

FISCAL YEAR
1981
Budget
Revisions

March 1980

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GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Details in the tables and text of this document may not add to the totals due to rounding.

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MESSAGE OF THE PRESIDENT ON THE BUDGET

To the Congress of the United States:

During the first two months of the year, inflation took another sharp upward leap, both in the United States and abroad. Actual prices and interest rates worsened, along with expectations about future inflation. Continued price increases of the size we have experienced would do grave harm to American society and the American economy.

OPEC's December oil price discussions in Caracas proved inconclusive, and world oil price increases were far beyond expectations. But inflation outside of the energy sector also rose. The American economy continued to be unexpectedly strong. Consumer demand and business investment remained at higher levels than predicted. Since the Federal Reserve continued, correctly, to restrict the growth of the money supply, the surge in inflation and credit demands produced a sharp upward spiral in interest rates.

To reverse these dangerous trends, I announced a five-point anti-inflation program. This program consists of spending cuts necessary to balance the budget for 1981, additional restraints on credit, wage and price actions, further energy conservation measures, and structural changes to enhance productivity, savings, and research and development.

These measures are interrelated and interdependent. Taken together, they will be more than the sum of their parts. They will not reduce inflation immediately, but together they will produce a significant decline in inflation as the year progresses.

At the center of this policy is my decision to cut Federal spending so as to balance the 1981 budget. In January, I submitted to the Congress a budget for 1981 that provided for substantial restraints on Federal spending and the lowest deficit in 7 years. After adjustment for inflation, the 1981 spending level was virtually level with that for 1980. It was a budget that followed in every respect the policies of restraint I have set during the past three years. However, in view of the continued high level of economic activity, and what has recently happened to inflation and interest rates, I have had to consider new policies. I must now ask the Congress and the American people to support a revised budget that is even more restrained and austere.

REVISED BUDGET OUTLOOK
(in billions of dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Budget receipts.....	465.9	532.4	628.0	724.8	837.8
Budget outlays.....	<u>493.7</u>	<u>568.9</u>	<u>611.5</u>	<u>683.3</u>	<u>759.0</u>
Surplus or deficit (-) ..	-27.7	-36.5	16.5	41.5	78.9
Budget authority.....	556.7	665.8	691.3	777.3	849.1

Let me first explain the extraordinary way in which my budget reduction proposals have been developed.

The budget, as it is finally enacted, is -- as it should be under our Constitution -- the joint product of the Congress and the executive branch. Because of the great importance we attach to reduced spending, the leadership of the Congress and I have done everything within our power to reach general understandings in advance on reduction proposals. I and senior members of my Administration met with Members of the Congress hour after hour, literally day and night, in order to reach consensus. The importance of cutting spending to achieve a balanced budget was never seriously in dispute. But agreements on the approach necessary to achieve this balance were not easy to reach. They could be worked out only through a lengthy and sometimes tedious process of consultation.

The revision of the 1981 budget that accompanies this message describes my proposals for increased budget discipline. The principal actions are:

- deferral, reduction, or cancellation of most of the new and expanded programs originally proposed in the 1981 budget;
- a cut in expenditures for personnel, operations, and maintenance throughout the government;
- an immediate limitation on Federal civilian employment, and rigid maintenance of employment ceilings to ensure that there will be at least 20,000 fewer Federal employees by the end of fiscal year 1980 than there are now;
- a reduction in ongoing spending programs throughout the Federal Government;
- re-emphasis of the savings and revenue measures submitted in the January budget, including hospital cost containment, Federal pay reform, and cash management reforms;

- defense efficiencies and savings that do not affect military readiness and are consistent with my continued commitment to real increases in defense spending;
- a 15% reduction in the use of consultants throughout the Federal establishment; and
- a freeze on basic salary increases for senior executive branch officials and members of the White House staff.

These budgetary decreases are being supplemented by a series of actions taken by the Federal Reserve to achieve greater restraint on the expansion of credit in the private sector. Some of these actions have been taken under the authority granted by the Credit Control Act of 1969. The measures taken by the Federal Reserve will help to reduce inflation by slowing the growth of business loans and some forms of consumer credit.

In addition to the actions of the Federal Reserve on private credit, the Administration will increase restraint of Federal credit programs:

- Federal loan guarantees will be cut by \$4 billion in fiscal year 1981.
- My new system to control Federal credit activities will be strengthened by expanding significantly the amount of Federal insurance and guarantee activity subject to limits within the system.

I urge the Congress to include Federal credit limitations in the concurrent budget resolutions. These measures will enable the Federal Government to control more effectively total lending and loan guarantee activity.

As part of this anti-inflation program, I have used my existing authorities to impose a gasoline conservation fee on imported oil. In the budget revisions, I am proposing to replace this fee with an ad valorem equivalent gasoline tax that, at current prices, will yield 10 cents per gallon. I am also proposing the withholding of taxes on interest and dividend payments at the source to ensure that Federal income taxes owed on those payments are in fact paid, and paid promptly. The resulting receipts will not be used to balance the 1981 budget. They will not be used as a substitute for necessary spending cuts. Rather, these receipts will give the budget, which will be balanced independently of these sources of income, a margin of safety. This will ensure that the budget will remain in balance if estimates change in a way that cannot be predicted now.

Success in reducing spending to achieve a balanced budget will require prompt action by the Congress. To achieve substantial outlay savings for 1981, the Congress must act before the fiscal year begins. I particularly urge prompt and constructive action on rescissions of 1980 budget authority, so as to produce outlay reductions at least equal to my proposals. I also urge prompt enactment of proposals to modify certain

programs that now have two automatic inflation adjustments a year so that they conform to the normal practice of annual adjustments.

I will do everything in my power to ensure that my budget proposals are realized. I repeat that I intend to veto any legislation that threatens the spending reductions required for a balanced budget. I will use the powers available to me to defer spending or to rescind funds. If adequate steps are not being taken by the Congress to achieve the required fiscal restraint, I intend to seek from the Congress a temporary grant of extraordinary budget restraint powers.

* * * * *

We are not alone in facing recent rapid inflation at annual rates nearing 20%. Wholesale prices have been increasing at annual rates in excess of 25% in Italy, Great Britain, and Japan. Even in Germany increases have been over 13%. Many other countries are responding as we are, by reevaluating their budgets and seeking reductions.

There are no quick or easy answers to this worldwide inflation. It is deep-rooted, the result of many forces built up over the past decade and a half. No single measure -- by itself -- will stop inflation. My five-point program to strengthen the fight against inflation has as an essential element the spending reductions needed for a balanced 1981 budget. Those who say that we cannot stop inflation simply by balancing the 1981 budget miss the point. Balancing the budget is not a cure-all, but it is an essential element in the more comprehensive program. I believe that no overall anti-inflation program can work until the Federal Government has demonstrated to the American people that it will discipline its own spending and its own borrowing -- not just for one year or two, but as a long-term policy.

JIMMY CARTER

March 31, 1980

Part 1

THE CURRENT BUDGET OUTLOOK

Budget Totals

The revised estimates in this document supersede the budget estimates and recommendations submitted to the Congress in January. 1/ They reflect:

- budget reductions and tax measures proposed as part of the Administration's anti-inflation program;
- reestimates of receipts and outlays in light of revised economic assumptions and more recent data;
- policy changes enacted by the Congress or proposed by the President since the January budget was issued; and
- technical reestimates.

Table 1 compares the current estimates with the Administration's January figures.

Table 1.--BUDGET TOTALS
(in billions of dollars)

	<u>Receipts</u>	<u>Outlays</u>	<u>Surplus or Deficit (-)</u>
1979 Actual.....	465.9	493.7	-27.7
1980 Estimate:			
January budget.....	523.8	563.6	-39.8
Current.....	532.4	568.9	-36.5
1981 Estimate:			
January budget.....	600.0	615.8	-15.8
Current.....	628.0	611.5	16.5
1982 Estimate:			
January budget.....	691.1	686.3	4.8
Current.....	724.8	683.3	41.5
1983 Estimate:			
January budget.....	798.8	774.3	24.5
Current.....	837.8	759.0	78.9

1/ The Congressional Budget Act of 1974 requires that the President submit to the Congress revisions of the 1981 budget by April 10. This document meets that requirement.

The 1980 deficit is now estimated to be \$36.5 billion, \$3.2 billion below the January estimate. The current estimate for 1981 is for a surplus of \$16.5 billion, rather than the \$15.8 billion deficit estimated in January.

The \$3.2 billion decrease in the 1980 deficit is the net result of an \$8.0 billion increase in estimated outlays, partly offset by \$2.6 billion in spending reductions; and an \$8.6 billion increase in estimated receipts, including \$3.4 billion from the gasoline conservation fee.

The elimination of the 1981 deficit since January is the result of several factors:

- Revised economic conditions and technical reestimates, taken alone, increase estimated outlays by \$13.0 billion in 1981. This results in a new March base estimate of \$628.7 billion for 1981.
- Reductions of \$17.2 billion below amounts in the March base are now proposed, resulting in a current outlay estimate of \$611.5 billion for 1981.
- The revised economic outlook and congressional action on the windfall profit tax are expected to increase receipts by \$12.0 billion. This produces a base estimate of \$612.0 billion.
- Proposed tax changes affecting gasoline and the withholding of taxes owed on interest and dividends will increase total receipts to \$628.0 billion.

The President indicated that he would balance the budget in fiscal 1981 without additional tax increases. The proposals outlined above accomplish that. With the proposed tax changes, the budget will be in surplus by \$16.5 billion.

The surpluses projected for 1982 and 1983 increase to \$23.3 billion and \$58.7 billion, respectively, assuming the base receipt estimates. The surpluses increase to \$41.5 billion and \$78.9 billion including estimated receipts from the tax on gasoline and diesel fuel and the withholding of taxes on interest and dividend income.

Short-Range Economic Forecast

Table 2 shows the current economic forecast for calendar years 1980 and 1981 and compares it to the January forecast. Recent data indicate that the inflationary outlook has worsened significantly since the President's budget was prepared. During the first two months of this year, producer prices for finished goods increased at an annual rate of 20%, and consumer prices increased at an 18% annual rate. Accordingly, the forecast of inflation in consumer prices has been revised upward by about two percentage points during 1980, with much of this increase concentrated in the first half of the year. In 1981, inflation

is now projected to be about 9%, a significant reduction from 1980 but higher than the January forecast. In the absence of the budget restraint measures proposed by the Administration and discussed in more detail in this document, the upward revisions in estimated inflation would have been greater. Interest rates have also been revised upward substantially in line with the higher projection of inflation.

The Administration continues to forecast a recession for 1980, but this recession is now expected to occur later in the year. As a result, the rise in unemployment during 1980 is not expected to occur as early as forecast in January. By the end of calendar year 1981, however, the level of unemployment and real GNP are about the same as forecast in January.

Table 2.--SHORT-RANGE ECONOMIC FORECAST
(calendar years; dollar amounts in billions)

	January Forecast			Current Forecast		
				Actual		
	1979	1980	1981	1979	1980	1981
Major economic indicators:						
Gross national product, percent change, fourth quarter over fourth quarter:						
Current dollars.....	10.0	7.9	11.7	10.0	10.0	11.4
Constant (1972) dollars.....	0.8	-1.0	2.8	1.0	-0.4	2.2
GNP deflator (percent change, fourth quarter over fourth quarter).....						
Consumer Price Index (percent change, fourth quarter over fourth quarter <u>1</u> /.....	9.1	9.0	8.6	9.0	10.4	9.1
Unemployment rate (percent, fourth quarter).....	12.8	10.7	8.7	12.8	12.8	9.0
Unemployment rate (percent, fourth quarter).....	5.9	7.5	7.3	5.9	7.2	7.3
Annual economic assumptions:						
Gross national product:						
Current dollars:						
Amount.....	2,369	2,567	2,842	2,369	2,621	2,885
Percent change, year over year.....	11.4	8.3	10.7	11.4	10.6	10.1
Constant (1972) dollars:						
Amount.....	1,431	1,423	1,448	1,432	1,442	1,449
Percent change, year over year.....	2.3	-0.6	1.7	2.3	0.8	0.4
Incomes:						
Personal income.....	1,923	2,109	2,314	1,924	2,131	2,340
Wages and salaries.....	1,227	1,342	1,478	1,228	1,353	1,493
Corporate profits.....	238	228	242	237	242	241
Price level:						
GNP deflator:						
Level (1972=100), annual average.....	165.5	180.4	196.3	165.5	181.7	199.2
Percent change, year over year.....	8.9	8.9	8.8	8.8	9.8	9.6
Consumer Price Index <u>1</u> /:						
Level (1967=100), annual average.....	217.6	243.4	265.8	217.7	247.9	271.5
Percent change, year over year.....	11.4	11.8	9.2	11.4	13.9	9.5

Table 2.--SHORT-RANGE ECONOMIC FORECAST (continued)

	January Forecast			Current Forecast		
				Actual		
	1979	1980	1981	1979	1980	1981
Unemployment rates:						
Total, annual average.....	5.8	7.0	7.4	5.8	6.7	7.3
Insured, annual average <u>2/</u>	3.1	3.9	4.0	3.1	3.7	4.0
Federal pay raise, October (percent) <u>3/</u>	7.0	6.2	<u>4/</u> 8.0	7.0	6.2	<u>4/</u> 8.5
Interest rate, 91-day Treasury bills (percent) <u>5/</u>	10.0	10.5	9.0	10.0	13.1	9.5

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

2/ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

3/ General schedule pay raises become effective in October of each year -- the first month of the fiscal year. Thus, the October 1980 pay raise will set new pay scales that will be in effect during fiscal year 1981.

4/ This is the projected pay increase for white collar workers and wage board employees. The pay raise for military personnel is estimated to be 7.4%.

5/ Average rate on new issues within period. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

Budget Receipts

Summary.--The current estimate of receipts reflects the energy legislation adopted by the Congress; the revised economic forecast; and several policy changes since the January budget was issued, including the tax measures that were announced as part of the Administration's anti-inflation program. These anti-inflation initiatives are excluded from the March base estimate of receipts.

March base estimate.--The March base estimate of 1980 receipts is \$529.0 billion, \$5.2 billion above the January estimate. Comparable receipts in 1981 are now estimated at \$612.0 billion, an increase of \$12.0 billion from the budget estimate of \$600.0 billion. Estimates of receipts in 1982 and 1983 are above the budget estimates by \$15.5 billion and \$18.8 billion, respectively.

As shown in Table 3, substitution of the energy legislation adopted by the Congress for the Administration's proposals, together with changes in energy prices, increase receipts by \$0.7 billion in 1981 and reduce receipts by \$1.2 billion in 1980, \$0.3 billion in 1982, and \$0.8 billion in 1983.

Table 3.--CHANGE IN BUDGET RECEIPTS
(in billions of dollars)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
January budget estimate.....	523.8	600.0	691.1	798.8
Energy legislation as adopted by the Congress:				
Windfall profit tax <u>1/</u>	-1.3	1.0	1.8	0.9
Energy tax credits.....	0.1	*	0.1	-0.1
Interest and dividend exclusion.....	---	-0.3	-2.3	-1.7
Other.....	---	*	<u>0.1</u>	<u>0.2</u>
Subtotal, Energy.....	-1.2	0.7	-0.3	-0.8
Reduction in sugar import fees...	-0.1	-0.2	-0.2	-0.2
Modification of cash management initiatives.....	---	-0.2	*	*
Increase in passport and visa fees.....	---	0.1	0.1	0.1
Revised economic assumptions.....	<u>6.5</u>	<u>11.6</u>	<u>15.9</u>	<u>19.7</u>
March base estimate.....	529.0	612.0	706.6	817.7
Withholding of taxes on interest and dividend income....	---	3.4	2.5	2.8
Gasoline conservation fee/motor fuels tax.....	<u>3.4</u>	<u>12.6</u>	<u>15.7</u>	<u>17.4</u>
Current estimate.....	532.4	628.0	724.8	837.8

1/ Includes the effect of changes from the Administration's proposal and revised projections of energy prices.

* \$50 million or less.

Other policy changes since January reduce receipts by \$0.1 billion in 1980, \$0.3 billion in 1981, and \$0.1 billion in 1982 and 1983. These policy changes include a modification of the cash management initiative to accelerate the payment of customs duties; a proposed increase in passport and visa fees; and a reduction in sugar import fees, which was accomplished by administrative action earlier this year. Reestimates, reflecting the revised economic forecast, increase receipts by \$6.5 billion in 1980 and \$11.6 billion in 1981. The corresponding increases in 1982 and 1983 are \$15.9 billion and \$19.7 billion, respectively.

Current estimate.--As part of his anti-inflation program, the President announced the following initiatives that affect receipts:

- A temporary fee of \$4.62 per barrel on imported crude oil. The cost of this fee, which will be effective as of March 15, will be shifted entirely to the production

of gasoline and is expected to increase gasoline prices by about 10 cents per gallon effective May 15. A gasoline and diesel fuels tax is proposed to replace the fee later this year.

- A proposal to withhold taxes on payments of interest and dividends to domestic taxpayers.

These new initiatives increase receipts by \$3.4 billion in 1980, \$16.0 billion in 1981, \$18.2 billion in 1982, and \$20.2 billion in 1983. It should be emphasized that these increases are not proposed as a means of achieving a balanced budget. The President expects to meet that goal through spending cuts.

Budget Authority and Outlays

Summary.--The changes in budget authority and outlays from January to the current estimate reflect two different sets of changes: reestimates due to changes in economic assumptions and other reasons, and planned reductions necessary to achieve a budget balance. Table 4 summarizes the changes in outlays. For 1981, reestimates increase outlays \$13.0 billion to a March base estimate, excluding the effects of planned reductions, of \$628.7 billion. Planned reductions in outlays, including reduced interest costs, are \$17.2 billion, resulting in a current estimate of \$611.5 billion for 1981, a net reduction of \$4.2 billion since the January estimate.

For 1980, reestimates have increased outlays \$8.0 billion since January. These reestimates are partially offset by planned reductions of \$2.6 billion, for a current 1980 outlay estimate of \$568.9 billion. The major reestimates and planned reductions are described below. Additional detail by function appears in Part 2, and a detailed list of planned reductions is in Part 4.

Table 4.--SUMMARY OF OUTLAY REESTIMATES AND PLANNED REDUCTIONS
(in billions of dollars)

	Estimate	
	1980	1981
January estimate.....	563.6	615.8
Reestimates:		
Department of Defense-military.....	4.0	5.7
Other agencies:		
Due to economic assumptions.....	0.7	5.5
Other changes.....	<u>3.3</u>	<u>1.8</u>
Subtotal.....	<u>8.0</u>	<u>13.0</u>
March base.....	571.5	628.7
Planned reductions:		
Programs.....	-2.4	-15.0
Net interest.....	<u>-0.2</u>	<u>-2.2</u>
Subtotal.....	<u>-2.6</u>	<u>-17.2</u>
Current estimate.....	568.9	611.5

Changes from January to the March base, 1980 and 1981.--The major reestimates since January, excluding the effects of reductions, are shown in Table 5. The largest of these is for the Department of Defense-Military. This increase reflects higher than anticipated fuel and transportation costs and prices of other purchases, faster than anticipated spending in recent months under contracts previously let, and increased operations in the Persian Gulf/Indian Ocean area.

Table 5.--REESTIMATES FROM JANUARY TO THE MARCH BASE,
1980 AND 1981
(in billions of dollars)

	1980 Estimate		1981 Estimate	
	BA	Outlays	BA	Outlays
January estimate.....	654.0	563.6	696.1	615.8
Reestimates and other changes:				
DOD-Military.....	3.4	4.0	4.7	5.7
Social security.....	1.2	-*	1.4	1.5
Unemployment compensation.....	-0.2	-1.0	-0.2	-0.4
Net interest.....	1.0	1.0	3.1	3.1
Foreign military sales trust fund.....	1.0	---	1.5	---
Highway program.....	---	1.0	---	---
Naval petroleum reserve receipts:				
Reestimate.....	-0.7	-0.7	---	---
Windfall profit tax....	0.2	0.2	0.4	0.4
Medicare and medicaid.....	0.2	*	0.6	0.3
Multilateral banks.....	-0.6	-*	0.1	*
SBA disaster loans.....	0.4	0.3	---	0.1
Export-Import Bank.....	0.4	0.7	0.3	0.8
Federal Home Loan Bank Board.....	---	0.6	---	---
Farm price supports.....	---	0.4	---	-0.6
Offshore oil receipts.....	0.2	0.2	0.5	0.5
Other.....	0.5	1.3	1.2	1.6
Subtotal.....	7.0	8.0	13.5	13.0
March base.....	661.0	571.5	709.6	628.7

* \$50 million or less.

Major reestimates in nondefense programs include:

- increases in social security budget authority due to higher than expected tax collections and in outlays due to cost-of-living adjustments, offset in part by reestimates of outlays based on recent experience;
- decreases in unemployment compensation due to lower than previously projected unemployment;
- increases in net interest because of higher than previously expected interest rates;
- an increase in the foreign military sales trust fund obligations, which equate to budget authority, based on actual rates during the first half of 1980;

- an increase in 1980 outlay estimates for highways, which requires a supplemental appropriation to liquidate obligations that are being realized by States faster than previously expected;
- a corrected, higher estimate for 1980 naval petroleum reserves receipts -- which reduce outlays -- partially offset by a decline in offsetting receipts due to the application of the windfall profit tax to these receipts. This offset does not affect the budget deficit, since it is also recorded as a budget receipt; and
- increases for medicare and medicaid due to higher tax collections resulting from inflation, which increases medicare budget authority, and higher State estimates of medicaid spending.

Other major changes affect multilateral banks, the Export-Import Bank, the Federal Home Loan Bank Board, farm price supports, and offshore oil receipts.

Planned reductions from the March base to the current estimate, 1980 and 1981.--The continuation of unacceptably high inflation has required a thorough review of spending in order to restrain its growth and to achieve a budget balance in 1981. This requires that many necessary existing programs be tightly restrained, and that proposals for new programs be withdrawn. The planned reductions have been carefully reviewed so that no single area is forced to bear substantially more or less than its share of the burden. Virtually every Federal agency is affected. Budget restraint and a budget balance are essential elements of the President's program to combat the current high rate of inflation. The planned reductions, shown in Tables 6 and 7 and described on the following pages, are planned in order to help bring the budget into balance.

Table 6 shows the planned reductions for 1980. They decrease budget authority \$5.2 billion and outlays \$2.6 billion from the March base. The largest reductions of new initiatives are for energy programs and economic development. Much of the outlay effect of these reductions occurs in later years.

Table 6.--PLANNED REDUCTIONS FROM THE MARCH BASE TO THE
CURRENT ESTIMATE, 1980
(in billions of dollars)

	1980 Estimate	
	Budget Authority	Outlays
January estimate.....	654.0	563.6
Reestimates.....	<u>7.0</u>	<u>8.0</u>
March base.....	661.0	571.5
Planned reductions due to:		
Deferral or reduction of new initiatives:		
Energy initiative.....	-0.8	-0.2
Economic development.....	-0.4	-0.1
Delete antirecession fiscal assistance.....	-0.1	-0.1
Aid to Pakistan.....	-0.1	-0.1
Other.....	<u>-0.1</u>	<u>-0.1</u>
Subtotal.....	-1.6	-0.6
Shift from semi-annual to annual indexing.....	-0.2	-0.2
Other changes:		
Department of Defense-military.....	-1.1	-0.3
Education programs.....	-0.4	-*
Health and human services programs..	-0.3	-0.1
Export-Import Bank loans.....	-0.3	-*
Land and water conservation fund....	-0.3	-0.1
Department of Labor.....	-*	-0.4
Delay oil purchases for the strategic petroleum reserve.....	---	-0.2
Other.....	<u>-0.8</u>	<u>-0.5</u>
Subtotal.....	<u>-3.2</u>	<u>-1.6</u>
Subtotal, planned program reductions.....	-5.0	-2.4
Net interest.....	<u>-0.2</u>	<u>-0.2</u>
Current estimate.....	655.8	568.9

* \$50 million or less.

A proposal to shift to annual indexing for Federal employee retirement, including military, and for food stamps and child nutrition programs -- rather than having two increases per year -- will result in savings estimated at \$0.2 billion in 1980 outlays, and will make cost-of-living adjustment procedures for Federal programs more uniform and equitable.

Other changes include:

- reductions in defense programs;
- reductions in budget authority for forward-funded education programs;
- reductions in health professions training and other discretionary health programs;
- reductions in the public service employment program and phase out of welfare reform demonstration projects;
- a lower level of loans for the Export-Import Bank; and
- reduced recreation grants and less Federal purchases of land from the land and water conservation fund.

In addition to these program reductions, a lower deficit for 1980 than is projected in the March base reduces borrowing requirements and therefore reduces net interest by \$0.2 billion.

Table 7 shows the planned reductions for 1981. Program reductions of \$15.0 billion in 1981, and consequent reductions in net interest, result in the current outlay estimate of \$611.5 billion in 1981, \$4.2 billion below the January estimate.

Table 7.--PLANNED REDUCTIONS FROM THE MARCH BASE TO THE
CURRENT ESTIMATE, 1981
(in billions of dollars)

	1981 Estimate	
	Budget Authority	Outlays
January estimate.....	696.1	615.8
Reestimates.....	<u>13.5</u>	<u>13.0</u>
March base.....	709.6	628.7
Planned reductions due to:		
Deferral or reduction of new initiatives:		
Energy initiative.....	-0.8	-1.1
Economic development.....	-0.4	-0.2
Delay child health assurance program	-0.4	-0.4
Antirecession fiscal assistance.....	-1.0	-1.0
Delay welfare reform.....	-0.9	-0.9
Defer new water resources starts....	-0.6	-*
Other.....	<u>-0.2</u>	<u>-0.4</u>
Subtotal.....	-4.2	-4.0
Shift from semi-annual to annual indexing.....	-1.4	-1.5
Other reductions:		
Elimination of State portion of general revenue sharing.....	-2.3	-1.7
Proposed local government transitional assistance program....	0.5	0.5
Department of Defense-military.....	-1.5	-1.0
Delay oil purchases for strategic petroleum reserve.....	---	-0.8
Export-Import Bank loans.....	-0.5	-0.3
Department of Interior programs.....	-0.7	-0.4
Department of Labor programs.....	-1.5	-1.0
Transportation programs.....	-0.2	-0.7
Education programs.....	-0.6	-0.6
Health and human services programs..	-0.6	-0.4
Other.....	<u>-3.0</u>	<u>-3.1</u>
Subtotal.....	<u>-10.4</u>	<u>-9.5</u>
Subtotal, planned program reductions.....	-16.1	-15.0
Net interest.....	<u>-2.2</u>	<u>-2.2</u>
Current estimate.....	691.3	611.5

* \$50 million or less.

Among deferrals or reductions of new initiatives is a decrease in outlays of \$1.1 billion for the energy initiative. This decrease includes a later effective date for the solar and conservation bank, deferrals of transportation energy initiatives, and reductions in the previously proposed increases for low-income energy assistance payments. The deletion of antirecession fiscal assistance saves \$1.0 billion, and the delaying of welfare reform saves \$0.9 billion.

The proposal to shift from semi-annual to annual indexing reduces 1981 outlays \$1.4 billion.

Other major program reductions include:

- elimination of the State share of general revenue sharing; the local government transitional assistance program is proposed to offset these reductions partially by assisting those local governments most adversely affected by consequent reduced State aid;
- program reductions and operating efficiencies in the Department of Defense-military functions;
- reductions in employment and training programs and phase-out of welfare reform demonstration;
- delays in the purchase of oil for the strategic petroleum reserve;
- reductions in some education programs, particularly higher education student assistance and support for elementary and secondary education; and
- reductions in health and human services programs, including delaying the start of the child health assurance program and other medicare and medicaid benefit expansions, cancelling new or expanded discretionary health and social services grants, and reducing various training, research and development, and evaluation activities.

Included in these reductions is a Government-wide reduction in agency operating expenses. In addition to these planned program reductions, the budget surplus now estimated for 1981 reduces Federal borrowing requirements and therefore decreases net interest by \$2.2 billion in 1981.

The Credit Budget

The 1981 budget proposed, for the first time, a system to restrain the growth of Federal credit activities. This system provides, where appropriate, for specific annual appropriation bill limitations on new obligations for direct loans and new commitments for loan guarantees. The Administration is now proposing that the limitations amounts for loan guarantees and

direct loans be reduced and that their application be extended to major programs previously exempt.

Reestimates.--Total reestimates of direct loan obligations and loan guarantee commitments in 1980 are expected to be \$1.4 billion and \$0.8 billion in 1981. Significant reestimates include:

- a \$0.4 billion increase in 1980 and a \$0.6 billion increase in 1981 of Commodity Credit Corporation price support direct loan obligations;
- a \$0.2 billion increase in loan guarantee commitments for student assistance in 1980;
- a \$0.9 billion increase in direct loan obligations and a \$1.0 billion decrease of loan guarantee commitments in the Export-Import Bank in 1980; and
- a \$0.6 billion increase in Federal Savings and Loan Insurance Corporation direct loan obligations in 1980.

Proposed reductions.--Proposed reductions in total direct loan obligations and loan guarantee commitments are expected to be \$1.9 billion in 1980 and \$4.3 billion in 1981. Major items include:

- reductions of \$0.3 billion in 1981 for Farmers Home Administration water and sewer direct loan obligations;
- reductions of \$0.5 billion in 1981 in business development and medium-income housing loan guarantee commitments by the Farmers Home Administration;
- reductions of \$0.5 billion in 1980 and \$0.8 billion in 1981 in economic development loan guarantee commitments in the Economic Development Administration;
- reductions of \$0.3 billion in 1981 in shipbuilding loan guarantee commitments in the Maritime Administration;
- reductions of \$0.9 billion in 1980 direct loan obligations and \$1.3 billion in 1981 loan guarantee commitments for short- and medium-term export support by the Export-Import Bank; and
- reductions of \$0.5 billion in 1981 small business guarantee commitments in the Small Business Administration.

In the 1981 budget there were a number of credit programs for which specific limitations in appropriation bills were not proposed. Among them were the basic insuring activities of the Federal Housing Administration and the Government National Mortgage Association's mortgage-backed securities. The

Administration will now propose limitations applicable to these programs in the amounts estimated in the January budget in order to ensure appropriate oversight over the growth of these programs in future years. No new reductions in these programs are proposed because of conditions in the housing industry. However, the amounts for new guarantee commitments will now be limitations rather than estimates. This action will increase the amount of loan guarantee commitments subject to appropriation bill limitations from \$29 billion to \$63 billion, or from 38% of total commitments to 82%.

Table 8.--CHANGE IN THE CREDIT BUDGET TOTALS, 1980-1981
(in billions of dollars)

	<u>1980</u>	<u>1981</u>
January budget totals.....	134.9	142.1
Reestimates:		
New direct loan obligations:		
On-budget:		
Commodity Credit Corporation price support.....	0.4	0.6
Export-Import Bank.....	0.9	---
Federal Savings and Loan Insurance Corporation.....	0.6	---
Other.....	0.2	*
Off-budget:		
Federal Financing Bank.....	-0.5	0.6
New loan guarantee commitments:		
Education: student assistance.....	0.2	---
Export-Import Bank.....	-1.0	---
Other.....	0.1	0.2
Guaranteed loans held as direct loans by the Federal Financing Bank.....	<u>0.5</u>	<u>-0.6</u>
Subtotal, Reestimates.....	1.4	0.8
Planned reductions:		
New direct loan obligations:		
On-budget:		
Farmers Home Administration: water and sewer loans.....	---	-0.3
Export-Import Bank.....	-0.9	---
Other.....	-0.4	-0.3
New loan guarantee commitments:		
Farmers Home Administration: business development and income housing support..	---	-0.5
Economic Development Administration: development assistance.....	-0.5	-0.8
Maritime Administration: shipbuilding support.....	---	-0.3
Export-Import Bank: short- and medium-term export assistance.....	---	-1.3
Small Business Administration: business development and surety bond guarantees..	---	-0.5
Other.....	<u>-0.1</u>	<u>-0.3</u>
Subtotal, Planned reductions.....	<u>-1.9</u>	<u>-4.3</u>
Current totals.....	134.4	138.6

* \$50 million or less.

Off-Budget Federal Entities

Since the January budget, outlay estimates have been changed for the off-budget Federal entities. Outlays of the Federal Financing Bank (FFB) decline by \$1.7 billion in 1980, rise by \$0.6 billion in 1981 and by \$1.3 billion in 1982, and fall \$0.4 billion in 1983. Changes in FFB outlays are due to changes in a wide number of programs that are authorized to use its financing. In 1980, significant changes include a \$0.9 billion reduction in acquisitions of Rural Electrification Administration (REA) originations, and a \$0.3 billion decrease in acquisitions of Tennessee Valley Authority energy conservation originations. In 1981, significant increases include a \$0.4 billion increase in acquisitions of REA originations. The reduction of the on-budget payments to the Postal Service is offset by planned reductions in Postal Service operations, leaving the off-budget outlays of the Postal Service unchanged.

Table 9.--CHANGE IN OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES
(in billions of dollars)

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
January estimate.....	16.8	18.1	15.1	12.9
Changes:				
Federal Financing Bank.....	<u>-1.7</u>	<u>0.6</u>	<u>1.3</u>	<u>-0.4</u>
Current estimate.....	15.0	18.7	16.3	12.5

Multi-Year Planning Estimates

Long-range economic assumptions.--In contrast to the short-range economic forecast, the longer-range assumptions for 1982 and 1983 shown in Table 10 are not forecasts of probable economic conditions. Instead, they are projections that assume progress in moving toward the goals of a more fully employed economy and greater price level stability. These assumptions have not changed greatly since January.

Table 10.--LONG-RANGE ECONOMIC ASSUMPTIONS
(calendar years; dollar amounts in billions)

	January Assumptions		Current Assumptions	
	1982	1983	1982	1983
Major economic indicators:				
Gross national product, percent change, fourth quarter over fourth quarter:				
Current dollars.....	13.3	12.6	13.6	12.8
Constant (1972) dollars.....	5.0	5.0	5.0	5.0
GNP deflator (percent change, fourth quarter over fourth quarter).....				
Consumer Price Index (percent change, fourth quarter over fourth quarter) $\frac{1}{2}$	7.9	7.2	8.2	7.4
Unemployment rate (percent, fourth quarter).....	7.9	7.2	8.2	7.4
Unemployment rate (percent, fourth quarter).....	6.5	5.6	6.5	5.6
Annual economic assumptions:				
Gross national product:				
Current dollars:				
Amount.....	3,206	3,619	3,267	3,695
Percent change, year over year.....	12.8	12.9	13.2	13.1
Constant (1972) dollars:				
Amount.....	1,510	1,586	1,512	1,589
Percent change, year over year.....	4.3	5.0	4.4	5.0
Incomes:				
Personal income.....	2,591	2,914	2,628	2,962
Wages and salaries.....	1,663	1,874	1,688	1,905
Corporate profits.....	277	324	283	331
Price level:				
GNP deflator:				
Level (1972=100), annual average.....	212.3	228.1	216.0	232.6
Percent change, year over year.....	8.2	7.4	8.5	7.7
Consumer Price Index $\frac{1}{2}$:				
Level (1967=100), annual average.....	287.4	308.8	294.7	317.3
Percent change, year over year.....	8.2	7.4	8.6	7.7

Table 10.--LONG-RANGE ECONOMIC ASSUMPTIONS (continued)

	January		Current	
	Assumptions	Assumptions	Assumptions	Assumptions
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
Unemployment rates:				
Total, annual average.....	6.8	5.9	6.8	5.9
Insured, annual average 2/.....	3.6	3.0	3.5	2.9
Federal pay raise, October (percent) 3/.....	8.0	7.5	8.4	7.7
Interest rate, 91-day Treasury bills (percent) 4/.....	8.4	7.7	8.7	7.9

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

2/ This indicator measures unemployment under State regular unemployment insurance as a percentage of covered employment under that program. It does not include recipients of extended benefits under that program.

3/ General schedule pay raises become effective in October of each year -- the first month of the fiscal year. Thus, the October 1982 pay raise will set new pay scales that will be in effect during fiscal year 1983.

4/ Average rate on new issues within period. These projections assume, by convention, that interest rates decline with the rate of inflation. They do not represent a forecast of interest rates.

Revised outlay estimates for 1982 and 1983.--Outlay estimates for 1982 and 1983 have been revised downward since January. These revisions reflect the net impact of revised economic assumptions, technical reestimates, and the longer-range effects of congressional action and the budget reduction proposals. On net, estimated outlays for 1982 and 1983 have been reduced by \$3.0 billion and \$15.4 billion, respectively, to \$683.3 billion and \$759.0 billion.

Revised economic assumptions for inflation and interest rates during 1980-1983 have increased 1982-1983 outlay estimates for net interest, defense, and indexed benefit programs, such as social security. Other increases in 1982-83 outlays are due largely to technical reestimates.

The increases in estimated outlays for 1982-1983 resulting from revised economic assumptions and other reestimates are more than offset by the longer-range effects of the 1980 and 1981 budget reductions. Program areas having significant outyear reductions include general revenue sharing, training and employment, and countercyclical and targeted fiscal assistance. The budget reductions also account for substantial savings in interest costs due to reduced Treasury borrowing requirements during 1980-1983. The substantial reduction in the allowance for the national health plan reflects a six-month delay in the proposed start-up date of the program. The revised cost estimates assume that the plan is fully implemented on the new effective date.

Table 11.--MAJOR CHANGES IN ESTIMATED OUTLAYS FOR 1982 AND 1983
(in billions of dollars)

	<u>1982</u>	<u>1983</u>
January outlay estimate.....	686.3	774.3
Major changes:		
Department of Defense-Military.....	3.5	4.0
Export-Import Bank.....	0.5	-0.2
Naval petroleum reserve (offsetting receipts).....	0.6	0.6
Energy security initiative.....	-0.3	-0.3
Recreational resources.....	-0.4	-0.4
Postal Service.....	-0.6	-0.6
Federal-aid highways.....	-0.4	0.2
Economic development assistance.....	-0.4	-0.3
Elementary, secondary, and vocational education.....	-0.4	-0.4
Training and employment programs.....	-0.8	-0.7
Medicare.....	0.4	0.6
Other health programs.....	-0.7	-0.5
Social security and railroad retirement.....	3.0	2.7
Federal employee retirement and disability.....	-0.2	-0.2
Food stamps.....	-0.3	-0.3
Veterans benefits.....	-0.2	-0.3
Criminal justice assistance.....	-0.3	-0.3
General revenue sharing.....	-2.3	-2.3
Countercyclical and targeted fiscal assistance.....	-1.0	-0.5
Net interest.....	-2.4	-5.0
Allowance for national health plan.....	---	-11.2
All other changes (net).....	<u>-0.3</u>	<u>-0.2</u>
Total changes.....	<u>-3.0</u>	<u>-15.4</u>
Current outlay estimate.....	683.3	759.0

Part 2

BUDGET AUTHORITY AND OUTLAYS BY FUNCTION, 1979-1981

The budget resources devoted to meeting national needs are classified by budget functions so that budget authority and outlays can be grouped together according to purpose. To the extent feasible, these groupings are made without regard to agency or other organizational distinctions. These categories are used by the Congress in developing the concurrent resolutions on the budget. This part contains separate sections on each of the budget functions.

050: NATIONAL DEFENSE

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	127.8	141.6	161.8
Changes:			
Reestimates and other:			
Department of Defense.....	---	3.4	4.7
Other.....	---	0.1	*
Planned reductions:			
Department of Defense:			
Military retired pay.....	---	-0.1	-0.4
Program reductions and operating efficiencies.....	---	-1.1	-1.5
Other.....	---	-*	-*
Current estimate.....	127.8	144.0	164.5

<u>Outlays</u>			
January estimate.....	117.7	130.4	146.2
Changes:			
Reestimates and other:			
Department of Defense.....	---	4.0	5.7
Other.....	---	0.1	*
Planned reductions:			
Department of Defense:			
Military retired pay.....	---	-0.1	-0.4
Program reductions and operating efficiencies.....	---	-0.3	-1.0
Other.....	---	-*	-*
Current estimate.....	117.7	134.0	150.5

* \$50 million or less.

Outlays estimated for the national defense function for 1981 have increased by \$4.3 billion from the January budget. This is due to reestimates and program increases totalling \$5.7 billion, partly offset by planned reductions totalling \$1.4 billion.

Department of Defense-Military

Reestimates.--The current estimates for Department of Defense-military functions have been changed to reflect program additions for increased operations in the Persian Gulf/Indian Ocean area, higher fuel and transportation costs, and increased

prices for other purchases. In addition, outlay estimates have been revised to reflect higher than anticipated spending in recent months under contracts previously made.

Planned reductions.--These increases are partly offset by savings from a proposal to shift from twice-a-year to once-a-year cost-of-living adjustments for military retired pay benefits, and from program reductions and operating efficiencies.

After these revisions, the budget continues to meet the President's commitment to sustain real growth in defense. On net, Department of Defense-military outlays, at \$131.0 billion for 1980, are estimated to be \$3.6 billion higher than the January estimate of \$127.4 billion; and the 1981 estimate, at \$147.0 billion, is \$4.3 billion higher than the January estimate of \$142.7 billion.

Other National Defense

Reestimates.--Estimates for sales from the General Services Administration's stockpile of strategic and critical materials have been revised to reflect recent congressional action. Amounts for the Selective Service System have been increased due to the proposed reinstatement of draft registration.

Planned reductions.--GSA stockpile purchases have been decreased. Estimates for the atomic energy defense activities of the Department of Energy have also been reduced by cost-saving proposals.

150: INTERNATIONAL AFFAIRS

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	8.7	13.0	16.9
Changes:			
Reestimates and other:			
Military sales trust fund.....	---	1.0	1.5
Export-Import Bank.....	---	0.3	0.3
Multilateral development banks....	---	-0.6	0.1
P.L. 480 -- Food aid.....	---	0.1	0.1
Other.....	---	-0.1	0.1
Planned reductions:			
Export-Import Bank.....	---	-0.3	-0.5
Aid to Pakistan.....	---	-0.1	---
Other (mainly foreign aid).....	---	-*	-0.2
Current estimate.....	8.7	13.4	18.2
<u>Outlays</u>			
January estimate.....	6.1	10.4	9.6
Changes:			
Reestimates and other:			
Export-Import Bank.....	---	0.7	0.8
P.L. 480 -- Food aid.....	---	0.1	0.1
Other.....	---	-*	0.1
Planned reductions:			
Export-Import Bank.....	---	-*	-0.3
Aid to Pakistan.....	---	-0.1	---
Other (mainly foreign aid).....	---	-*	-0.2
Current estimate.....	6.1	11.1	10.1

* \$50 million or less.

The current estimates for international affairs reflect increases above the January budget due to a variety of reestimates, the congressional conference agreement on the 1980 foreign aid appropriations, and Administration requests. The planned reductions do not fully offset these increases. These changes have increased budget authority and outlays for both 1980 and 1981 from the levels in the January budget.

Reestimates.--Major reestimates are in the following areas:

- A reestimate of obligations has increased budget authority for the military sales trust fund by \$1.0 billion in 1980 and \$1.5 billion in 1981.
- Budget authority and outlays of the Export-Import Bank have been revised upwards by \$0.3 billion and \$0.7 billion for 1980, and by \$0.3 and \$0.8 billion for 1981. These increases are due to congressional action on the 1980 foreign aid appropriation and reestimates of outlays resulting from a shift in the Bank's loan program from slow-spending to faster-spending projects.
- Budget authority in 1980 for multilateral development banks is \$0.6 billion lower than the January request because of congressional action on the 1980 foreign aid appropriation. Smaller increases in budget authority are proposed for 1981 to offset this action. Outlays for payments to the World Bank are being deferred to later years.
- Budget authority and outlays for P.L. 480 (food aid) are \$0.1 billion above the January requests for 1980 and 1981 due to requests for supplemental appropriations that were transmitted to Congress in February.

Planned reductions.--The other planned reductions include:

- reducing loan authorizations for the Export-Import Bank for 1980 which lowers outlays by \$45 million in 1980 and \$270 million in 1981;
- withdrawing the 1980 supplemental request for aid to Pakistan (\$0.1 billion in budget authority and outlays); and
- reducing 1981 budget authority and outlays for other foreign aid programs by \$0.1 billion.

250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	5.4	6.2	6.9
Changes:			
Reestimates.....	---	---	---
Planned reductions:			
NASA.....	---	---	-0.2
National Science Foundation and other.....	---	-*	-0.1
Current estimate.....	5.4	6.2	6.6
<u>Outlays</u>			
January estimate.....	5.0	5.9	6.4
Changes:			
Reestimates.....	---	---	---
Planned reductions:			
NASA.....	---	-*	-0.2
National Science Foundation and other.....	---	-*	-0.1
Current estimate.....	5.0	5.9	6.2

* \$50 million or less.

Budget authority and outlays for general science, space, and technology for 1981 are lower than estimated in January because of planned reductions.

Planned reductions.--Small reductions in budget authority and outlays since the January budget are planned in 1980, with larger reductions planned in 1981. The revised request reduces or delays a number of NASA projects, including experiments planned for Spacelab and the international solar polar mission. There are also reductions recommended for National Science Foundation education and research programs.

270: ENERGY

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	7.4	41.5	7.4
Changes:			
Reestimates:			
Petroleum reserve receipts:			
Reestimates.....	---	-0.7	---
Windfall profit tax.....	---	0.2	0.4
Economic Regulatory Administration	---	0.1	---
Planned reductions:			
Energy initiatives.....	---	-0.2	-0.6
Uranium enrichment.....	---	-*	-0.2
Other.....	---	-*	-0.2
Current estimate.....	7.4	40.7	6.9
<u>Outlays</u>			
January estimate.....	6.9	7.8	8.1
Changes:			
Reestimates:			
Petroleum reserve receipts:			
Reestimates.....	---	-0.7	---
Windfall profit tax.....	---	0.2	0.4
Economic Regulatory Administration	---	-*	0.1
Strategic petroleum reserve.....	---	---	0.1
Planned reductions:			
Strategic petroleum reserve.....	---	-0.2	-0.8
Energy initiatives.....	---	-0.1	-0.6
Uranium enrichment.....	---	-*	-0.2
Other.....	---	-*	-0.2
Current estimate.....	6.9	6.8	6.9

* \$50 million or less.

Budget authority and outlays for energy decline in both 1980 and 1981 due to a combination of reestimates and planned reductions.

Reestimates.--Estimated budget authority declines in both 1980 and 1981 as compared to the January estimate. The application of the windfall profit tax to petroleum reserve receipts reduces offsetting receipts by \$210 million in 1980 and \$444 million in 1981. Offsetting receipts have been adjusted for 1980 to correct an accounting error in the January budget. Increased oil prices raise the estimated cost of oil purchases for the strategic

petroleum reserve by \$66 million in 1981. The estimates include a supplemental request for the Economic Regulatory Administration for the standby gasoline rationing plan currently under review by the Administration.

Planned reductions.--Estimates in the revised budget now assume that oil purchases for the strategic petroleum reserve will be deferred until June of 1981, reducing estimated outlays \$230 million in 1980 and \$850 million in 1981. Existing balances of budget authority are adequate for future oil purchases for the reserve.

Budget authority and outlays for the energy initiatives announced by the President last April and July have been reduced or deferred, with resulting reductions of \$237 million in budget authority and of \$130 million in outlays in 1980, and \$583 million in budget authority and \$568 million in outlays in 1981. Budget authority for other energy research, development, demonstration and regulation programs has been reduced by \$51 million in 1980 and \$195 million in 1981, while outlays for the same programs have been reduced by \$32 million in 1980 and \$247 million in 1981. Planned reductions in uranium enrichment activities reduce budget authority and outlays by relatively small amounts in 1980 and by \$243 million in budget authority and \$166 million in outlays in 1981 as compared to the January budget.

300: NATURAL RESOURCES AND ENVIRONMENT

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	13.2	12.7	13.3
Changes:			
Reestimates:			
Offsetting receipts.....	---	-0.1	---
Planned reductions:			
Recreational resources.....	---	-0.4	-0.5
Agriculture Department.....	---	-*	-0.1
Corps of Engineers.....	---	---	-0.2
Water Resources Council and other.	---	-*	-*
Current estimate.....	13.2	12.2	12.5
<u>Outlays</u>			
January estimate.....	12.1	12.8	12.8
Changes:			
Reestimates:			
EPA construction grants.....	---	0.4	0.3
Offsetting receipts.....	---	-0.1	---
Planned reductions:			
EPA construction grants.....	---	-*	-0.1
Recreational resources.....	---	-0.1	-0.3
Agriculture Department.....	---	-*	-0.1
Corps of Engineers.....	---	---	-0.2
Water Resources Council and other.	---	-*	-*
Current estimate.....	12.1	12.8	12.5

* \$50 million or less.

Current totals in 1981 are lower for both budget authority and outlays than the January totals. These changes are the net effect of reestimates and planned reductions.

Reestimates.--Outlays in 1980 and 1981 for Environmental Protection Agency (EPA) sewage treatment construction grants have been reestimated upward by \$0.3 billion because previous year obligations are being spent faster than anticipated. This increase is partially offset in 1980 by reestimates for offsetting receipts for the Agriculture Department.

Planned reductions.--Planned reductions include:

- the deferral of \$3.6 billion in EPA sewage treatment construction grants beginning in 1980, which decreases 1981 outlays by \$0.1 billion;
- in recreational resources, the reduction of purchases from the land and water conservation fund, the elimination of funding for new urban park grants, the reduction of National Park Service and Fish and Wildlife Service construction, and other reductions, which decrease budget authority by \$0.4 and \$0.5 billion in 1980 and 1981 and decrease outlays by \$0.3 billion in 1981;
- the delay of construction projects and reductions in conservation and other programs in the Agriculture department, which decrease budget authority and outlays by \$0.1 billion in 1981; and
- planning, construction, and operating cost reductions in the Corps of Engineers, which reduce budget authority and outlays by \$0.2 billion in 1981.

Recommendations for new water resource construction starts, originally budgeted for 1981 contingent on enactment of legislation authorizing independent review by the Water Resources Council, will be postponed until 1982. If the Congress should enact legislation permitting an independent review of new water resource starts, the Administration will propose new construction starts. Budget authority for the contingency allowance (shown in the allowance function) has been reduced by \$0.6 billion in 1981 to reflect the postponement of these new starts.

350: AGRICULTURE

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	9.4	5.0	5.5
Changes:			
Planned reductions.....	---	-*	-*
Current estimate.....	9.4	5.0	5.5
<u>Outlays</u>			
January estimate.....	6.2	4.6	2.8
Changes:			
Reestimates:			
Farm price supports.....	---	0.4	-0.6
Planned reductions.....	---	---	-0.2
Current estimate.....	6.2	5.0	2.0

* \$50 million or less.

Since January, outlays for the agriculture function have increased by \$0.4 billion for 1980 and decreased by \$1.0 billion for 1981. Most of the change in both years is due to reestimates rather than proposed policy changes.

Reestimates.--The current reestimate of outlays for farm price supports reflects a shift in planned wheat purchases from 1981 to 1980. The shift adds to the substantial year to year drop in outlays, which decline from \$5.0 billion in 1980 to \$1.9 billion in 1981. This action is part of the plan to offset the impact of the suspension of grain shipments to the Soviet Union and, along with other technical reestimates, creates a \$0.4 billion increase in 1980. A \$0.6 billion decrease occurs in 1981 because of this shift and because of expectations of more favorable export markets.

Planned reductions.--Planned program reductions result from increases in interest rates on loan programs, including raising commodity loan interest to 13%. This results in increased offsetting receipts, which reduce outlays.

370: COMMERCE AND HOUSING CREDIT

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	5.9	10.2	5.9
Changes:			
Reestimates.....	---	-*	---
Planned reductions:			
Payments to the Postal Service....	---	---	-0.2
Other.....	---	---	-0.1
Current estimate.....	5.9	10.2	5.6
<u>Outlays</u>			
January estimate.....	2.6	5.5	0.7
Changes:			
Reestimates:			
FHLBB.....	---	0.6	---
GNMA.....	---	0.1	---
SBA supplemental.....	---	*	---
Planned reductions:			
Payments to the Postal Service....	---	---	-0.3
Other.....	---	-*	-0.1
Current estimate.....	2.6	6.2	0.4

* \$50 million or less.

Current estimates for 1980 for the commerce and housing credit function are higher for outlays in 1980 and lower for budget authority and outlays in 1981. As anticipated in January, the substantial decrease between 1980 and 1981 in outlays reflects an estimate that asset sales in mortgage credit and thrift insurance programs will be greater than asset purchases.

Reestimates.--The increase in outlays in 1980 results from an upward reestimate for emergency loans to financially troubled savings and loan associations of \$0.6 billion and an increase of \$0.1 billion in Government National Mortgage Association (GNMA) outlays due to market conditions.

Planned reductions.--The largest planned reduction is for the payment to the Postal Service in 1981, which is expected to reduce normal delivery of mail to five days per week. Smaller reductions affect programs in several other agencies, including the elimination of loan authority for the Department of Agriculture's above-moderate income loan guarantee program.

400: TRANSPORTATION

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	19.2	21.0	23.6
Changes:			
Planned reductions:			
Transportation energy initiative..	---	-0.6	-*
Other.....	---	-*	-0.2
Current estimate.....	19.2	20.4	23.4
<u>Outlays</u>			
January estimate.....	17.5	19.6	20.2
Changes:			
Reestimates:			
Federal aid to highways.....	---	1.0	---
Planned reductions:			
Transportation energy initiative..	---	-0.1	-0.4
Highways.....	---	-*	-0.4
Aids to railroads.....	---	---	-0.1
Other.....	---	-*	-0.2
Current estimate.....	17.5	20.5	19.0

* \$50 million or less.

Budget authority and outlays for the transportation function for 1981 are below the January amounts because of planned program reductions. Changes in 1980 are due to reductions in requested budget authority and a reestimate of outlays.

Reestimates.--The only reestimate for the transportation function involves 1980 outlays for Federal aid to highways. This change requires a supplemental appropriation for liquidating cash needed to cover obligations, which are being drawn down by States at a higher rate than anticipated in January.

Planned reductions.--The major planned reduction for 1980 involves reducing budget authority and outlays for the public transportation capital investment component of the transportation energy initiative and deferring the auto-use management component of the initiative until 1981. The combined effect of these changes reduces 1980 budget authority by \$0.6 billion, and outlays by \$0.1 billion.

Other planned reductions include:

- Reducing the other two programs in the transportation energy initiative. This involves postponing start-up of the fuel economy standards program from 1981 to 1982 (\$8 million in budget authority and \$4 million in outlays in 1981), and reducing budget authority (\$8 million) for basic automotive research.
- Lowering highway obligations from \$8.85 billion in 1980 and 1981 to \$7.7 billion in 1980 and \$8.5 billion in 1981, which reduces highway outlays by \$20 million in 1980 and by \$0.4 billion in 1981.
- Deferring \$370 million of non-safety-related airport grant obligations until late 1981 and lowering the obligation limitation by \$50 million to \$650 million, which reduces 1981 outlays by \$70 million.
- Reducing or deferring various rail passenger improvements, which reduces outlays \$105 million in 1981.
- Other reductions for the Departments of Transportation and Commerce (\$45 million in 1980 outlays, and \$205 million in budget authority and \$165 million in outlays in 1981).

450: COMMUNITY AND REGIONAL DEVELOPMENT

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	10.0	9.0	9.8
Changes:			
Reestimates:			
SBA disaster loan supplemental....	---	0.4	---
Planned reductions:			
EDA.....	---	-0.4	-0.5
Block grants and other HUD.....	---	-0.2	-0.1
Other.....	---	-0.1	-0.1
Current estimate.....	9.4	8.6	9.0

<u>Outlays</u>			
January estimate.....	9.5	8.5	8.8
Changes:			
Reestimates:			
Block grants.....	---	0.3	0.2
SBA disaster loan supplemental....	---	0.3	0.1
Planned reductions:			
EDA and other Commerce.....	---	-0.1	-0.3
Block grants and other HUD.....	---	-*	-0.2
Other.....	---	-*	-0.2
Current estimate.....	9.5	9.0	8.5

* \$50 million or less.

Estimated budget authority for community and regional development is lower than the January estimate for both 1980 and 1981. Outlays are \$0.5 billion higher in 1980, but \$0.3 billion lower in 1981.

Reestimates.--Two reestimates increase both budget authority and outlays:

- The Small Business Administration has revised upward its estimate of loan requirements as a result of storms and mudslides in California and Arizona and for farm disaster loans. This results in a \$0.4 billion increase in 1980 budget authority and outlay increases of \$0.3 billion in 1980 and \$0.1 billion in 1981.
- The current estimates for outlays for community development block grants in 1980 and 1981 are above

earlier estimates because local governments are spending these funds faster than anticipated.

Planned reductions.--Planned reductions in outlays and budget authority are primarily in two areas:

- a reduction in the Economic Development Administration development financing initiative results in a \$0.4 billion reduction in budget authority in 1980 and 1981, and in outlay reductions of \$0.1 billion and \$0.2 billion, respectively, in the two years; and
- reductions in the community development block grant program result in decreases in budget authority of \$0.2 billion in 1980 and \$0.1 billion in 1981. Decreases in outlays are offset by the increases noted above.

500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	32.6	31.2	34.8
Changes:			
Reestimates:			
Student loan insurance.....	---	0.1	0.3
Other.....	---	-0.1	---
Planned reductions:			
Elementary, secondary and vocational education.....	---	-0.3	-0.5
Higher education.....	---	-0.2	-0.1
Training and employment.....	---	*	-1.4
Other.....	---	-0.2	-0.1
Current estimate.....	32.6	30.7	33.0
<u>Outlays</u>			
January estimate.....	29.7	30.7	32.0
Changes:			
Reestimates:			
Student loan insurance.....	---	0.1	0.2
Other.....	---	-0.1	---
Planned reductions:			
Elementary, secondary and vocational education.....	---	-*	-0.3
Higher education.....	---	-*	-0.3
Training and employment.....	---	-0.3	-0.8
Other.....	---	-0.2	-0.1
Current estimate.....	29.7	30.1	30.6

* \$50 million or less.

Budget authority and outlays for education, training, employment, and social services decline for 1980 and 1981 as compared to the January budget.

Reestimates.--Budget authority and outlays for student loan insurance have been increased primarily because of higher interest costs in both 1980 and 1981. Social services grants to States are estimated to require \$120 million less in both budget authority and outlays in 1980 as compared to the January estimate.

Planned reductions.--Reductions affect estimated outlays and budget authority for the function for both 1980 and 1981. Major revisions include:

- Reductions in elementary, secondary, and vocational education programs of \$266 million in budget authority for 1980, and \$511 million in budget authority and \$337 million in outlays in 1981. Outlays for these programs are reduced by relatively small amounts in 1980.
- Reductions in higher education programs of \$153 million in budget authority in 1980, and \$150 million in budget authority and \$251 million in outlays in 1981.
- Reductions in training and employment programs including a reduced level of operation for the Young Adult Conservation Corps, a phase-out of the welfare reform demonstration projects, and a reduction in countercyclical public service employment under CETA from the January estimate of 200,000 to 149,000 in the revised budget. These result in reductions of \$349 million in outlays in 1980, and \$1,350 million in budget authority and \$841 million in outlays in 1981.
- Small reductions in programs, operations, and maintenance for the Departments of Education, Health and Human Services, and Labor; and for the Community Services Administration, the national endowments for the arts and the humanities, and ACTION.

The following information is provided in fulfillment of the requirement of Section 602 of the Comprehensive Employment and Training Act (Public Law 95-524), and revises information supplied in the Budget Appendix for 1981 in the temporary employment assistance account.

- The unemployment rate for 1981 is now estimated to be 7.3%.
- The number of unemployed in excess of 4% of the labor force is estimated to be 3.5 million in 1981.
- The average cost per year of a Title VI public service employment opportunity is estimated to be \$10,194.
- The amount that would need to be appropriated to provide public service jobs for 25% of the number of unemployed in excess of 4%, taking into account anticipated budget resources at the beginning of the year, is \$9,430 million.

550: HEALTH

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	53.9	60.0	71.5
Changes:			
Reestimates:			
Medicare and medicaid.....	---	0.2	0.6
Planned reductions:			
Child health assurance program....	---	-*	-0.4
Other medicare and medicaid benefit expansions.....	---	---	-0.1
Other (mainly grant programs).....	---	-0.3	-0.6
Current estimate.....	53.9	59.9	71.1
<u>Outlays</u>			
January estimate.....	49.6	56.6	62.4
Changes:			
Reestimates:			
Medicare and medicaid.....	---	*	0.3
Planned reductions:			
Child health assurance program....	---	-*	-0.4
Other medicare and medicaid benefit expansions.....	---	---	-0.1
Other (mainly grant programs).....	---	-0.1	-0.4
Current estimate.....	49.6	56.5	61.9

* \$50 million or less.

The current request for total budget authority for the health function is almost the same as the January estimate for 1980 and 1981, though for both years there are largely offsetting changes. Outlays are now estimated to be \$0.1 billion lower for 1980 and \$0.6 billion lower for 1981.

In addition to these changes, the Administration strongly supports the enactment of hospital cost containment legislation, which would save an estimated \$0.8 billion in Federal outlays in 1981 and help to slow the rate of increase in hospital costs.

Reestimates.--The only noteworthy reestimates since January are in the 1981 figures for medicare and medicaid which are due to:

- the effect of higher inflation on the medicare program (\$0.3 billion in budget authority and \$0.1 billion in outlays); and
- changed economic conditions and February State medicaid estimates, which show higher spending than anticipated for 1981 (\$0.3 billion in budget authority and \$0.2 billion in outlays).

Planned reductions.--The major planned reductions include:

- delaying enactment of the child health assurance program (a part of medicaid) until September 1981, which reduces budget authority and outlays slightly for 1980 and by \$0.4 billion for 1981;
- delaying the effective dates of most proposed medicare and medicaid benefit expansions until 1982, which reduces 1981 outlays by \$0.1 billion;
- rescinding 1980 appropriations totaling \$0.3 billion in budget authority and \$0.1 billion in outlays for health professions training and discretionary health services programs, and eliminating a request for a 1980 supplemental appropriation for new mental health and alcoholism programs; and
- cancelling various new or expanded health grants and reducing program support for the National Institutes of Health for savings of \$0.6 billion in budget authority and \$0.4 billion in outlays for 1981.

600: INCOME SECURITY

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	191.9	222.1	251.5
Changes:			
Reestimates and other:			
Social security.....	---	1.2	1.4
Federal employee retirement.....	---	---	0.2
Unemployment compensation.....	---	-0.2	-0.2
Food stamps.....	---	0.2	0.2
Child nutrition.....	---	-*	-0.1
Other.....	---	*	0.3
Planned reductions:			
Annual indexation:			
Food stamps and child nutrition.....	---	-0.1	-0.5
Federal employee retirement and disability.....	---	---	-0.6
Low-income energy assistance.....	---	---	-0.2
Unemployment compensation.....	---	---	-0.2
Food stamp eligibility reforms....	---	---	-0.1
Other.....	---	-*	-0.1
Current estimate.....	191.9	223.3	251.6
<u>Outlays</u>			
January estimate.....	160.2	190.9	220.0
Changes:			
Reestimates:			
Social security.....	---	-*	1.5
Federal employee retirement.....	---	-*	0.3
Unemployment compensation.....	---	-1.0	-0.4
Food stamps.....	---	0.1	0.2
Child nutrition.....	---	-*	-0.1
Other.....	---	0.1	0.3
Planned reductions:			
Annual indexation:			
Food stamps and child nutrition.....	---	-0.1	-0.5
Federal employee retirement and disability.....	---	---	-0.7
Low-income energy assistance.....	---	---	-0.2
Unemployment compensation.....	---	---	-0.2
Food stamp eligibility reforms....	---	---	-0.1
Other.....	---	*	-0.2
Current estimate.....	160.2	190.0	220.1

* \$50 million or less.

Most of the changes in 1980 are due to revised economic assumptions, while the 1981 changes stem from both revised economic assumptions and planned reductions.

Reestimates.--Compared with the January estimates, major estimating changes have been made in the following areas:

- Social security budget authority estimates increase by \$1.2 billion in 1980 and \$1.4 billion in 1981, due to higher receipt estimates resulting largely from higher estimated inflation. Outlays decrease by \$0.1 billion in 1980 and increase by \$1.5 billion in 1981. These changes are due to higher inflation offset by lower estimates of caseloads for disability insurance.
- Outlay estimates for unemployment compensation have decreased by \$1.0 billion in 1980 and \$0.4 billion in 1981 primarily because of lower estimated unemployment rates.

Planned reductions.--One of the major planned reductions is a switch to an annual cost-of-living adjustment for food stamps and child nutrition programs and Federal employee retirement and workers' compensation benefits. These programs are currently adjusted twice a year. A change to annual adjustments will decrease both budget authority and outlays in 1981 by \$1.0 billion.

As part of the current budget reduction effort, the Administration considered recommending changes in cost-of-living adjustments for those programs tied to the Consumer Price Index (CPI). These adjustments have a large impact on the budget and there is a concern that the CPI may sometimes overstate the actual effect of inflation on benefit levels. No changes were recommended because of the complex nature of the issue and the short time available to review it. However, in view of the major impact indexing has on the Federal budget and the widely held belief that the CPI may at times exaggerate the adjustments needed to maintain the purchasing power of benefit payments, the Administration proposes to undertake a thorough review of this issue. This study, which will be carried out in cooperation with the Congress, will consider alternatives to the present use of the CPI that would protect beneficiaries from inflation.

This review will also consider the broader issue of the desirability of protecting beneficiaries completely from inflation during periods like the present when prices are rising much more rapidly than wages.

For low-income energy assistance, the 1981 budget proposed an increase over the 1980 level of \$0.8 billion in 1981. However, the increase is now being limited to \$0.6 billion. Other planned reductions are for unemployment compensation under proposed legislation to eliminate the requirement and Federal reimbursement for unemployment compensation based on subsidized public service employment. In addition, legislation will be proposed to change food stamp eligibility rules, which will save \$0.1 billion in 1981 budget authority and outlays.

700: VETERANS BENEFITS AND SERVICES

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	20.5	21.2	22.7
Changes:			
Reestimates:			
Service-connected compensation....	---	---	0.1
Non-service-connected pensions....	---	-0.1	-0.2
Other.....	---	0.1	0.1
Planned reductions:			
Department of Medicine and Surgery	---	---	-0.2
Other.....	---	---	-0.1
Current estimate.....	20.5	21.2	22.5
<u>Outlays</u>			
January estimate.....	19.9	20.8	21.7
Changes:			
Reestimates:			
Service-connected compensation....	---	---	0.1
Non-service-connected pensions....	---	-0.1	-0.2
Other.....	---	0.1	0.1
Planned reductions:			
Housing loans.....	---	-*	-0.1
Department of Medicine and Surgery	---	---	-0.2
Other.....	---	-*	-0.1
Current estimate.....	19.9	20.7	21.4

* \$50 million or less.

Budget authority and outlays for veterans benefits and services are about the same as estimated in January for 1980 and are slightly below the January level for 1981.

Reestimates.--Reestimates of outlays and budget authority for veterans benefits and services are virtually offsetting in both 1980 and 1981. An increase in outlays and budget authority for service-connected compensation of \$0.1 billion in 1981 reflects higher proposed cost-of-living adjustments than anticipated in January. A decline in outlays and budget authority for non-service-connected pensions of \$0.1 billion in 1980 and \$0.2 billion in 1981 is in large part due to lower estimates of the number of beneficiaries and the average cost per beneficiary.

Planned reductions.--Program reductions totaling \$0.3 billion in outlays in 1981 include a \$155 million reduction in capital investment in the Veterans Administration's Department of Medicine and Surgery and a \$59 million reduction in direct housing loans due to a restriction of new lending to specially adapted housing loans.

750: ADMINISTRATION OF JUSTICE

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	4.2	4.4	4.7
Changes:			
Reestimates.....	---	---	---
Planned reductions:			
Law enforcement assistance grants.	---	---	-0.4
Other.....	---	---	-*
Current estimate.....	4.2	4.4	4.3
<u>Outlays</u>			
January estimate.....	4.2	4.5	4.7
Changes:			
Reestimates.....	---	*	---
Planned reductions:			
Law enforcement assistance grants.	---	---	-0.1
Other.....	---	-*	-*
Current estimate.....	4.2	4.6	4.6

* \$50 million or less.

Estimated budget authority and outlays for the administration of justice function are virtually unchanged from the January estimates for 1980, with larger reductions planned for 1981.

Planned reductions.--Law enforcement assistance grants to States and localities are proposed to be phased out, and some reductions are planned in operations and maintenance for enforcement and other programs in the Departments of Justice and Treasury.

800: GENERAL GOVERNMENT

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	4.4	4.9	4.9
Changes:			
Reestimates.....	---	-*	*
Planned reductions.....	---	-*	-0.1
Current estimate.....	4.4	4.9	4.9
<u>Outlays</u>			
January estimate.....	4.2	4.9	4.9
Changes:			
Reestimates.....	---	-*	*
Planned reductions.....	---	-0.1	-0.1
Current estimate.....	4.2	4.8	4.8

* \$50 million or less.

The current estimates for the general government function have changed only slightly since January.

Planned reductions.--The reductions are primarily due to decreases in the operating budgets of the agencies included in the general government function as part of the Government-wide reduction in agency operating budgets.

850: GENERAL PURPOSE FISCAL ASSISTANCE

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	8.3	8.7	9.6
Changes:			
Reestimates:			
Payments to the Virgin Islands....	---	0.2	---
Planned reductions:			
General revenue sharing.....	---	---	-2.3
Local government transitional assistance program.....	---	---	0.5
Antirecession fiscal assistance...	---	-0.1	-1.0
Payments to Guam and the Virgin Islands.....	---	---	-*
Payments in lieu of taxes.....	---	---	-*
Current estimate.....	8.3	8.8	6.8
<u>Outlays</u>			
January estimate.....	8.4	8.7	9.6
Changes:			
Reestimates:			
Payments to the Virgin Islands....	---	0.2	---
Planned reductions:			
General revenue sharing.....	---	---	-1.7
Local government transitional assistance program.....	---	---	0.5
Antirecession fiscal assistance...	---	-0.1	-1.0
Payments to Guam and the Virgin Islands.....	---	---	-*
Payments in lieu of taxes.....	---	---	-*
Current estimate.....	8.4	8.8	7.4

* \$50 million or less.

The current totals for this function are slightly above the January estimates in 1980 but significantly below the estimates in 1981.

Reestimates.--Budget authority and outlays in 1980 have increased by \$0.2 billion because of a technical accounting change relating to payments to the Virgin Islands. This reestimate also increases receipts in 1980 and, therefore, has no effect on the deficit.

Planned reductions.--The largest planned reduction is the elimination of the State share of general revenue sharing, which reduces 1981 budget authority by \$2.3 billion and outlays by \$1.7 billion. This decrease is partially offset by the proposed local government transitional assistance program, which will assist the most distressed local governments in adjusting to the reduction in State assistance that will result with the elimination of general revenue sharing payments to the States.

Other changes include:

- withdrawal of support for antirecession fiscal assistance, which decreases 1980 budget authority and outlays by \$0.1 billion and decreases 1981 budget authority and outlays by \$1.0 billion; and
- the delay of tax matching for Guam and the Virgin Islands and a \$30 million reduction of payments in lieu of taxes.

900: INTEREST

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	52.6	63.3	67.2
Changes:			
Interest on the public debt:			
Reestimates.....	---	1.6	3.8
Impact of planned reductions.....	---	-0.2	-2.2
Other interest:			
Reestimates.....	---	-0.4	-0.4
Current estimate.....	52.6	64.3	68.4
<u>Outlays</u>			
January estimate.....	52.6	63.3	67.2
Changes:			
Interest on the public debt:			
Reestimates.....	---	1.6	3.8
Impact of planned reductions.....	---	-0.2	-2.2
Other interest:			
Reestimates.....	---	-0.4	-0.4
Current estimate.....	52.6	64.3	68.4

Budget authority and outlay estimates for the interest function have increased since January due to higher than anticipated interest rates partially offset by lower borrowing requirements.

Reestimates.--Revised economic assumptions, particularly higher interest rates, have increased estimated budget authority and outlays for the interest function by \$1.2 billion in 1980 and \$3.4 billion in 1981.

Planned reductions.--The increases are partially offset by the reduced borrowing requirements that result from the Administration's anti-inflation program, which are estimated to reduce interest outlays by \$0.2 billion in 1980 and \$2.2 billion in 1981.

920: ALLOWANCES

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority</u>			
January estimate.....	---	0.2	3.1
Changes:			
Reestimates.....	---	---	0.2
Planned reductions:			
Civilian agency pay raises.....	---	---	-0.2
Contingency allowance.....	---	-0.2	-1.4
Current estimate.....	---	---	1.7
<u>Outlays</u>			
January estimate.....	---	0.1	2.6
Changes:			
Planned reductions:			
Civilian agency pay raises.....	---	---	-0.2
Contingency allowance.....	---	-0.1	-1.0
Current estimate.....	---	---	1.4

* \$50 million or less.

The allowance function includes amounts for Federal civilian agency employee pay raises, future initiatives, and unforeseen requirements. Estimates for both budget authority and outlays have changed since January.

Planned reductions.--For 1981, there are substantial decreases from January estimates for both budget authority and outlays. The Administration's welfare reform proposal, which was covered by the contingency allowance in 1981, will be delayed one year. This reduces outlays and budget authority for 1981 by \$0.9 billion from the January estimate. Reductions in new starts for water resource projects, covered by the contingency allowance for 1981, will reduce outlays by \$40 million and budget authority by \$0.6 billion in 1981. The allowance for civilian agency pay raises was estimated in January with the assumption that agencies would absorb 21% of the cost of these raises. The absorption rate has been increased to 35% to reflect the President's freeze on executive salaries, the effects of the limits on new hiring, and other reductions in operating costs. This reduces allowances for 1981 by \$0.2 billion.

950: UNDISTRIBUTED OFFSETTING RECEIPTS

	(\$ billions)		
	Actual	Estimate	
	1979	1980	1981
<u>Budget Authority and Outlays</u>			
January estimate.....	-18.5	-22.3	-25.1
Changes:			
Reestimates:			
Employer share, employee retirement.....	---	*	-*
Interest received by trust funds..	---	-0.2	-0.3
Rents and royalties on the Outer Continental Shelf.....	---	<u>0.2</u>	<u>0.5</u>
Current estimate.....	-18.5	-22.2	-24.9

* \$50 million or less.

All of the changes in this function are the result of reestimates.

Reestimates.--The estimates of undistributed offsetting receipts have increased for both 1980 and 1981 since January. Higher interest rates increased the amount of interest received by trust funds. Rents and royalties on the Outer Continental Shelf were reestimated due to a reassessment of future sales in the Gulf of Mexico. These increases in offsetting receipts reduce budget authority and outlays.

Part 3
SUMMARY TABLES

Table 12.--BUDGET RECEIPTS BY MAJOR SOURCE
(in billions of dollars)

	Actual	January Budget Estimate				Current Estimate			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
Individual income taxes.....	217.8	238.7	274.4	318.7	381.4	241.5	279.9	326.1	391.2
Corporation income taxes.....	65.7	72.3	71.6	80.6	91.8	74.2	74.1	81.6	94.0
Social insurance taxes and contributions.....	141.6	162.2	187.4	215.9	243.4	163.5	188.9	218.3	246.4
Excise taxes.....	18.7	26.3	40.2	48.0	51.7	25.2	42.2	51.9	54.8
Estate and gift taxes.....	5.4	5.8	5.9	6.4	7.1	5.8	6.0	6.5	7.3
Customs duties.....	7.4	7.6	8.4	8.6	9.2	7.3	7.8	8.2	8.7
Miscellaneous receipts.....	<u>9.2</u>	<u>10.9</u>	<u>12.1</u>	<u>13.0</u>	<u>14.2</u>	<u>11.5</u>	<u>13.1</u>	<u>14.0</u>	<u>15.2</u>
March base estimate.....	465.9	523.8	600.0	691.1	798.8	529.0	612.0	706.6	817.7
Withholding of taxes on interest and dividend income.....	---	---	---	---	---	---	3.4	2.5	2.8
Gasoline conservation fee/motor fuels tax.....	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>3.4</u>	<u>12.6</u>	<u>15.7</u>	<u>17.4</u>
Total budget receipts.....	465.9	523.8	600.0	691.1	798.8	532.4	628.0	724.8	837.8

Table 13.--ESTIMATED EFFECT OF ADMINISTRATIVE ACTIONS AND
 PROPOSED LEGISLATION ON RECEIPTS, 1980-1983
 (in billions of dollars)

	Current Estimate			
	1980	1981	1982	1983
Receipts under current law.....	523.7	589.2	677.5	788.2
Extension of airport and airways trust fund taxes.....	<u>0.1</u>	<u>0.9</u>	<u>0.9</u>	<u>1.0</u>
Receipts on a current services basis.....	523.8	590.1	678.5	789.2
Proposed legislation and administrative actions other than extensions:				
Energy legislation as adopted by the Congress:				
Windfall profit tax.....	4.2	15.0	20.0	20.3
Energy tax credits.....	-0.1	-0.3	-0.3	-0.6
Interest and dividend exclusion.....	---	-0.3	-2.3	-1.7
Other.....	---	-*	0.1	0.2
Subtotal, Energy.....	<u>4.1</u>	<u>14.4</u>	<u>17.5</u>	<u>18.1</u>
Cash management initiatives.....	---	4.3	5.6	2.2
Railroad retirement tax increase.....	---	0.3	0.3	0.3
Oil and hazardous substance cleanup.....	---	0.2	0.3	0.4
Tax treatment of independent contractors.....	---	0.6	0.6	0.7
Foreign tax credit.....	0.9	0.7	0.7	0.7
Tax-exempt mortgage bonds.....	0.2	1.1	2.9	5.5
Other.....	*	0.4	0.4	0.5
Total, Proposed legislation and administrative actions other than extensions.....	<u>5.2</u>	<u>21.9</u>	<u>28.2</u>	<u>28.4</u>
March base estimate.....	529.0	612.0	706.6	817.7
Withholding of taxes on interest and dividend income.....	---	3.4	2.5	2.8
Gasoline conservation fee/motor fuels tax.....	<u>3.4</u>	<u>12.6</u>	<u>15.7</u>	<u>17.4</u>
Total budget receipts.....	532.4	628.0	724.8	837.8

* \$50 million or less.

Table 14.--COMPOSITION OF BUDGET OUTLAYS, 1979-1983
(dollar amounts in billions)

	Actual	Current Estimate			
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
National defense:					
Direct Federal payments for individuals.....	10.3	11.9	13.6	16.1	18.0
Grants to States and localities.....	0.1	0.1	0.1	0.1	0.1
Other.....	<u>107.3</u>	<u>122.0</u>	<u>136.9</u>	<u>152.7</u>	<u>171.8</u>
Subtotal, National defense.....	117.7	134.0	150.5	168.9	189.9
Nondefense:					
Direct Federal payments for individuals.....	198.7	231.7	264.9	294.3	335.9
Payments for individuals through States and localities.....	28.8	34.1	37.1	41.3	45.9
All other grants to States and localities.....	54.0	55.6	53.9	57.8	61.8
Net interest.....	42.6	52.6	55.2	51.5	47.9
Other.....	<u>51.9</u>	<u>60.9</u>	<u>50.1</u>	<u>69.5</u>	<u>77.6</u>
Subtotal, Nondefense.....	<u>376.0</u>	<u>434.9</u>	<u>461.1</u>	<u>514.4</u>	<u>569.1</u>
Total.....	493.7	568.9	611.5	683.3	759.0
	=====	=====	=====	=====	=====

Table 14 (continued)

	Actual	Current Estimate			
	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>Percent of Total Outlays</u>					
National defense:					
Direct Federal payments for individuals.....	2.1	2.1	2.2	2.4	2.4
Grants to States and localities.....	*	*	*	*	*
Other.....	<u>21.7</u>	<u>21.4</u>	<u>22.4</u>	<u>22.4</u>	<u>22.6</u>
Subtotal, National defense.....	23.8	23.6	24.6	24.7	25.0
Nondefense:					
Direct Federal payments for individuals.....	40.3	40.7	43.3	43.1	44.3
Payments for individuals through States and localities.....	5.8	6.0	6.1	6.0	6.0
All other grants to States and localities.....	10.9	9.8	8.8	8.5	8.1
Net interest.....	8.6	9.2	9.0	7.5	6.3
Other.....	<u>10.5</u>	<u>10.7</u>	<u>8.2</u>	<u>10.2</u>	<u>10.2</u>
Subtotal, Nondefense.....	<u>76.2</u>	<u>76.4</u>	<u>75.4</u>	<u>75.3</u>	<u>75.0</u>
Total.....	100.0	100.0	100.0	100.0	100.0
	=====	=====	=====	=====	=====

* 0.05% or less.

Table 15.--BUDGET OUTLAYS BY FUNCTION
(in billions of dollars)

	Actual	January Budget Estimate				Current Estimate			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
National defense.....	117.7	130.4	146.2	165.5	185.9	134.0	150.5	168.9	189.9
International affairs.....	6.1	10.4	9.6	10.2	11.2	11.1	10.1	10.5	10.8
General science, space, and technology.....	5.0	5.9	6.4	6.9	7.0	5.9	6.2	6.9	6.9
Energy.....	6.9	7.8	8.1	11.0	13.5	6.8	6.9	11.8	14.5
Natural resources and environment...	12.1	12.8	12.8	13.7	14.1	12.8	12.5	13.3	13.8
Agriculture.....	6.2	4.6	2.8	3.0	3.9	5.1	2.0	2.8	3.6
Commerce and housing credit.....	2.6	5.5	0.7	3.2	3.1	6.2	0.4	2.5	2.4
Transportation.....	17.5	19.6	20.2	21.6	23.2	20.5	19.0	21.1	23.3
Community and regional development..	9.5	8.5	8.8	9.4	9.9	9.0	8.5	8.9	9.5
Education, training, employment, and social services.....	29.7	30.7	32.0	35.0	37.7	30.1	30.6	34.1	37.1
Health.....	49.6	56.6	62.4	70.8	79.9	56.5	61.9	70.5	80.1
Income security.....	160.2	190.9	220.0	241.7	264.0	190.0	220.1	243.7	266.0
Veterans benefits and services.....	19.9	20.8	21.7	23.2	24.6	20.7	21.4	22.9	24.3
Administration of justice.....	4.2	4.5	4.7	4.9	5.0	4.6	4.6	4.6	4.6
General government.....	4.2	4.9	4.9	5.1	5.1	4.8	4.8	5.1	5.0
General purpose fiscal assistance...	8.4	8.7	9.6	9.7	9.3	8.8	7.4	6.9	6.4
Interest.....	52.6	63.3	67.2	68.0	68.3	64.3	68.4	65.8	63.3
Allowances.....	---	0.1	2.6	9.8	36.5	---	1.4	9.8	25.3
Undistributed offsetting receipts...	-18.5	-22.3	-25.1	-26.4	-27.9	-22.2	-24.9	-26.6	-27.9
Total budget outlays.....	493.7	563.6	615.8	686.3	774.3	568.9	611.5	683.3	759.0

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Table 16.--BUDGET OUTLAYS BY AGENCY
(in billions of dollars)

	Actual	January Budget Estimate				Current Estimate			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
Legislative branch.....	1.1	1.3	1.3	1.4	1.4	1.3	1.3	1.4	1.4
The Judiciary.....	0.5	0.6	0.6	0.7	0.7	0.6	0.6	0.7	0.7
Executive Office of the President...	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.	2.6	9.5	9.3	11.1	13.4	9.2	8.0	10.6	12.9
Agriculture.....	20.6	23.6	20.1	23.8	25.7	24.0	18.7	22.9	24.7
Commerce.....	4.1	3.6	3.4	3.5	3.7	3.5	3.1	3.1	3.4
Defense--Military.....	115.0	127.4	142.7	161.6	181.7	131.0	147.0	165.1	185.7
Defense--Civil.....	2.9	3.2	3.1	3.4	3.4	3.2	2.9	3.4	3.4
Education.....	10.9	12.9	13.5	15.3	16.8	12.9	13.1	15.3	16.8
Energy.....	7.9	7.7	8.7	10.8	12.2	6.9	7.9	11.6	13.2
Health and Human Services.....	170.3	193.7	219.3	246.1	274.2	193.4	220.3	248.3	277.5
Housing and Urban Development.....	9.2	11.6	11.8	13.8	15.3	12.0	11.8	13.8	15.3
Interior.....	4.1	4.2	4.2	4.5	4.9	4.1	3.9	4.1	4.5
Justice.....	2.5	2.6	2.7	2.8	2.8	2.6	2.6	2.5	2.5
Labor.....	22.6	27.5	31.8	30.9	29.6	26.2	30.4	29.8	28.7
State.....	1.5	2.0	2.2	2.4	2.5	2.0	2.2	2.4	2.5
Transportation.....	15.5	17.3	17.9	19.1	20.3	18.3	17.2	18.8	20.6
Treasury.....	65.0	75.8	80.3	81.3	81.1	76.9	79.2	76.3	73.1
Environmental Protection Agency.....	4.8	5.0	5.2	5.5	5.7	5.3	5.4	5.6	5.8
National Aeronautics and Space									
Administration.....	4.2	5.0	5.4	5.9	5.9	5.0	5.2	5.9	5.9
Veterans Administration.....	19.9	20.7	21.7	23.1	24.6	20.6	21.4	22.9	24.3
Office of Personnel Management.....	12.7	14.9	17.4	19.7	22.1	14.9	17.1	19.5	21.9
Other agencies.....	14.1	15.4	15.6	15.8	17.0	17.0	15.8	16.0	16.2
Allowances.....	---	0.1	2.6	9.8	36.5	---	1.4	10.0	26.0
Undistributed offsetting receipts...	-18.5	-22.3	-25.1	-26.4	-27.9	-22.2	-24.9	-26.6	-27.9
Total outlays.....	493.7	563.6	615.8	686.3	774.3	568.9	611.5	683.3	759.0

Table 17.--BUDGET AUTHORITY BY FUNCTION
(in billions of dollars)

	Actual	January Budget Estimate				Current Estimate			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
National defense.....	127.8	141.6	161.8	183.4	205.3	144.0	164.5	186.9	209.3
International affairs.....	8.7	13.1	16.9	14.2	14.2	13.4	18.2	14.2	14.2
General science, space, and technology.....	5.4	6.2	6.9	6.9	7.0	6.2	6.6	6.9	6.9
Energy.....	7.4	41.5	7.4	9.2	12.4	40.7	6.9	17.9	10.6
Natural resources and environment...	13.2	12.7	13.3	14.7	15.4	12.2	12.5	14.2	14.9
Agriculture.....	9.3	5.0	5.5	4.2	4.5	5.0	5.4	4.2	4.4
Commerce and housing credit.....	5.9	10.2	5.9	6.6	6.8	10.2	5.6	5.9	6.3
Transportation.....	19.2	21.0	23.6	23.2	25.5	20.4	23.4	23.3	25.5
Community and regional development..	10.0	8.9	9.8	9.7	10.2	8.6	9.0	9.5	10.1
Education, training, employment, and social services.....	32.6	31.2	34.8	37.4	39.4	30.7	33.0	36.2	38.5
Health.....	53.9	60.0	71.5	83.2	94.5	59.9	71.1	83.5	95.3
Income security.....	191.9	222.1	251.5	285.7	310.5	223.3	251.6	284.1	310.1
Veterans benefits and services.....	20.5	21.2	22.7	23.8	24.9	21.2	22.5	23.7	24.8
Administration of justice.....	4.2	4.4	4.7	4.9	5.0	4.4	4.3	4.4	4.6
General government.....	4.4	4.9	4.9	5.3	5.0	4.9	4.9	5.2	5.0
General purpose fiscal assistance...	8.3	8.7	9.6	9.7	9.3	8.8	6.8	6.9	6.4
Interest.....	52.6	63.3	67.2	68.0	68.3	64.3	68.4	65.8	63.3
Allowances.....	---	0.2	3.1	11.2	38.0	---	1.7	11.2	26.8
Undistributed offsetting receipts...	-18.5	-22.3	-25.1	-26.4	-27.9	-22.2	-24.9	-26.6	-27.9
Total budget authority.....	556.7	654.0	696.1	775.1	868.5	655.8	691.3	777.3	849.1

Table 18.--BUDGET AUTHORITY BY AGENCY
(in billions of dollars)

	Actual	January Budget Estimate				Current Estimate			
	1979	1980	1981	1982	1983	1980	1981	1982	1983
Legislative branch.....	1.1	1.3	1.3	1.5	1.3	1.3	1.3	1.5	1.3
The Judiciary.....	0.5	0.6	0.7	0.7	0.7	0.6	0.7	0.7	0.7
Executive Office of the President...	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Funds appropriated to the President.	5.9	13.0	11.4	13.0	14.8	12.4	12.0	21.3	12.0
Agriculture.....	24.5	24.7	24.6	25.6	27.0	24.6	23.9	25.1	26.5
Commerce.....	2.6	3.7	3.4	3.7	3.9	3.2	2.9	3.3	3.7
Defense--Military.....	125.0	138.6	158.2	179.4	201.0	140.9	160.9	182.9	205.0
Defense--Civil.....	2.8	2.9	3.0	3.9	3.8	2.9	2.9	3.9	3.8
Education.....	12.6	13.9	15.5	16.6	17.9	13.6	15.1	16.2	17.6
Energy.....	10.3	10.5	10.2	11.0	12.9	9.9	10.1	11.0	13.7
Health and Human Services.....	172.8	195.4	222.9	254.8	286.5	196.4	224.0	257.4	290.2
Housing and Urban Development.....	31.1	35.7	40.4	47.6	48.8	35.5	40.3	45.7	47.2
Interior.....	4.7	4.6	4.7	5.0	5.3	4.3	4.1	4.4	4.7
Justice.....	2.5	2.5	2.7	2.7	2.8	2.4	2.2	2.3	2.4
Labor.....	28.6	28.1	33.0	37.0	38.2	27.8	31.3	34.9	36.8
State.....	1.7	2.1	2.3	2.5	2.6	2.1	2.3	2.5	2.6
Transportation.....	17.2	17.8	20.5	20.0	22.1	17.8	20.3	20.1	22.1
Treasury.....	64.7	94.1	80.9	81.8	81.5	95.1	79.2	76.8	73.6
Environmental Protection Agency.....	5.4	4.7	5.3	5.8	6.4	4.7	5.3	5.8	6.4
National Aeronautics and Space Administration.....	4.5	5.3	5.7	5.8	5.8	5.3	5.5	5.8	5.8
Veterans Administration.....	20.5	21.2	22.7	23.8	24.9	21.2	22.4	23.7	24.8
Office of Personnel Management.....	21.0	24.5	26.7	28.5	30.2	24.5	26.3	28.2	29.9
Other agencies.....	14.8	30.8	21.9	19.0	19.1	31.3	21.2	18.3	18.6
Allowances.....	---	0.2	3.1	11.2	38.0	---	1.7	12.0	27.6
Undistributed offsetting receipts...	-18.5	-22.3	-25.1	-26.4	-27.9	-22.2	-24.9	-26.6	-27.9
Total budget authority.....	556.7	654.0	696.1	775.1	868.5	655.8	691.3	777.3	849.1

Table 19.--DEBT SUBJECT TO LIMIT, 1979-1981
(in billions of dollars)

	1979 Actual	1980 Estimate		1981 Estimate	
		January	Current	January	Current
Budget deficit or surplus (-).....	27.7	39.8	36.5	15.8	-16.5
Portion of budget deficit attributable to trust funds surplus or deficit (-) <u>1/</u>	<u>18.3</u>	<u>18.1</u>	<u>13.6</u>	<u>30.8</u>	<u>14.1</u>
Federal funds deficit or surplus (-).. <td>46.1</td> <td>57.8</td> <td>50.1</td> <td>46.5</td> <td>-2.4</td>	46.1	57.8	50.1	46.5	-2.4
Deficit of off-budget Federal entities.....	<u>12.4</u>	<u>16.8</u>	<u>15.0</u>	<u>18.1</u>	<u>18.7</u>
Total to be financed.....	58.5	74.6	65.1	64.6	16.3
Means of financing other than borrowing, and other adjustments <u>1/</u>	<u>-3.6</u>	<u>-15.0</u>	<u>-11.8</u>	<u>-17.6</u>	<u>-0.2</u>
Change in debt subject to limit.....	54.9	59.6	53.4	47.1	16.1
	=====	=====	=====	=====	=====
Debt subject to limit, beginning of year <u>2/</u> ...	772.7	827.6	827.6	887.2	881.0
Debt subject to limit, end of year <u>2/</u>	827.6	887.2	881.0	934.2	897.1

1/ The changes from the January estimate to the current estimate are largely due to the reclassification of the energy security program from a trust fund to Federal funds, in accordance with the legislation adopted by the Congress on the energy program. This directly reduces the estimated trust fund surplus and raises the Federal fund surplus by an equal amount. Since the budget assumed that the trust fund balances for this program would not be invested in Federal securities, a change in the adjustment for the means of financing other than borrowing also reflects this reclassification. Thus, the reclassification had no effect on the change in debt subject to limit.

2/ The statutory debt limit is permanently established at \$400 billion. Public Law 96-78 temporarily increased the statutory debt limit to \$879 billion through May 31, 1980.

Table 20.--THE CREDIT BUDGET TOTALS
(in billions of dollars)

	1979	1980 Estimate		1981 Estimate	
	<u>Actual</u>	<u>January</u>	<u>Current</u>	<u>January</u>	<u>Current</u>
New direct loan obligations:					
On-budget.....	33.9	36.4	37.2	35.4	35.4
Off-budget.....	<u>17.5</u>	<u>23.3</u>	<u>22.8</u>	<u>25.3</u>	<u>25.8</u>
Total, New direct loan obligations....	51.4	59.7	60.0	60.7	61.2
New loan guarantee commitments <u>1/</u>	<u>74.7</u>	<u>75.2</u>	<u>74.4</u>	<u>81.4</u>	<u>77.4</u>
Total.....	126.1	134.9	134.4	142.1	138.6

1/ To avoid double counting, excludes commitments for guarantee of loans previously guaranteed and for guarantee by one Government account of direct loans made by another Government account.

Table 21.--NEW DIRECT LOAN OBLIGATIONS BY AGENCY
(in billions of dollars)

	1979	1980 Estimate		1981 Estimate	
	Actual	January	Current	January	Current
On-budget agencies:					
Funds appropriated to the President.....	1.3	1.7	1.7	2.0	2.0
Agriculture.....	21.3	20.8	21.2	18.2	18.4
Commerce.....	0.1	0.3	0.1	0.5	0.4
Defense.....	*	---	---	---	---
Education.....	0.7	0.7	0.6	1.3	1.3
Energy.....	---	*	*	*	*
Health and Human Services.....	0.1	0.1	0.1	0.2	0.2
Housing and Urban Development.....	3.6	3.8	3.7	3.4	3.4
Interior.....	*	*	*	0.1	0.1
Justice.....	*	---	---	---	---
State.....	*	*	*	*	*
Transportation.....	0.1	0.2	0.2	0.3	0.3
Treasury.....	*	---	---	---	---
Veterans Administration.....	0.6	0.7	0.7	0.8	0.7
Other independent agencies:					
Export-Import Bank.....	4.1	4.5	4.5	4.8	4.8
National Credit Union Administration....	*	1.8	1.8	2.2	2.2
Small Business Administration.....	1.8	1.4	1.6	1.4	1.4
All other independent agencies.....	0.2	0.3	1.0	0.4	0.4
Subtotal, On-budget agencies.....	33.9	36.4	37.2	35.4	35.4
Off-budget entities:					
Rural Electrification Administration.....	1.4	1.3	1.3	1.3	1.3
Federal Financing Bank.....	16.0	22.0	21.5	23.9	24.5
All other off-budget entities.....	0.1	*	*	*	*
Subtotal, Off-budget entities.....	17.5	23.3	22.8	25.3	25.8
Total.....	51.4	59.7	60.0	60.7	61.2

* \$50 million or less.

Table 22.--NEW LOAN GUARANTEE COMMITMENTS BY AGENCY
(in billions of dollars)

	1979 Actual	1980 Estimate		1981 Estimate	
		January	Current	January	Current
Funds appropriated to the President.....	5.4	2.2	2.1	2.7	2.8
Agriculture <u>1/</u>	17.8	19.1	19.1	21.4	21.0
Commerce.....	1.7	2.0	1.5	3.2	2.1
Defense.....	---	*	*	*	*
Education.....	3.3	4.6	4.9	2.2	2.2
Energy.....	*	1.9	1.9	0.2	0.2
Health and Human Services.....	*	0.2	0.2	0.3	0.2
Housing and Urban Development.....	88.8	90.3	90.3	102.1	102.1
Interior.....	*	---	---	*	*
Transportation.....	0.2	1.0	1.0	0.8	0.8
Treasury.....	0.5	1.8	1.8	0.3	0.3
National Aeronautics and Space Administration.	0.2	---	---	---	---
Veterans Administration.....	8.1	10.3	10.3	10.4	10.4
Other independent agencies:					
Energy Security Corporation <u>2/</u>	---	0.8	0.8	2.0	2.0
Export-Import Bank.....	5.0	7.8	6.8	8.9	7.6
Small Business Administration.....	4.2	5.3	5.4	5.8	5.3
All other independent agencies.....	*	*	*	*	*
Less: Secondary guarantees of loans that are already guaranteed.....	-42.4	-48.0	-48.0	-53.1	-53.1
Less: Guaranteed loans held as direct loans..	-18.1	-24.1	-23.6	-25.8	-26.3
Total.....	74.7	75.2	74.4	81.4	77.4

1/ Includes Rural Electrification Administration off-budget activities as follows: 1979, \$6.0 billion; 1980, \$5.9 billion in the January estimate and \$5.9 billion in the current estimate; and 1981, \$6.0 billion in the January estimate and \$6.0 billion in the current estimate.

2/ This is an off-budget Federal entity.

* \$50 million or less.

Part 4

THE PRESIDENT'S BUDGET REDUCTIONS

THE PRESIDENT'S BUDGET REDUCTIONS
(In millions of dollars)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
<u>Deferral or Reduction of New Initiatives</u>				
Delete antirecession fiscal assistance proposal (ARFA).....	-125	-70	-1,000	-1,000
Delay initiation of welfare reform.....	---	---	-859	-859
Energy initiative:				
Hold increase for low-income energy assistance to \$600 million.	---	---	-200	-200
Defer transportation programs.....	-601	-100	-16	-391
Biomass credit, coal research, regional storage, etc.	-100	-89	-143	-110
Solar energy and conservation bank.....	-135	-41	-402	-446
Reduce new EDA development financing program by 75% in 1980 and 50% in 1981.....	-430	-63	-389	-221
Defer new water resources construction starts.....	---	---	-575	-40
Delay initiation of child health assurance program until September 1981.....	-39	-39	-388	-388
Withdraw Pakistan aid.....	-110	-100	---	---
Delay child welfare reform.....	-53	-53	---	---
Other, including deferral of crop insurance proposal and medicaid/ medicare and social security reforms and benefit increases.....	---	-2	-221	-350
	-1,593	-557	-4,193	-4,005
	=====	=====	=====	=====
<u>Shift From Semi-Annual to Annual Indexing</u>				
Federal personnel retirement.....	-77	-77	-1,045	-1,069
Department of Defense.....	(-77)	(-77)	(-417)	(-417)
Civilian agencies.....	(---)	(---)	(-628)	(-652)
Food and nutrition programs.....	-133	-133	-378	-378
	-210	-210	-1,423	-1,447
	=====	=====	=====	=====

THE PRESIDENT'S BUDGET REDUCTIONS (continued)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
<u>General Reductions Across the Government</u>				
Higher pay raise absorption for civilian agencies.....	---	---	-200	-200
Freeze in executive salaries.....	(---)	(---)	(-57)	(-56)
Other.....	(---)	(---)	(-143)	(-144)
Allowance for contingencies.....	-150	-100	---	-101
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total, General reductions across the Government.....	-150	-100	-200	-301
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Memorandum:				
Reduction in operating expenses (equal to 2% of personnel compensation) including effects of a personnel freeze and a 15% reduction in consultants. Most of these decreases are included in other listed reductions:				
Department of Defense.....	(---)	(---)	(-360)	(-360)
Other.....	(---)	(---)	(-506)	(-506)
Pay raise absorption for civilian agencies, included in other listed reductions.....	(-60)	(-58)	(---)	(---)
<u>Other Program Eliminations, Reductions, Deferrals, and Reforms</u>				
Department of Agriculture:				
Increase interest on loan programs (reduces net outlays).....	---	-5	---	-127
Reduce water and sewer grants.....	-75	-4	-184	-55
Propose reform for food stamp programs.....	---	---	-130	-130
Other, including reductions in watershed construction grants, grants to land grant colleges, and operating expenses.....	-30	-12	-173	-150
Department of Commerce:				
Eliminate EDA section 304 program (public works grants to States).....	---	---	-20	-20
Other, including rescission of balances in the coastal energy impact fund.....	-63	-15	-69	-75

THE PRESIDENT'S BUDGET REDUCTIONS (continued)

	1980		1981	
	<u>Budget Authority</u>	<u>Outlays</u>	<u>Budget Authority</u>	<u>Outlays</u>
<u>Other Program Eliminations, Reductions, Deferrals, and Reforms (cont'd)</u>				
Department of Defense-Military:				
Reduce aircraft and other procurement.....	-714	-178	-316	-351
Reduce Navy Reserve destroyer overhauls and other operation and maintenance costs including personnel.....	-114	-90	-593	-469
Other, including research, development test and evaluation.....	-230	-64	-581	-183
Corps of Engineers:				
Reduce operation and maintenance on existing public works.....	---	---	-68	-68
Other, including small construction projects and procurement and operating expenses.....	---	---	-97	-97
Department of Education:				
Reduce higher education student assistance.....	-108	-21	-150	-213
Reduce assistance to schools in federally affected areas (impact aid).....	---	---	-105	-88
Reduce elementary and secondary education.....	-138	-10	-269	-128
Other, including reductions in general services and assistance programs and educational quality and reform programs.....	-185	-15	-124	-149
Department of Energy:				
Defer strategic petroleum reserve purchases from June 1980 to June 1981.....	---	-230	---	-850
Reduce uranium enrichment program, including delay of gas centrifuge plant in Portsmouth, Ohio.....	---	---	-233	-154
Other reductions in research and development, conservation, supply, construction, and grant assistance.....	-63	-41	-233	-282
Department of Health and Human Services:				
Reduce health services grants.....	-35	-7	-89	-66
Other, including local health planning and other grant programs, and withdrawal of proposed mental health and alcohol services supplemental.....	-301	-64	-553	-381

THE PRESIDENT'S BUDGET REDUCTIONS (continued)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
<u>Other Program Eliminations, Reductions, Deferrals, and Reforms (cont'd)</u>				
Department of Housing and Urban Development:				
Reduce community development block grant program.....	-153	-21	---	-92
Reduce rehabilitation loan program.....	-38	-14	-64	-72
Other, including reductions in homeownership assistance (Sec. 235), operating subsidies for troubled housing projects, and neighborhood self-help development grants.....	-1	-4	-19	-29
Department of the Interior:				
Reduce land purchases by the land and water conservation fund..	-251	-61	-347	-181
Eliminate urban park grants.....	-85	-57	-125	-46
Other, including reductions in wildlife refugee purchases, construction, and payments in lieu of taxes.....	-28	-22	-165	-127
Department of Justice:				
Eliminate law enforcement assistance grants.....	---	---	-394	-89
Other, including operating expenses.....	-4	-2	-27	-28
Department of Labor:				
Reduce countercyclical public service employment (Title VI) from 200,000 (proposed in January) to 149,000 service years...	---	-182	-751	-500
Phase out welfare reform demonstration.....	---	-144	-456	-239
Stop paying unemployment compensation based on public service employment jobs.....	---	---	-150	-150
Phase down Young Adult Conservation Corps.....	---	-23	-141	-100
Reduce operating expenses.....	-4	-4	-14	-14
Department of State:				
Reduce lower priority refugee aid.....	---	---	-35	-29
Other, including deferring embassy construction and reduction of operating costs.....	-5	-5	-28	-20

THE PRESIDENT'S BUDGET REDUCTIONS (continued)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
<u>Other Program Eliminations, Reductions, Deferrals, and Reforms (cont'd)</u>				
Department of Transportation:				
Reduce highway obligations to \$7.7 billion in 1980 and \$8.5 billion in 1981 (from \$8.85 billion in both years).....	---	-20	---	-400
Defer certain Northeast Corridor improvements until 1981.....	---	---	---	-50
Defer initial delivery of low-level AMTRAK cars until 1982.....	---	---	-50	-50
Other, including reductions in operating expenses and research and demonstration projects.....	-15	---	-135	-200
Department of the Treasury:				
Fiscal assistance to State and local governments:				
Elimination of State share of general revenue sharing.....	---	---	-2,285	-1,714
Proposal for transitional assistance payments.....	---	---	+500	+500
Net reduction, fiscal assistance.....	---	---	-1,785	-1,214
Other, including reductions in Treasury investment in the National Consumer Cooperative Bank and operating expenses.....	-8	-8	-80	-70
Environmental Protection Agency:				
Defer most remaining 1980 funds for waste treatment plant construction.....	---	-6	---	-95
Reduce personnel costs.....	-9	-9	-7	-7
National Aeronautics and Space Administration:				
Reschedule science experiments planned to fly on Spacelab missions and reduce other programs.....	---	-10	-219	-224
Veterans Administration:				
Reduce capital investment in VA's Department of Medicine and Surgery and other medical program costs.....	---	---	-196	-196
Other, including suspension of direct housing loans and research programs.....	---	-39	-40	-126
Foreign assistance and Peace Corps.....	-6	-8	-44	-94

THE PRESIDENT'S BUDGET REDUCTIONS (continued)

	1980		1981	
	Budget Authority	Outlays	Budget Authority	Outlays
<u>Other Program Eliminations, Reductions, Deferrals, and Reforms (cont'd)</u>				
Other agencies:				
Reduce Export-Import Bank direct loan programs.....	-342	-45	-513	-270
Reduce Postal Service subsidy.....	---	---	-250	-250
Reduce GSA procurement and maintenance of facilities and ADP equipment; and reduce stockpile procurement.....	-1	-39	-26	-95
Reduce NSF research and science activities and operating expenses.....	-5	-8	-74	-50
Other reductions in smaller agencies and programs.....	<u>-60</u>	<u>-52</u>	<u>-117</u>	<u>-133</u>
 Total, Other program eliminations, reductions, deferrals, and reforms.....	<u>-3,071</u>	<u>-1,539</u>	<u>-10,239</u>	<u>-9,246</u>
 TOTAL, ALL PROGRAM REDUCTIONS.....	<u>-5,024</u>	<u>-2,406</u>	<u>-16,055</u>	<u>-15,000</u>
	=====	=====	=====	=====

NOTE: This table excludes the reduced costs of interest on the public debt that result from lower deficit levels.