
United States Information Agency	8,796	8,815	8,700	8,550	−115
Miscellaneous	41,771	42,750	42,680	42,872	−70
Estimated nondefense lapse	.....	−11,083	−11,473	−10,939	−390
Civilian agency employment	**1,097,459**	**1,097,241**	**1,135,832**	**1,082,932**	**38,591**
Defense—Military functions: [4]					
(Civilian personnel)	1,024,581	1,017,459	1,017,312	1,013,695	−147
Subtotal	2,122,040	2,114,700	2,153,144	2,096,627	38,444
Postal Service Employment [5]	777,171	790,152	802,184	802,184	12,032
Total, Full-time Equivalents, Executive Branch (civilian personnel)	**2,899,211**	**2,904,852**	**2,955,328**	**2,898,811**	**50,476**
ADDENDUM					
Active duty military personnel: [6]					
Department of Defense	2,142,133	2,132,624	2,136,625	2,136,537	4,001
Department of Transportation (Coast Guard)	38,286	38,225	38,171	38,171	−54
Total, military personnel	**2,180,419**	**2,170,849**	**2,174,796**	**2,174,708**	**3,947**
Grand total, Executive Branch	**5,079,630**	**5,075,701**	**5,130,124**	**5,073,519**	**54,423**

[1] Developmental positions under the Worker-Trainee Opportunity Program.
[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] Due to changes in FTE controls enacted in P.L. 100–322 VA employment data are reported on a different basis than those displayed in the FY 1989 budget.
[4] 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.
[5] Includes the Postal Rate Commission.
[6] These data represent the average number of active duty military personnel in each fiscal year. They are not strictly comparable to the FTE data presented above and are presented for information purposes only. (See text under "End-of-year employment levels.")

Table 9. **FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1973–94**

(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
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	3,687.7	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	3,952.4	734.1	18.6	547.9	13.9	186.2	4.7	946.3	23.9	769.5	19.5	176.8	4.5
1986	4,186.8	769.1	18.4	568.9	13.6	200.2	4.8	990.3	23.7	806.8	19.3	183.5	4.4
1987	4,433.8	854.1	19.3	640.7	14.5	213.4	4.8	1,003.8	22.6	810.0	18.3	193.8	4.4
1988	4,780.0	909.0	19.0	667.5	14.0	241.5	5.1	1,064.0	22.3	861.4	18.0	202.7	4.2
1989 estimate	5,119.7	975.5	19.1	708.7	13.8	266.9	5.2	1,137.0	22.2	926.2	18.1	210.9	4.1
1990 estimate	5,475.7	1,059.3	19.3	770.4	14.1	288.9	5.3	1,151.8	21.0	931.7	17.0	220.1	4.0
1991 estimate	5,847.6	1,140.5	19.5	828.0	14.2	312.5	5.3	1,207.3	20.6	975.6	16.7	231.7	4.0
1992 estimate	6,208.5	1,212.2	19.5	880.4	14.2	331.8	5.3	1,244.4	20.0	1,003.6	16.2	240.8	3.9
1993 estimate	6,555.1	1,281.4	19.5	927.1	14.1	354.4	5.4	1,279.0	19.5	1,029.3	15.7	249.8	3.8
1994 estimate	6,887.5	1,345.0	19.5	970.7	14.1	374.2	5.4	1,311.6	19.0	1,053.8	15.3	257.8	3.7

Table 9. **FEDERAL FINANCES AND THE GROSS NATIONAL PRODUCT, 1973–94—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
1973	1,281.4	–14.9	–1.2	–15.4	–1.2	0.5	*	466.3	36.4	125.4	9.8	340.9	26.6
1974	1,416.5	–6.1	–.4	–8.0	–.6	1.8	0.1	483.9	34.2	140.2	9.9	343.7	24.3
1975	1,522.5	–53.2	–3.5	–55.3	–3.6	2.0	0.1	541.9	35.6	147.2	9.7	394.7	25.9
1976	1,698.2	–73.7	–4.3	–70.5	–4.2	–3.2	–.2	629.0	37.0	151.6	8.9	477.4	28.1
1977	1,933.0	–53.6	–2.8	–49.7	–2.6	–3.9	–.2	706.4	36.5	157.3	8.1	549.1	28.4
1978	2,171.8	–59.2	–2.7	–54.9	–2.5	–4.3	–.2	776.6	35.8	169.5	7.8	607.1	28.0
1979	2,447.8	–40.2	–1.6	–38.2	–1.6	–2.0	–.1	828.9	33.9	189.2	7.7	639.8	26.1
1980	2,670.6	–73.8	–2.8	–72.7	–2.7	–1.1	–*	908.5	34.0	199.2	7.5	709.3	26.6
1981	2,986.4	–78.9	–2.6	–73.9	–2.5	–5.0	–.2	994.3	33.3	209.5	7.0	784.8	26.3
1982	3,139.1	–127.9	–4.1	–120.0	–3.8	–7.9	–.3	1,136.8	36.2	217.6	6.9	919.2	29.3
1983	3,321.9	–207.8	–6.3	–208.0	–6.3	0.2	*	1,371.2	41.3	240.1	7.2	1,131.0	34.0
1984	3,687.7	–185.3	–5.0	–185.6	–5.0	0.3	*	1,564.1	42.4	264.2	7.2	1,300.0	35.3
1985	3,952.4	–212.3	–5.4	–221.6	–5.6	9.4	0.2	1,817.0	46.0	317.6	8.0	1,499.4	37.9
1986	4,186.8	–221.2	–5.3	–237.9	–5.7	16.7	0.4	2,120.1	50.6	383.9	9.2	1,736.2	41.5
1987	4,433.8	–149.7	–3.4	–169.3	–3.8	19.6	0.4	2,345.6	52.9	457.4	10.3	1,888.1	42.6
1988	4,780.0	–155.1	–3.2	–193.9	–4.1	38.8	0.8	2,600.8	54.4	550.6	11.5	2,050.2	42.9
1989 estimate	5,119.7	–161.5	–3.2	–217.5	–4.2	56.0	1.1	2,868.8	56.0	675.0	13.2	2,193.8	42.9
1990 estimate	5,475.7	–92.5	–1.7	–161.3	–2.9	68.8	1.3	3,107.2	56.7	822.2	15.0	2,285.0	41.7
1991 estimate	5,847.6	–66.8	–1.1	–147.6	–2.5	80.8	1.4	3,335.6	57.0	984.3	16.8	2,351.2	40.2
1992 estimate	6,208.5	–32.2	–.5	–123.2	–2.0	91.0	1.5	3,537.1	57.0	1,154.2	18.6	2,382.9	38.4
1993 estimate	6,555.1	2.4	*	–102.2	–1.6	104.6	1.6	3,719.7	56.7	1,339.8	20.4	2,379.9	36.3
1994 estimate	6,887.5	33.4	0.5	–83.1	–1.2	116.4	1.7	3,886.4	56.4	1,540.4	22.4	2,346.0	34.1

* 0.05 percent or less. [1] Social security trust funds. Note: Excludes transition quarter.

Table 10. **TOTAL RECEIPTS AND OUTLAYS, 1789–1994** (In millions of dollars)

Fiscal year	Receipts	Outlays	Surplus or deficit (–)
1789–1849	1,160	1,090	70
1850–1900	14,462	15,453	–991
1901	588	525	63
1902	562	485	77
1903	562	517	45
1904	541	584	–43
1905	544	567	–23
1906	595	570	25
1907	666	579	87
1908	602	659	–57
1909	604	694	–89
1910	676	694	–18
1911	702	691	11
1912	693	690	3
1913	714	715	–*
1914	725	726	–*
1915	683	746	–63
1916	761	713	48
1917	1,101	1,954	–853
1918	3,645	12,677	–9,032
1919	5,130	18,493	–13,363
1920	6,649	6,358	291
1921	5,571	5,062	509
1922	4,026	3,289	736
1923	3,853	3,140	713
1924	3,871	2,908	963
1925	3,641	2,924	717
1926	3,795	2,930	865
1927	4,013	2,857	1,155
1928	3,900	2,961	939
1929	3,862	3,127	734
1930	4,058	3,320	738
1931	3,116	3,577	–462
1932	1,924	4,659	–2,735
1933	1,997	4,598	–2,602
1934	2,955	6,541	–3,586
1935	3,609	6,412	–2,803
1936	3,923	8,228	–4,304
1937	5,387	7,580	–2,193
1938	6,751	6,840	–89
1939	6,295	9,141	–2,846
1940	6,548	9,468	–2,920
1941	8,712	13,653	–4,941
1942	14,634	35,137	–20,503
1943	24,001	78,555	–54,554
1944	43,747	91,304	–47,557
1945	45,159	92,712	–47,553
1946	39,296	55,232	–15,936
1947	38,514	34,496	4,018
1948	41,560	29,764	11,796
1949	39,415	38,835	580
1950	39,443	42,562	–3,119
1951	51,616	45,514	6,102
1952	66,167	67,686	–1,519
1953	69,608	76,101	–6,493
1954	69,701	70,855	–1,154
1955	65,451	68,444	–2,993
1956	74,587	70,640	3,947
1957	79,990	76,578	3,412
1958	79,636	82,405	–2,769
1959	79,249	92,098	–12,849
1960	92,492	92,191	301
1961	94,388	97,723	–3,335
1962	99,676	106,821	–7,146
1963	106,560	111,316	–4,756
1964	112,613	118,528	–5,915
1965	116,817	118,228	–1,411
1966	130,835	134,532	–3,698
1967	148,822	157,464	–8,643
1968	152,973	178,134	–25,161
1969	186,882	183,640	3,242
1970	192,807	195,649	–2,842
1971	187,139	210,172	–23,033
1972	207,309	230,681	–23,373
1973	230,799	245,707	–14,908
1974	263,224	269,359	–6,135
1975	279,090	332,332	–53,242
1976	298,060	371,779	–73,719
TQ	81,232	95,973	–14,741
1977	355,559	409,203	–53,644
1978	399,561	458,729	–59,168
1979	463,302	503,464	–40,162
1980	517,112	590,920	–73,808
1981	599,272	678,209	–78,936
1982	617,766	745,706	–127,940
1983	600,562	808,327	–207,764
1984	666,457	851,781	–185,324
1985	734,057	946,316	–212,260
1986	769,091	990,258	–221,167
1987	854,143	1,003,830	–149,687
1988	908,954	1,064,044	–155,090
1989 est.	975,534	1,137,030	–161,496
1990 est.	1,059,339	1,151,848	–92,509
1991 est.	1,140,489	1,207,291	–66,802
1992 est.	1,212,216	1,244,438	–32,222
1993 est.	1,281,424	1,279,008	2,416
1994 est.	1,344,954	1,311,601	33,353

* $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. Includes amounts for social security trust funds that are off-budget, which begin in 1937.

BUDGET CALENDAR FOR 1989

January 3	Congress convenes.
January 9	President Reagan transmits FY 1990 budget.
January 20	Inauguration Day.
February 25	Congressional committees report budget estimates to Budget Committees.
April 15	Action to be completed on congressional budget resolution.
May 15	House consideration of annual appropriations bills may begin.
June 15	Action to be completed on reconciliation.
June 30	Action on appropriations to be completed by House.
July 15	President Bush transmits Mid-Session Review of FY 1990 Budget, including preliminary estimates of the G-R-H baseline.
August 15	Initial snapshot of the G-R-H baseline.
August 25	OMB issues initial G-R-H report to the President and Congress, and President issues initial sequester order.
October 1	Fiscal year begins and initial sequester order becomes effective.
October 15	OMB issues final G-R-H report to the President and Congress, and President issues final sequester order, which becomes effective immediately.

EXECUTIVE OFFICE OF
THE PRESIDENT

OFFICE OF MANAGEMENT
AND BUDGET

WASHINGTON, D.C. 20503