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## ANALYSIS OF CONFERENCE AGREEMENT

### Revenues

#### Revenue Increases

- o The conference agreement instructs the Finance Committee and Ways and Means Committees to raise revenues \$19.3 billion in FY 1988, \$22.0 billion in FY 1989, and \$23.0 billion in FY 1990. Over three years, the committees are instructed to raise revenues \$64.3 billion.
- o The FY 1988 reconciled revenue increase is \$1.0 and \$1.3 billion, respectively, higher than the Senate-passed and House-passed resolutions recommended for FY 1988.
- o The tax provisions in TEFRA (1982) raised \$15.9 billion in the first year. This conference agreement recommends increasing revenues \$3.3 billions more in the first year than the largest tax increase in history.
- o The conference agreement accepts the President's proposed IRS initiative and assumes increased revenues due to increased compliance. The conference report assumes the additional revenues to total \$1.85 billion in FY 1988, \$2.95 billion in FY 1989, and \$3.10 billion in FY 1990. IRS compliance revenues are not reconciled.

# ANALYSIS OF CONFERENCE AGREEMENT

## Debt Subject to Limit

| (\$ billions)                       |            |        |        |        |            |
|-------------------------------------|------------|--------|--------|--------|------------|
|                                     | 1987       | 1988   | 1989   | 1990   | 1991       |
| conference ..... Level              | <b>N/A</b> | 2565.1 | 2777.1 | 2964.2 | <b>N/A</b> |
| Senate-passed ..... Level           | 2353.8     | 2585.6 | 2804.1 | 2983.7 | 3115.2     |
| House-passed ..... Level            | <b>N/A</b> | 2565.1 | 2776.4 | 2966.3 | <b>N/A</b> |
| CBO Baseline ..... Level            | 2353.8     | 2619.1 | 2891.6 | 3145.3 | 3381.1     |
| Conference over (+)/<br>under (-) : |            |        |        |        |            |
| Senate-passed ... Level             | <b>N/A</b> | -20.5  | -27.0  | -19.5  | <b>N/A</b> |
| House-passed ... Level              | <b>N/A</b> | ---    | +0.7   | -2.1   | <b>N/A</b> |
| CBO Baseline ... Level              | <b>N/A</b> | -54.0  | -114.5 | -181.1 | <b>N/A</b> |

## Major Issues

The conference agreement recommends a lower debt limit level than the CBO baseline, due to the lower deficits that are assumed to result from implementation of the budget resolution.

The debt limit levels recommended in the conference report are based on the deficits resulting from using the OMB economic assumptions.

The Senate Finance Committee is instructed, as part of reconciliation, to report changes in laws to increase the statutory limit on the public debt to a level of \$2,565.1 billion. This is the first budget resolution conference report to reconcile a debt limit increase.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 050: National Defense

|                      |    | (\$ billions) |       |             |       |            |
|----------------------|----|---------------|-------|-------------|-------|------------|
|                      |    | 1987          | 1988  | 1989        | 1990  | 1991       |
| Conference           |    |               |       |             |       |            |
| High-Tier .....      | BA | <b>N/A</b>    | 296.0 | 303.7       | 311.0 | --         |
|                      | 0  | <b>N/A</b>    | 289.5 | 292.3       | 299.2 |            |
| Low-Tier .....       | BA | <b>N/A</b>    | 289.0 | 294.8       | 297.9 | --         |
|                      | 0  | <b>N/A</b>    | 283.6 | 288.0       | 292.0 |            |
| Senate-passed .....  | BA | 289.6         | 301.5 | 307.3       | 310.4 | 313.4      |
|                      | 0  | 279.6         | 290.6 | 295.0       | 299.0 | 303.0      |
| House-passed .....   | BA | <b>N/A</b>    | 288.7 | 299.2       | 310.6 | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | 281.7 | 289.0       | 298.6 | <b>N/A</b> |
| CBO Baseline .....   | BA | 286.6         | 302.7 | 316.3       | 330.6 | 345.8      |
|                      | 0  | 279.6         | 290.5 | 303.4       | 317.1 | 332.3      |
| High Tier            |    |               |       |             |       |            |
| Conference over (+)/ |    |               |       |             |       |            |
| under (-) :          |    |               |       |             |       |            |
| Senate-passed .....  | BA | <b>N/A</b>    | -5.2  | -3.6        | -0.6  | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | -1.1  | -2.7        | +0.2  | <b>N/A</b> |
| House-passed .....   | BA | <b>N/A</b>    | +7.6  | +4.5        | +0.4  | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | +7.8  | +3.3        | +0.6  | <b>N/A</b> |
| CBO Baseline .....   | BA | <b>N/A</b>    | -6.4  | -12.6       | -19.6 | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | -1.0  | -11.1       | -17.9 | <b>N/A</b> |
| Low Tier             |    |               |       |             |       |            |
| Conference over (+)/ |    |               |       |             |       |            |
| under (-) :          |    |               |       |             |       |            |
| Senate-passed .....  | BA | <b>N/A</b>    | -12.5 | -12.5       | -12.5 | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | -7.0  | -7.0        | -7.0  | <b>N/A</b> |
| House-passed .....   | BA | <b>N/A</b>    | +0.3  | <b>-4.4</b> | -12.7 | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | +1.9  | -1.0        | -6.6  | <b>N/A</b> |
| CBO Baseline .....   | BA | <b>N/A</b>    | -13.7 | -21.5       | -32.7 | <b>N/A</b> |
|                      | 0  | <b>N/A</b>    | -6.9  | -15.4       | -25.1 | <b>N/A</b> |

## Major Issues

This budget guarantees five consecutive years of real decline in spending for defense (FY 1986-90). Although the conferees approved a two tier system for defense spending, even at the high-tier, high-tax level, defense will experience another year of negative growth. This split level approach holds \$7 billion in funding for national security hostage to \$64 billion in increased taxation without holding any of the domestic increases hostage to such a scheme.

- o High-tier Defense Budget authority for FY 1988 falls \$6 billion and 2.2 percent of CBO projections, which assume zero real growth. The outlay target for FY 1988 could be considered more reasonable, if it were not held hostage to huge tax increases. The real cuts in budget authority in the outyears are more severe, a negative 4 percent for FY 1989 and negative 6 percent for FY 1990. Together with the FY 1988 cuts, the so-called high-tier defense numbers would reverse the gains in readiness and morale achieved during the 1980-85 period.
- o Low-tier Defense Defense is cut even further at the low-tier level. Budget authority for FY 1988 will result in negative growth of 4.5 percent. The decline continues in the outyears, at negative 7 percent for FY 1989 and negative 10 percent for FY 1990, again compared to the CBO baseline.
- o Budget authority and outlays at the low-tier level are approximately the same as the House budget resolution and the House defense authorization bill. In order for the House to meet the outlay numbers at this level, Chairman Aspin amended the Armed Services Committee-reported authorization bill to include a provision ordering the Department of Defense to delay paying its bills for the last twelve days of the fiscal year. This gimmick saved \$6 billion in outlays. The remainder of the cuts must come in the readiness and the research and development accounts. The low-tier defense budget will require the same kind of outlay cuts in the Senate, if adopted.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 150: International Affairs

|                       |    | (\$ billions) |      |             |      |            |
|-----------------------|----|---------------|------|-------------|------|------------|
|                       |    | 1987          | 1988 | 1989        | 1990 | 1991       |
| Conference .....      | BA | <b>N/A</b>    | 16.2 | 21.7        | 18.4 | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | 16.1 | 15.2        | 15.2 | <b>N/A</b> |
| Senate-passed .....   | BA | <b>N/A</b>    | 15.8 | 20.3        | 16.0 | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | 15.8 | 14.3        | 13.3 | <b>N/A</b> |
| House-passed .....    | BA | <b>N/A</b>    | 16.4 | 22.0        | 18.8 | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | 16.2 | 15.6        | 15.4 | <b>N/A</b> |
| CBO Baseline .....    | BA | 15.3          | 17.5 | 23.2        | 20.0 | 20.2       |
|                       | O  | 13.8          | 16.8 | 16.4        | 16.5 | 15.6       |
| Conference over (+) / |    |               |      |             |      |            |
| under (-) :           |    |               |      |             |      |            |
| Senate-passed .....   | BA | <b>N/A</b>    | +0.4 | <b>+1.4</b> | +2.4 | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | +0.3 | +1.0        | +1.9 | <b>N/A</b> |
| House-passed .....    | BA | <b>N/A</b>    | -0.2 | -0.4        | -0.3 | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | -0.1 | -0.3        | -0.2 | <b>N/A</b> |
| CBO Baseline .....    | BA | <b>N/A</b>    | -1.3 | +1.6        | -1.6 | <b>/A</b>  |
|                       | O  | <b>N/A</b>    | -0.6 | -1.1        | -1.3 | <b>N/A</b> |

## Major Issues

For the first time in the budget process, Africa as well as Egypt and Israel has been included in the list of regions assumed to be immune from budget cuts. Other international programs will be held to the FY 1987 freeze level unless affected by unspecified FY 1988 reductions of \$0.65 billion in budget authority and \$0.3 billion in outlays. Under this budget, continuation of a large Eximbank direct loan program is unlikely.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 150: International Affairs (continued)

#### Spending Adds

- o The exemption from cuts assumed for Israel, Egypt, and Africa is similar in intent to adds in other functions, as the remainder of the foreign aid program is assumed to be reduced.

#### Spending Cuts

- o Foreign aid for regions other than Africa and Israel would be reduced by 5 percent or more, relative to the FY 1987 Continuing Resolution levels.
- o If existing appropriation and authorization earmarks are retained in FY 1988, Central American economic aid could be reduced by 20 percent.
- o The conference agreement denies the 15 percent increase requested by the President for this function in FY 1988.
- o There are no reconciliation assumptions in this function.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 250: General Science, Space, and Technology

|                       |    | (\$ billions) |             |      |             |            |
|-----------------------|----|---------------|-------------|------|-------------|------------|
|                       |    | 1987          | 1988        | 1989 | 1990        | 1991       |
| Conference .....      | BA | <b>N/A</b>    | 11.3        | 13.5 | 15.0        | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | 11.1        | 13.0 | 14.6        | <b>N/A</b> |
| Senate-passed .....   | BA | 12.2          | 11.5        | 13.7 | 15.2        | 15.8       |
|                       | O  | 9.5           | 11.2        | 13.1 | 14.8        | 15.5       |
| House-passed .....    | BA | <b>N/A</b>    | 10.2        | 10.8 | 11.2        | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | 10.4        | 11.1 | 11.6        | <b>N/A</b> |
| CBO Baseline .....    | BA | 12.2          | 10.6        | 11.0 | 11.6        | 12.1       |
|                       | O  | 9.5           | 10.7        | 11.5 | 11.9        | 12.2       |
| Conference over (+) / |    |               |             |      |             |            |
| under (-) :           |    |               |             |      |             |            |
| Senate-passed .....   | BA | <b>N/A</b>    | -0.2        | -0.2 | -0.2        | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | -0.1        | -0.1 | -0.2        | <b>N/A</b> |
| House-passed: .....   | BA | <b>N/A</b>    | +1.1        | +2.7 | +3.8        | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | +0.7        | +1.9 | +3.0        | <b>N/A</b> |
| CBO Baseline .....    | BA | <b>N/A</b>    | +0.7        | +2.5 | <b>+3.4</b> | <b>N/A</b> |
|                       | O  | <b>N/A</b>    | <b>+0.4</b> | +1.5 | <b>+2.7</b> | <b>N/A</b> |

## Major Issues

The conference agreement assumes funding increases for all programs in this function -- the National Science Foundation, **NASA**, and Department of Energy basic research -- at levels slightly below the President's request. In the outyears, the agreement provides continuing funding for the Superconducting Super Collider (SSC) and the Space Station.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 250: Science. Space. and Technology (continued)

#### Spending Adds

- o While the conference agreement does not cite specific funding levels, all programs in this function appear to receive increases nearly as high as proposed in the President's budget.
- o overall in FY 1988, Function 250 programs exceed the baseline by \$750 million in BA and \$400 million in outlays.
- o Funding for major new projects, such as the SSC and the Space Station, are included in both FY 1988 and the outyears.

#### Spending cuts

- o None.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 270: Energy

|                       |    | (\$ billions) |            |                 |             |            |
|-----------------------|----|---------------|------------|-----------------|-------------|------------|
|                       |    | 1987          | 1988       | 1989            | 1990        | 1991       |
| conference •••••      | BA | <b>N/A</b>    | 4.5        | 5.0             | <b>4.6</b>  | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | <b>4.6</b> | 4.2             | 4.2         | <b>N/A</b> |
| Senate-passed •••••   | BA | 5.2           | 4.8        | 5.4             | 5.0         | 4.7        |
|                       | 0  | 3.7           | 4.8        | 4.5             | <b>4.6</b>  | 4.2        |
| House-passed •••••    | BA | <b>N/A</b>    | 3.2        | 4.2             | 4.2         | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | 3.6        | 3.3             | 3.2         | <b>N/A</b> |
| CBO Baseline •••••    | BA | 5.2           | 5.4        | 6.3             | <b>6.4</b>  | <b>6.5</b> |
|                       | 0  | 3.7           | 5.4        | 5.3             | 5.5         | 5.5        |
| Conference over (+) / |    |               |            |                 |             |            |
| under (-) :           |    |               |            |                 |             |            |
| Senate-passed •••••   | BA | <b>N/A</b>    | -0.3       | <b>-0.4</b>     | <b>-0.4</b> | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | -0.2       | <b>-0.4</b>     | <b>-0.4</b> | <b>N/A</b> |
| House-passed •••••    | BA | <b>N/A</b>    | +1.2       | +0.9            | <b>+0.4</b> | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | +1.0       | <del>+2.2</del> | <b>+1.0</b> | <b>N/A</b> |
| CBO Baseline •••••    | BA | <b>N/A</b>    | -0.9       | -1.2            | <b>-1.8</b> | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | -0.9       | -1.2            | -1.3        | <b>N/A</b> |

### Major Issues

The conference agreement assumes a freeze of all programs in this function for the next three years at the FY 1987 appropriated level. In addition, the conference agreement assumes increased Nuclear Regulatory Commission (NRC) fees, Rural Electrification Administration (REA) reforms, and large unspecified reductions in energy programs.

## **ANALYSIS OF CONFERENCE AGREEMENT**

### Function 270: Energy (continued)

#### Spending Adds

- o It appears the conference agreement provides \$350 million in additional BA for the clean coal program in FY 1988.
- o It appears the conference agreement adds money for an "energy efficiency" program. The Senate-passed budget resolution assumed \$26 million in BA for this program in FY 1988.

#### Spending Cuts

- o The conference agreement assumes all discretionary programs in this function are frozen at the FY 1987 level in FY 1988, reducing BA by \$207 million and outlays by \$88 million.
- o The conference agreement would cut funding for the program to site a civilian nuclear waste repository by \$200 million in BA and \$100 million in outlays in FY 1988.
- o It appears the conference agreement assumes unspecified reductions for all discretionary appropriated programs amounting to approximately \$300 million in BA and \$250 million in outlays in FY 1988. It would take approximately a 10 percent across-the-board cut to achieve this level of outlay savings in FY 1988.
- o The conference agreement reconciles \$130 million in BA and outlay savings in FY 1988 to the Senate Agriculture Committee through Rural Electrification Administration (REA) reforms. The Senate-passed budget resolution assumed this level of savings was derived from prepayment of direct loans and new fees on REA loans.
- o The agreement reconciles \$150 million in annual BA and outlay savings to the Senate Environment and Public Works Committee through increases in Nuclear Regulatory Commission (NRC) fees. The NRC presently recovers one-third of its budget from fees. This proposal would require it to recover two-thirds of its budget from fees. The Senate-passed budget also assumed the Environmental Protection Agency (EPA) collected about one percent of its budget by increasing EPA fee collections by \$40 million. The EPA fee proposal was dropped from the conference agreement.
- o The conference agreement assumes unspecified reconciliation savings of \$140 million in BA and outlays to the Senate Energy and Natural Resources Committee in FY 1988, and a total of \$640 million in BA and outlay savings over the three year period: While these savings are unspecified, the Energy

Committee's direct spending jurisdiction for this function is almost entirely limited to the Power Marketing Administrations (PMAs).

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 300: Natural Resources and Environment

|                       |    | (\$ billions) |      |      |      |            |
|-----------------------|----|---------------|------|------|------|------------|
|                       |    | 1987          | 1988 | 1989 | 1990 | 1991       |
| Conference .....      | BA | <b>N/A</b>    | 15.9 | 16.4 | 16.8 | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | 15.1 | 16.2 | 17.2 | <b>N/A</b> |
| Senate-passed .....   | BA | 13.2          | 16.0 | 16.5 | 16.9 | 16.8       |
|                       | 0  | 13.8          | 15.1 | 16.2 | 17.3 | 17.2       |
| House-passed .....    | BA | <b>N/A</b>    | 13.9 | 14.8 | 15.6 | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | 13.8 | 14.6 | 15.8 | <b>N/A</b> |
| CBO Baseline .....    | BA | 13.2          | 16.5 | 17.5 | 18.3 | 18.7       |
|                       | 0  | 13.8          | 15.5 | 16.9 | 18.5 | 18.8       |
| Conference over (+) / |    |               |      |      |      |            |
| under (-) :           |    |               |      |      |      |            |
| Senate-passed .....   | BA | <b>N/A</b>    | -0.1 | -(*) | -(*) | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | 0.0  | -(*) | -(*) | <b>N/A</b> |
| House-passed .....    | BA | <b>N/A</b>    | +2.0 | +1.6 | +1.3 | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | +1.3 | +1.6 | +1.5 | <b>N/A</b> |
| CBO Baseline .....    | BA | <b>N/A</b>    | -0.6 | -1.0 | -1.5 | <b>N/A</b> |
|                       | 0  | <b>N/A</b>    | -0.4 | -0.8 | -1.2 | <b>N/A</b> |

### Major Issues

The net effect of the conference agreement is to cut spending slightly below a freeze level for programs in this function. The conference agreement assumes additional spending for environment and land acquisition programs. It offsets this additional funding by assuming a freeze and unspecified reductions in all other natural resource and environment programs.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 300: Natural Resources and Environment (continued)

#### Spending Adds

- o The conference agreement assumes additional funding for Environmental Protection Agency (EPA) programs. While it is unclear exactly how much is added in the conference agreement, the Senate-passed budget resolution added a total of approximately \$100 million in BA for the EPA Superfund and EPA enforcement programs. Congress almost doubled funding for the EPA Superfund program last year.
- o The conference agreement assumes additional funding for land acquisition programs. It is not clear exactly how much is added. However, the Senate-passed budget resolution added \$65 million in BA for land acquisition programs. The federal government already owns one-third of the country's land area.

#### Spending Cuts

- o The conference agreement would freeze all discretionary appropriated programs in this function at last year's level, reducing BA by \$390 million and outlays by \$235 million in FY 1988.
- o It appears the conference agreement assumes across-the-board cuts of \$250 million in BA and \$200 million in outlays in FY 1988 for discretionary appropriated programs in this function. It would take approximately a 2 percent across-the-board cut to achieve this level of outlay savings.
- o The conference agreement would eliminate a transfer to the National Oceanic and Atmospheric Administration (NOAA), reducing BA by \$44 million in BA and \$26 million in outlays in FY 1988. These savings are reconciled to the Senate Commerce Committee.
- o The agreement includes unspecified annual savings of \$30 million in BA and outlays, which are reconciled to the Senate Energy Committee.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 350: Agriculture

|                                    |    | (\$ billions) |      |      |      |      |
|------------------------------------|----|---------------|------|------|------|------|
|                                    |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....                    | BA | N/A           | 29.4 | 30.0 | 25.6 | N/A  |
|                                    | O  | N/A           | 28.6 | 26.1 | 22.4 | N/A  |
| Senate-passed.....                 | BA | N/A           | 29.4 | 30.1 | 25.5 | 22.2 |
|                                    | O  | N/A           | 28.6 | 26.2 | 22.3 | 20.3 |
| House-passed.....                  | BA | N/A           | 29.5 | 30.0 | 26.2 | N/A  |
|                                    | O  | N/A           | 28.7 | 26.1 | 23.0 | N/A  |
| CBO Baseline.....                  | BA | 30.5          | 30.9 | 31.8 | 28.6 | 24.6 |
|                                    | O  | 30.2          | 30.0 | 28.0 | 25.3 | 22.8 |
| Conference over (+)/<br>under (-): |    |               |      |      |      |      |
| Senate-passed.....                 | BA | N/A           | +0.1 | -0.2 | +0.1 | N/A  |
|                                    | O  | N/A           | ---  | -0.1 | +0.1 | N/A  |
| House-passed.....                  | BA | N/A           | -0.1 | -0.1 | -0.6 | N/A  |
|                                    | O  | N/A           | -0.1 | ---  | -0.6 | N/A  |
| CBO Baseline.....                  | BA | N/A           | -1.4 | -1.9 | -3.0 | N/A  |
|                                    | O  | N/A           | -1.4 | -1.9 | -3.0 | N/A  |

### Major Issues

The Senate-passed resolution assumed farm program savings of \$1.4 billion in FY 1988 and \$8.7 billion in FY 1988-91. The House-passed resolution assumed farm program savings of \$1.0 billion in FY 1988 and \$4.5 billion in FY 1988-90. The conference agreement reconciles farm program savings of \$1.2 billion in FY 1988 and \$5.5 billion in FY 1988-90.

The Senate-passed resolution assumed a four year freeze on all the discretionary programs in this function. The House assumed a one year freeze and additional unspecified reductions of \$0.3 billion in FY 1988. The conference agreement assumes additional unspecified reductions of \$0.3 billion in FY 1988 on all discretionary appropriations.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 350: Agriculture (continued)

#### Spending Adds

- o The Senate-passed resolution assumed \$30 million per year in FY 1988-90 for organic and low input agricultural research centers. In addition, the Senate-passed resolution assumed \$20 million per year in FY 1988-89 for a homeless initiative.

The House-passed budget contained no similar assumptions.

The House receded to the Senate.

#### Spending Cuts

- o The conference agreement assumes farm program savings of \$1.2 billion in FY 1988, \$1.6 billion in FY 1989 and \$2.7 billion in FY 1990.
- o The conference agreement assumes unspecified reductions of \$0.3 billion in FY 1988 and \$0.9 billion in FY 1988-90.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 370: Commerce and Housing Credit

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 12.5 | 12.0 | 15.4 | N/A  |
|                      | O  | N/A           | 7.8  | 5.0  | 6.8  | N/A  |
| Senate-passed.....   | BA | 12.1          | 12.2 | 12.4 | 15.4 | 12.8 |
|                      | O  | 8.7           | 7.5  | 5.4  | 6.8  | 4.8  |
| House-passed.....    | BA | N/A           | 12.7 | 12.6 | 15.8 | N/A  |
|                      | O  | N/A           | 8.1  | 5.6  | 7.1  | N/A  |
| CBO Baseline.....    | BA | 12.1          | 13.1 | 13.0 | 16.2 | 13.7 |
|                      | O  | 8.7           | 8.3  | 5.8  | 7.5  | 5.6  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | +0.3 | -0.4 | -0.1 | N/A  |
|                      | O  | N/A           | +0.3 | -0.4 | ---  | N/A  |
| House-passed.....    | BA | N/A           | -0.2 | -0.6 | -0.5 | N/A  |
|                      | O  | N/A           | -0.3 | -0.6 | -0.3 | N/A  |
| CBO Baseline.....    | BA | N/A           | -0.6 | -0.9 | -0.8 | N/A  |
|                      | O  | N/A           | -0.5 | -0.8 | -0.7 | N/A  |

### Major Issues

The Senate budget included \$600 million in savings from FCC auctions in FY 1988 only. The conference agreement would spread these savings over two years. It also includes the Senate assumptions for the Postal Service and half of the increases assumed for commerce and trade initiatives.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 370: Commerce and Housing Credit (continued)

#### Spending Adds

- o The Senate budget assumed about \$100 million in budget authority increases for commerce and trade development activities in the Commerce Department and SBA. The House budget did not. The conferees agreed to split the difference.

#### Spending Cuts

- o Both budgets assumed a reduction in the payment to the Postal Service for revenue foregone, though the Senate included more in savings because of technical estimating differences. Neither would have reduced benefits to subsidized mailers. The House receded to the Senate.
- o The Senate assumed the use of auctions to award certain broadcast licenses and incorporates \$600 million in FY 1988 receipts. The House did not assume this proposal. The conferees agreed to spread these savings over two years -- \$300 million in FY 1988 and \$300 million in FY 1989.
- o The conference agreement appears to incorporate the Senate's three-year freeze on other discretionary programs.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 400: Transportation

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 29.2 | 29.5 | 30.2 | N/A  |
|                      | O  | N/A           | 28.2 | 27.8 | 27.6 | N/A  |
| Senate-passed.....   | BA | 26.8          | 29.4 | 29.6 | 30.3 | 30.9 |
|                      | O  | 25.4          | 28.4 | 27.9 | 27.7 | 27.5 |
| House-passed.....    | BA | N/A           | 28.4 | 29.0 | 30.1 | N/A  |
|                      | O  | N/A           | 28.0 | 28.0 | 28.4 | N/A  |
| CBO Baseline.....    | BA | 26.8          | 29.7 | 30.5 | 31.5 | 32.6 |
|                      | O  | 25.4          | 28.8 | 29.4 | 30.1 | 30.9 |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | -0.2 | -0.1 | -0.1 | N/A  |
|                      | O  | N/A           | -0.2 | -0.1 | -0.1 | N/A  |
| House-passed.....    | BA | N/A           | +0.8 | +0.5 | +0.1 | N/A  |
|                      | O  | N/A           | +0.3 | -0.1 | -0.7 | N/A  |
| CBO Baseline.....    | BA | N/A           | -0.5 | -1.0 | -1.3 | N/A  |
|                      | O  | N/A           | -0.5 | -1.6 | -2.4 | N/A  |

### Major Issues

The conference agreement freezes most programs in Function 400. Small cuts are made to mass transit operating assistance, highways, and Amtrak. In addition, the agreement reconciles \$50 million a year in Coast Guard user fees. The conference agreement does not specify any assumptions for higher levels of aviation funding.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 400: Transportation (continued)

#### Spending Adds

- o The conference agreement states that it assumes increases for high priority programs such as air safety, airport construction, and Coast Guard. The agreement, however, does not provide information on the size of the increases.
- o Given other spending assumptions in this function, less than \$100 million in new outlays will be available in FY 1988 for program increases in aviation safety and other high priority areas.

#### Spending Cuts

- o The conference agreement cuts discretionary programs by \$100 million below the levels in the Senate-passed budget.
- o The agreement does not specify from where the additional \$100 million in savings will come. The Senate-passed budget, however, already froze most transportation programs, except for a 10 percent cut to Amtrak and slightly lower highway and transit levels than provided in H.R. 2.

#### Reconciliation

- o The conference agreement reconciles \$50 million a year for Coast Guard user fees, compared to the Senate-passed level of \$10 million a year.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 450: Community and Regional Development

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 7.5  | 7.6  | 7.8  | N/A  |
|                      | O  | N/A           | 6.6  | 6.4  | 6.7  | N/A  |
| Senate-passed.....   | BA | 8.4           | 7.4  | 7.3  | 7.2  | 7.0  |
|                      | O  | 7.3           | 6.7  | 6.4  | 6.5  | 6.3  |
| House-passed.....    | BA | N/A           | 7.6  | 7.8  | 7.9  | N/A  |
|                      | O  | N/A           | 6.7  | 6.5  | 6.8  | N/A  |
| CBO Baseline.....    | BA | 8.4           | 7.9  | 8.0  | 8.2  | 8.2  |
|                      | O  | 7.3           | 6.8  | 6.7  | 7.0  | 7.2  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | +0.1 | +0.4 | +0.6 | N/A  |
|                      | O  | N/A           | -0.1 | ---  | +0.2 | N/A  |
| House-passed.....    | BA | N/A           | -0.1 | -0.1 | -0.1 | N/A  |
|                      | O  | N/A           | -0.1 | -0.1 | -0.1 | N/A  |
| CBO Baseline.....    | BA | N/A           | -0.4 | -0.4 | -0.4 | N/A  |
|                      | O  | N/A           | -0.2 | -0.3 | -0.3 | N/A  |

### Major Issues

The conference agreement does not include the reductions in the community development block grant and urban development block grant programs assumed by the Senate. It does include \$200 million in unspecified savings, reconciled to the Banking Committee.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 450: Community and Regional Development (continued)

#### Spending Adds

- o None.

#### Spending Cuts

- o The Senate assumed a ten percent cut below the freeze level for community development block grants or a \$300 million reduction in budget authority in FY 1988. The House assumed funding at the FY 1987 level. The Senate receded to the House and dropped these savings.
- o The Senate assumed a five percent cut in urban development action grants, which would produce about \$11 million in budget authority savings in FY 1988. The House assumed the freeze level for this program as well. Again, the conferees adopted the House position.
- o The House budget assumed \$80 million in FY 1988 outlay savings and \$260 million over three years from an increase in flood insurance premiums, reconciled to the Banking Committee. The Senate did not. The conference agreement assumes \$200 million in unspecified reductions each year and reconciles these savings to the Banking Committee.
- o As with all committees, the Banking Committee can only meet its reconciliation instructions by reporting legislation which directly reduces the deficit. Under the rules governing this year's reconciliation process, it cannot meet the targets by reducing authorizations or selling loans.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 500: Education, Training, Employment & Social Services

|                     |    | (\$ billions) |      |      |      |      |
|---------------------|----|---------------|------|------|------|------|
|                     |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....     | BA | N/A           | 36.4 | 38.1 | 39.2 | N/A  |
|                     | O  | N/A           | 32.9 | 35.7 | 37.5 | N/A  |
| Senate-Passed.....  | BA | 33.0          | 36.0 | 36.4 | 37.7 | 39.2 |
|                     | O  | 30.3          | 32.9 | 35.9 | 36.9 | 38.2 |
| House-passed.....   | BA | N/A           | 36.4 | 38.1 | 39.2 | N/A  |
|                     | O  | N/A           | 33.0 | 35.7 | 37.5 | N/A  |
| CBO Baseline.....   | BA | 33.0          | 34.3 | 36.1 | 37.4 | 38.9 |
|                     | O  | 30.3          | 32.6 | 34.7 | 36.4 | 37.9 |
| Conference over (+) |    |               |      |      |      |      |
| under (-)           |    |               |      |      |      |      |
| Senate-Passed.....  | BA | N/A           | +0.4 | +1.6 | +1.6 | N/A  |
|                     | O  | N/A           | ---  | -0.2 | +0.6 | N/A  |
| House-Passed.....   | BA | N/A           | ---  | ---  | ---  | N/A  |
|                     | O  | N/A           | -0.1 | ---  | ---  | N/A  |
| CBO Baseline.....   | BA | N/A           | +2.2 | +2.0 | +1.8 | N/A  |
|                     | O  | N/A           | +0.3 | +1.0 | +1.1 | N/A  |

### Major Issues

The House and Senate budget resolutions were above the CBO baseline by \$0.3 billion in FY 1988 outlays. The Senate assumed a freeze for selected discretionary accounts and provided increases above that level. The House assumed an inflationary adjustment of 5.05 percent for all Function 500 programs.

The conference agreement assumes a freeze for selected programs, the House budget authority levels for fiscal years 1988 through 1990, the Senate outlay level for fiscal year 1988, and the House outlay levels for fiscal years 1989 and 1990.

The Senate resolution fenced increases for child welfare and job training in a Welfare Reform Reserve Fund. The House resolution did not. The Senate conferees assume these increases are fenced. The House conferees do not fence this increase.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 500: Education, Training, Employment & Social Services (continued)

#### Spending Adds

##### Education Programs

- o The Senate budget assumed increases above a freeze of \$2.2 billion in budget authority and \$0.2 billion in outlays for selected education programs including Compensatory Education for the Disadvantaged, Pell Grants (\$800 million), handicapped education (\$200 million), and vocational education (\$50 million). The remaining increase of \$1.1 billion was unspecified.
- o Overall, the House budget assumed increases above the CBO baseline of \$2.2 billion in budget authority and \$0.4 billion in outlays for this function in FY 1988. As with the Senate, part of this increase was targeted to Compensatory Education for the Disadvantaged, Pell Grants, and higher education. However, these increases were not specified.
- o The conference agreement provides for increases of \$2.3 billion above a freeze level in FY 1988 budget authority for Chapter 1, Drug Free Schools, vocational education, Pell Grants, Math Science Grants, TRIO and the Minority Institutions Science Improvement Programs.

##### Job Training Programs

- o The Senate budget provided \$0.6 billion in budget authority and \$0.3 billion in outlays for Job Training programs but fenced this money in the Welfare Reform Reserve Fund. This increase would have become available when the appropriate Committees reported legislation.
- o The House resolution included unspecified increases for job training programs but did not fence this money.
- o The conference agreement provides \$0.9 billion in budget authority and \$0.3 billion in outlays for welfare reform, worker training and retraining initiatives. The Senate assumes this increase is fenced in the Welfare Reform Reserve Fund for FY 1988 only. The House does not fence this money.

##### Social Service Programs

- o The Senate budget included an increase of \$0.2 billion in budget authority and \$0.1 billion in outlays for child care initiatives. As with the job training funds, this money was set aside in the Welfare Reform Reserve Fund.

- o The Senate budget also assumed increases for Head Start, Job Corps, and unspecified social service programs.
- o The House resolution assumed increases for child welfare, Head Start and the Social Services Block Grant but, again, did not fence the child welfare money.
- o The conference agreement assumes unspecified increases for Head Start, and the social services block grant program, \$0.1 billion in budget authority for Job Corps and increases of \$0.2 billion in budget authority and \$0.1 billion in outlays for child care. The Senate fences this increase in the Welfare Reform Reserve Fund for FY 1988 only. Again, the House does not fence this money.

#### Spending Cuts

- o The Senate budget assumed a freeze on selected discretionary accounts in this function for FY 1988 outlay savings of \$0.2 billion. The House resolution provided an inflationary adjustment of 5.05 percent for this function. The conference agreement assumes a freeze on selected discretionary accounts.
- o The Senate resolution also assumed unspecified reforms to job programs for savings of \$0.5 billion in budget authority and \$0.2 billion in outlays in FY 1988. The House assumed unspecified administrative savings of \$0.1 billion in both budget authority and outlays in FY 1988. The conference agreement includes unspecified savings beyond a freeze.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 550: Health

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 45.7 | 49.8 | 54.2 | N/A  |
|                      | O  | N/A           | 44.9 | 49.5 | 53.7 | N/A  |
| Senate-passed.....   | BA | 40.8          | 45.1 | 48.0 | 51.8 | 56.0 |
|                      | O  | 40.3          | 44.4 | 48.1 | 51.6 | 55.5 |
| House-passed.....    | BA | N/A           | 45.7 | 49.8 | 54.2 | N/A  |
|                      | O  | N/A           | 44.9 | 49.4 | 53.7 | N/A  |
| CBO Baseline.....    | BA | 40.8          | 44.5 | 48.4 | 52.6 | 56.9 |
|                      | O  | 40.3          | 44.1 | 48.2 | 52.1 | 56.3 |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | +0.6 | +1.8 | +2.4 | N/A  |
|                      | O  | N/A           | +0.5 | +1.4 | +2.1 | N/A  |
| House-passed.....    | BA | N/A           | -0.1 | ---  | ---  | N/A  |
|                      | O  | N/A           | -0.1 | ---  | ---  | N/A  |
| CBO Baseline.....    | BA | N/A           | +1.1 | +1.4 | +1.6 | N/A  |
|                      | O  | N/A           | +0.7 | +1.3 | +1.6 | N/A  |

## Major Issues

The conference agreement assumes increases in spending above the baseline of \$1.1 billion in FY 1988 budget authority and \$4.1 billion during the period FY 1988-90 for health programs. This includes increases for medicaid, discretionary health programs such as AIDS, and the homeless initiative. There are no spending reductions in this function.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 550: Health (continued)

#### Spending Adds

- o The conference agreement assumes additional FY 1988 funding for the Congressional homeless initiative.
- o It assumes an increase for medicaid of \$600 million in FY 1988 budget authority and outlays and \$2.4 billion during the period FY 1988-90. This addition would be used for program expansion in areas such as infant mortality and spousal impoverishment.
- o The agreement assumes an increase for AIDS and health research.
- o The resolution also assumes unspecified increases for maternal and child health and community health centers.

#### Spending Cuts

- o There are no spending cuts in this function.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 570: MEDICARE

|                      |    | (\$ billions) |      |       |       |       |
|----------------------|----|---------------|------|-------|-------|-------|
|                      |    | 1987          | 1988 | 1989  | 1990  | 1991  |
| Conference.....      | BA | N/A           | 92.9 | 102.3 | 113.1 | N/A   |
|                      | O  | N/A           | 81.6 | 89.5  | 100.0 | N/A   |
| Senate-passed.....   | BA | 83.5          | 93.2 | 102.7 | 113.2 | 123.8 |
|                      | O  | 73.7          | 80.1 | 89.1  | 99.8  | 111.3 |
| House-passed.....    | BA | N/A           | 93.2 | 102.6 | 113.3 | N/A   |
|                      | O  | N/A           | 81.6 | 89.2  | 98.8  | N/A   |
| CBO Baseline.....    | BA | 83.5          | 93.4 | 103.2 | 114.2 | 125.2 |
|                      | O  | 73.7          | 83.1 | 92.6  | 104.4 | 117.0 |
| Conference over (+)/ |    |               |      |       |       |       |
| under (-):           |    |               |      |       |       |       |
| Senate-Passed.....   | BA | N/A           | -0.4 | -0.4  | -0.2  | N/A   |
|                      | O  | N/A           | +1.5 | +0.4  | +0.2  | N/A   |
| House-Passed.....    | BA | N/A           | -0.4 | -0.3  | -0.3  | N/A   |
|                      | O  | N/A           | ---  | +0.2  | +1.2  | N/A   |
| CBO Baseline.....    | BA | N/A           | -0.5 | -0.9  | -1.2  | N/A   |
|                      | O  | N/A           | -1.5 | -3.1  | -4.4  | N/A   |

## Major Issues

The conference agreement assumes medicare savings of \$1.5 billion in FY 1988 and \$9.0 billion over the period FY 1988-90. The savings would be achieved by limiting Medicare payments to hospitals, physicians and other providers. No changes are assumed that would increase beneficiary out-of-pocket costs.

ANALYSIS OF CONFERENCE AGREEMENT

Function 570: MEDICARE (continued)

Spending Adds

- o None.

Spending Cuts

- o The conference agreement assumes medicare savings of \$1.5 billion in FY 1988 and \$9.0 billion in FY 1988-90. The savings would be achieved by limiting Medicare payments to hospitals, physicians or other providers. No changes are assumed that would increase beneficiary out-of-pocket cuts.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 600: Income Security

|                      |    | (\$ billions) |       |       |       |       |
|----------------------|----|---------------|-------|-------|-------|-------|
|                      |    | 1987          | 1988  | 1989  | 1990  | 1991  |
| Conference.....      | BA | N/A           | 168.6 | 176.7 | 183.2 | N/A   |
|                      | O  | N/A           | 131.5 | 139.0 | 144.6 | N/A   |
| Senate-passed.....   | BA | 158.2         | 168.0 | 175.5 | 181.5 | 215.2 |
|                      | O  | 124.2         | 130.6 | 137.6 | 142.9 | 151.7 |
| House-passed.....    | BA | N/A           | 168.6 | 176.6 | 183.2 | N/A   |
|                      | O  | N/A           | 131.4 | 139.1 | 144.8 | N/A   |
| CBO Baseline.....    | BA | 158.2         | 168.0 | 176.1 | 182.6 | 216.7 |
|                      | O  | 124.2         | 131.4 | 138.8 | 144.4 | 153.6 |
| Conference over (+)/ |    |               |       |       |       |       |
| under (-):           |    |               |       |       |       |       |
| Senate-passed.....   | BA | N/A           | +0.6  | +1.2  | +1.7  | N/A   |
|                      | O  | N/A           | +0.9  | +1.4  | +1.7  | N/A   |
| House-passed.....    | BA | N/A           | ---   | ---   | ---   | N/A   |
|                      | O  | N/A           | +0.1  | -0.1  | -0.2  | N/A   |
| CBO Baseline.....    | BA | N/A           | +0.6  | +0.6  | +0.6  | N/A   |
|                      | O  | N/A           | +(*)  | +0.2  | +0.2  | N/A   |

### Major Issues

The conference agreement assumes net increases of \$1.8 billion in budget authority during the period FY 1988-90 for income security programs. It further assumes PBGC premium increases. There are no spending reductions in this function.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 600: Income Security (continued)

#### Spending Adds

- o The conference agreement assumes additional funding of \$600 million in FY 1988 BA and \$150 million in outlays for the Congressional homeless initiative and for the WIC program.
- o The conference agreement has different provisions for the House and Senate on welfare reform. The House provision calls for deficit neutral welfare reform. The Senate provision contains a reserve fund for welfare reform in Function 500.

#### Spending Cuts

- o The conference agreement assumes \$100 million in FY 1988 deficit reduction from higher pension insurance premiums in the PBGC program. These are the only reconciled savings in the agreement in this function.
- o There are no spending reductions in this function.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 650: SOCIAL SECURITY

|                      |    | (\$ billions) |       |       |       |       |
|----------------------|----|---------------|-------|-------|-------|-------|
|                      |    | 1987          | 1988  | 1989  | 1990  | 1991  |
| Conference.....      | BA | N/A           | 256.8 | 281.5 | 310.6 | N/A   |
|                      | O  | N/A           | 220.8 | 235.4 | 252.0 | N/A   |
| Senate-passed.....   | BA | 226.9         | 256.8 | 281.5 | 310.6 | 338.8 |
|                      | O  | 207.9         | 220.7 | 235.4 | 252.0 | 269.7 |
| House-passed.....    | BA | N/A           | 256.8 | 281.5 | 310.6 | N/A   |
|                      | O  | N/A           | 221.0 | 235.6 | 252.2 | N/A   |
| CBO Baseline.....    | BA | 226.9         | 256.8 | 281.5 | 310.6 | 338.8 |
|                      | O  | 207.9         | 221.0 | 235.6 | 252.2 | 269.9 |
| Conference over (+)/ |    |               |       |       |       |       |
| under (-):           |    |               |       |       |       |       |
| Senate-passed.....   | BA | N/A           | ---   | ---   | ---   | N/A   |
|                      | O  | N/A           | +0.1  | ---   | ---   | N/A   |
| House-passed.....    | BA | N/A           | ---   | +(*)  | ---   | N/A   |
|                      | O  | N/A           | -0.2  | -0.2  | -0.2  | N/A   |
| CBO Baseline.....    | BA | N/A           | +(*)  | +(*)  | +(*)  | N/A   |
|                      | O  | N/A           | -0.2  | -0.2  | -0.2  | N/A   |

### Major Issues

The conference agreement assumes full funding for Social Security benefits. It assumes a reduction of \$250 million in FY 1988 outlays from social security computer accounts. However, these accounts are smaller than the proposed cuts, so there would be some loss of service to beneficiaries.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 650: SOCIAL SECURITY (continued)

#### Spending Adds

- o The conference agreement assumes no spending adds, other than full cost-of-living adjustments.

#### Spending Cuts

- o The conference agreement assumes \$250 million in reductions in social security computer accounts. The proposed savings, however, exceed the level of funds contained in these accounts, including all carryover funds.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 700: Veterans Benefits and Services

|                    |    | (\$ billions) |      |      |      |      |
|--------------------|----|---------------|------|------|------|------|
|                    |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....    | BA | N/A           | 27.9 | 28.2 | 28.2 | N/A  |
|                    | O  | N/A           | 27.4 | 27.6 | 27.9 | N/A  |
| Senate-Passed..... | BA | 26.9          | 28.0 | 28.1 | 28.0 | 28.3 |
|                    | O  | 26.2          | 27.4 | 27.5 | 27.7 | 27.9 |
| House-passed.....  | BA | N/A           | 27.9 | 28.2 | 28.5 | N/A  |
|                    | O  | N/A           | 27.4 | 27.6 | 28.2 | N/A  |
| CBO Baseline.....  | BA | 26.9          | 27.9 | 28.3 | 28.5 | 29.0 |
|                    | O  | 26.2          | 27.4 | 27.7 | 28.1 | 28.6 |
| Conference (+)     |    |               |      |      |      |      |
| under (-):         |    |               |      |      |      |      |
| Senate-Passed..... | BA | N/A           | -0.1 | +0.1 | +0.2 | N/A  |
|                    | O  | N/A           | -0.1 | +0.2 | +0.2 | N/A  |
| House-Passed.....  | BA | N/A           | ---  | -0.1 | -0.2 | N/A  |
|                    | O  | N/A           | -0.1 | -0.1 | -0.2 | N/A  |
| CBO Baseline.....  | BA | N/A           | ---  | -0.1 | -0.2 | N/A  |
|                    | O  | N/A           | -0.1 | -0.1 | -0.2 | N/A  |

### Major Issues/Differences

Both the House and Senate budget resolutions assumed full COLAs for veterans compensation and pension benefits. The conference agreement includes these assumptions.

The Senate assumed a freeze on selected discretionary accounts in this function and provided increases above that freeze level. The House assumed full inflation for all programs within this function. The conference agreement assumes full inflation for Medical Care and other unspecified programs. As a whole, the conferees split the difference between the House and Senate-passed levels in the outyears.

The Senate assumed savings from the conversion of acute care beds in VA medical centers and from an increase in the number of cash sales of real property; real property sales were reconciled. The House did not include these assumptions. The conference agreement reconciles real property sales.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 700: Veterans Benefits and Services (continued)

#### Spending Adds

- o The Senate budget assumed an increase of \$0.3 billion in both budget authority and outlays for VA medical care. These increases were targeted to the treatment of AIDS patients and to the recruitment and retention of medical care personnel. The House budget assumed baseline funding for VA medical care. The conference agreement assumes baseline funding for VA medical care.
- o The Senate budget resolution assumed increases of less than \$50 million in FY 1988 outlays for job training initiatives and for the compensation of veterans exposed to ionizing radiation. The House budget did not include these initiatives. The conference agreement assumes increases of approximately \$30 million in budget authority for unspecified entitlement programs within this function.
- o Finally, the Senate budget included increases of less than \$50 million in both budget authority and outlays for homeless veterans. The House did not include this increase. The assumptions of the conference agreement are unspecified.

#### Spending Cuts

- o The Senate budget resolution assumed that selected discretionary programs within this function would be frozen at the FY 1987 appropriated level. The House resolution assumed full inflation for all programs. The conference agreement assumes full funding for selected discretionary accounts in this function.
- o The Senate budget assumed savings of less than \$50 million in budget authority from the conversion of acute care beds in VA medical centers to long term care. The House resolution did not include this assumption. The conference agreement does not specify this assumption.
- o The Senate budget assumed savings of \$0.1 billion in both budget authority and outlays from an increase in real property sales. These savings were reconciled. The House budget had no spending reductions. The conference agreement reconciles savings of \$0.1 billion in FY 1988 outlays. It is assumed that these savings will be achieved through an increase in VA real property sales.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 750: Administration of Justice

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 9.6  | 9.6  | 9.5  | N/A  |
|                      | O  | N/A           | 9.4  | 9.6  | 9.6  | N/A  |
| Senate-passed.....   | BA | 8.4           | 9.8  | 9.6  | 9.6  | 9.6  |
|                      | O  | 8.0           | 9.5  | 9.6  | 9.6  | 9.6  |
| House-passed.....    | BA | N/A           | 9.2  | 9.4  | 9.5  | N/A  |
|                      | O  | N/A           | 9.0  | 9.3  | 9.5  | N/A  |
| CBO Baseline.....    | BA | 8.4           | 9.4  | 9.5  | 9.7  | 9.9  |
|                      | O  | 8.0           | 9.1  | 9.5  | 9.7  | 9.8  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | -0.2 | -0.1 | -0.1 | N/A  |
|                      | O  | N/A           | -0.2 | -0.1 | -0.1 | N/A  |
| House-passed.....    | BA | N/A           | +0.4 | +0.2 | ---  | N/A  |
|                      | O  | N/A           | +0.4 | +0.3 | +0.1 | N/A  |
| CBO Baseline.....    | BA | N/A           | +0.2 | +0.1 | -0.1 | N/A  |
|                      | O  | N/A           | +0.2 | +0.1 | -0.1 | N/A  |

### Major Issues

The conference agreement assumes increases for most law enforcement agencies, with the exception of the Customs Service which is held to baseline levels. Other programs are frozen except for civil rights programs and activities of the Judiciary, which receive increases. The conference agreement continues funding for the Legal Services Corporation, justice assistance grants, and the state and local narcotics control assistance grants.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 750: Administration of Justice (continued)

#### Spending Adds

- o The conference agreement provides a \$200 million BA increase above a freeze for the following law enforcement agencies: FBI, Drug Enforcement Administration, Immigration and Naturalization Service, and Secret Service.
- o Activities of the Judicial branch and civil rights programs receive a \$200 million increase in BA above the baseline.

#### Spending Cuts

- o The conference agreement freezes spending for Department of Justice legal activities, justice assistance programs, and prison construction.
- o The agreement provides only baseline funding for the Customs Service, compared to a \$150 million BA and outlay increase in the Senate-passed resolution.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 800: General Government

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 7.7  | 7.6  | 7.8  | N/A  |
|                      | O  | N/A           | 7.2  | 7.0  | 7.2  | N/A  |
| Senate-passed.....   | BA | 6.9           | 7.6  | 7.6  | 7.8  | 7.8  |
|                      | O  | 6.6           | 7.1  | 7.0  | 7.2  | 7.1  |
| House-passed.....    | BA | N/A           | 7.7  | 8.0  | 8.2  | N/A  |
|                      | O  | N/A           | 7.2  | 7.4  | 7.6  | N/A  |
| CBO Baseline.....    | BA | 6.9           | 7.3  | 7.4  | 7.7  | 7.8  |
|                      | O  | 6.6           | 6.9  | 6.9  | 7.2  | 7.4  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | +0.1 | +0.1 | +0.1 | N/A  |
|                      | O  | N/A           | +0.1 | ---  | ---  | N/A  |
| House-passed.....    | BA | N/A           | ---  | -0.4 | -0.4 | N/A  |
|                      | O  | N/A           | ---  | -0.4 | -0.4 | N/A  |
| CBO Baseline.....    | BA | N/A           | +0.4 | +0.2 | +0.1 | N/A  |
|                      | O  | N/A           | +0.3 | +0.1 | ---  | N/A  |

### Major Issues

The conference agreement assumes additional funding for the President's IRS initiative. The Senate proposals for the Federal Supply Service and public financing of Senate campaigns are also included in the final agreement. Except for the IRS, discretionary appropriated programs in this function are frozen at the 1987 level for three years.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 800: General Government (continued)

#### Spending Adds

- o The conference agreement includes an increase of \$0.4 billion in 1988 for the President's IRS initiative. The President has proposed to hire 10,000 new agents in order to improve collection of delinquent tax debt. However, the President's request was not fully funded in the outyears, even though the level of revenues resulting from that higher funding level was assumed.
- o The conference accepted the Senate increase for public financing of Senate campaigns (+\$0.1 billion in even years). The conferees assume that a new entitlement program for Senate candidates will be established, similar to S. 2 currently before the Senate.

#### Spending Cuts

- o The conference incorporates the Senate proposal to allow the Federal Supply Service to charge Federal agencies for services currently provided at no cost (-\$0.2 billion per year). Even though this proposal would require a substantive change in current law, these savings are not reconciled. Obviously, the conferees expect the Appropriations Committee to legislate on an appropriations bill to achieve these savings.
- o No other specific program cuts are proposed in this function. A three-year freeze on discretionary appropriations at the 1987 level is assumed.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 850: General Purpose Fiscal Assistance

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | 1.8  | 1.8  | 1.9  | N/A  |
|                      | O  | N/A           | 1.8  | 1.8  | 1.9  | N/A  |
| Senate-passed.....   | BA | N/A           | 1.8  | 1.7  | 1.8  | 1.8  |
|                      | O  | N/A           | 1.8  | 1.7  | 1.8  | 1.8  |
| House-passed.....    | BA | N/A           | 1.8  | 1.8  | 1.9  | N/A  |
|                      | O  | N/A           | 1.8  | 1.8  | 1.9  | N/A  |
| CBO Baseline.....    | BA | 1.6           | 1.9  | 1.9  | 2.0  | 2.0  |
|                      | O  | 1.7           | 1.9  | 1.9  | 2.0  | 2.0  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | ---  | +0.2 | +0.1 | N/A  |
|                      | O  | N/A           | ---  | +0.2 | +0.1 | N/A  |
| House-passed.....    | BA | N/A           | ---  | ---  | ---  | N/A  |
|                      | O  | N/A           | ---  | ---  | ---  | N/A  |
| CBO Baseline.....    | BA | N/A           | -0.1 | -0.1 | -0.1 | N/A  |
|                      | O  | N/A           | -0.1 | -0.1 | -0.1 | N/A  |

### Major Issues

The Senate-passed resolution assumed reconciled savings of \$0.1 billion in FY 1988 and \$0.7 billion in FY 1988-90. The House assumed savings of \$0.1 billion in FY 1988 and \$0.3 billion in FY 1988-90. The conference agreement assumes a three-year freeze on all discretionary programs in this function at the FY 1987 levels, which saves \$0.1 billion in FY 1988 and \$0.3 billion in FY 1988-90.

The conference agreement contains no reconciled saving in this function. In other words, the agreement does not assume any reductions in the mineral, timber, and BLM shared receipts programs. In addition, the agreement assumes no reduction in the payment to D.C.

ANALYSIS OF CONFERENCE AGREEMENT

Function 850: General Purpose Fiscal Assistance (continued)

Spending Adds

- o None.

Spending Cuts

- o The conference agreement assumes a three-year discretionary freeze at the 1987 level.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 900: Net Interest

|                      |    | (\$ billions) |       |       |       |       |
|----------------------|----|---------------|-------|-------|-------|-------|
|                      |    | 1987          | 1988  | 1989  | 1990  | 1991  |
| Conference.....      | BA | N/A           | 139.2 | 143.3 | 144.6 | N/A   |
|                      | O  | N/A           | 139.2 | 143.3 | 144.6 | N/A   |
| Senate-passed.....   | BA | 133.6         | 139.2 | 142.2 | 142.6 | 140.5 |
|                      | O  | 133.6         | 139.2 | 142.2 | 142.6 | 140.5 |
| House-passed.....    | BA | N/A           | 139.1 | 142.5 | 143.6 | N/A   |
|                      | O  | N/A           | 139.1 | 142.5 | 143.6 | N/A   |
| CBO Baseline.....    | BA | 133.6         | 140.4 | 146.7 | 151.4 | 154.8 |
|                      | O  | 133.6         | 140.4 | 146.7 | 151.4 | 154.8 |
| Conference over (+)/ |    |               |       |       |       |       |
| under (-):           |    |               |       |       |       |       |
| Senate-passed.....   | BA | N/A           | ---   | +1.1  | +2.0  | N/A   |
|                      | O  | N/A           | ---   | +1.1  | +2.0  | N/A   |
| House-passed.....    | BA | N/A           | +0.1  | +0.8  | +1.0  | N/A   |
|                      | O  | N/A           | +0.1  | +0.8  | +1.0  | N/A   |
| CBO Baseline.....    | BA | N/A           | -1.2  | -3.4  | -6.8  | N/A   |
|                      | O  | N/A           | -1.2  | -3.4  | -6.8  | N/A   |

## Major Issues

The conference agreement reduces net interest costs below the CBO baseline as a result of spending reductions and revenue increases in other functions.

The conference agreement includes an interest offset resulting from discretionary freezes in several functions. The agreement also includes interest offsets resulting from REA guaranteed and direct loan prepayments.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 920: Allowances

|                      |    | (\$ billions) |      |      |      |      |
|----------------------|----|---------------|------|------|------|------|
|                      |    | 1987          | 1988 | 1989 | 1990 | 1991 |
| Conference.....      | BA | N/A           | -0.7 | -0.3 | 0.4  | N/A  |
|                      | O  | N/A           | -0.7 | -0.6 | 0.1  | N/A  |
| Senate-passed.....   | BA | 0.4           | -0.3 | ---  | 0.6  | 1.2  |
|                      | O  | 0.4           | -0.6 | -0.3 | 0.3  | 0.8  |
| House-passed.....    | BA | N/A           | -0.2 | 2.0  | 3.2  | N/A  |
|                      | O  | N/A           | -0.2 | 2.1  | 3.4  | N/A  |
| CBO Baseline.....    | BA | 0.4           | 0.9  | 3.1  | 5.4  | 8.0  |
|                      | O  | 0.4           | 0.9  | 3.3  | 5.7  | 8.6  |
| Conference over (+)/ |    |               |      |      |      |      |
| under (-):           |    |               |      |      |      |      |
| Senate-passed.....   | BA | N/A           | -0.4 | -0.3 | -0.2 | N/A  |
|                      | O  | N/A           | -0.1 | -0.2 | -0.2 | N/A  |
| House-passed.....    | BA | N/A           | -0.5 | -2.2 | -2.8 | N/A  |
|                      | O  | N/A           | -0.5 | -2.6 | -3.4 | N/A  |
| CBO Baseline.....    | BA | N/A           | -1.6 | -3.4 | -5.0 | N/A  |
|                      | O  | N/A           | -1.6 | -3.9 | -5.7 | N/A  |

## Major Issues

The conference agreement includes government-wide savings initiatives in function 920 -- among them management improvements and reduced allowances for civilian pay raises. The conference agreement assumes a 3 percent pay raise for Federal employees; however, no funding is included for 1988 the pay raise.

An unspecified reduction in agency travel costs is also mandated. Other unspecified savings are expected to be achieved by unspecified management savings.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 920: Allowances (continued)

#### Spending Cuts

- o The conference agreement claims to allow for 3 percent pay raises for Federal civilian employees. Absorption assumptions are 100 percent in 1988, and unspecified in the outyears. Savings from DOD civilian pay allowances are included in this function, even though this affects function 050, National Defense.
- o Although the conference considers absorption a reduction in pay costs, it is really a hidden reduction of program costs. Funding that could otherwise be used to substantively improve program operation must be used to pay employee benefits.
- o The conference assumes unspecified reductions in Federal agency travel costs (including DOD) at a higher level than either the House or Senate proposed.
- o Since 1982, changes in Federal travel management have resulted in cost avoidance of approximately \$0.4 billion per year. However, Federal agencies' savings on travel costs often offset spending for other legislatively mandated increases, such as pay raises.
- o Reductions in travel allowances and 100 percent absorption will put a heavy burden on Federal agencies trying to implement the initiatives assumed in this budget agreement.
- o Other unspecified savings are reconciled to the Senate Governmental Affairs Committee. In order for Governmental Affairs to meet their reconciliation target, they must make cuts in programs under their jurisdiction, which includes Federal employees' pay, health and life insurance, and retirement benefits, and the U.S. Postal Service.
- o Of the \$1.6 billion in 1988 savings in this function, only \$0.1 billion is reconciled. Since the other savings are not reconciled, that means that these savings must be achieved by the Appropriations Committee. It is ironic that most of the domestic discretionary adds in this budget will probably go to pay for these unspecified, unreconciled reductions.

# ANALYSIS OF CONFERENCE AGREEMENT

## Function 950: Undistributed Offsetting Receipts

|                      |    | (\$ billions) |       |       |       |       |
|----------------------|----|---------------|-------|-------|-------|-------|
|                      |    | 1987          | 1988  | 1989  | 1990  | 1991  |
| Conference.....      | BA | N/A           | -40.6 | -42.0 | -43.6 | N/A   |
|                      | O  | N/A           | -47.9 | -41.9 | -43.5 | N/A   |
| Senate-passed.....   | BA | -35.2         | -40.4 | -42.0 | -43.6 | -45.3 |
|                      | O  | -35.2         | -40.4 | -42.0 | -43.6 | -45.3 |
| House-passed.....    | BA | N/A           | -40.4 | -42.0 | -43.6 | -45.3 |
|                      | O  | N/A           | -40.4 | -42.0 | -43.6 | -45.3 |
| CBO Baseline.....    | BA | -35.2         | -40.4 | -42.9 | -45.4 | -48.2 |
|                      | O  | -35.2         | -40.4 | -42.9 | -45.4 | -48.2 |
| Conference over (+)/ |    |               |       |       |       |       |
| under (-):           |    |               |       |       |       |       |
| Senate-passed.....   | BA | N/A           | -0.2  | +(*)  | +(*)  | N/A   |
|                      | O  | N/A           | -7.5  | +0.1  | +0.1  | N/A   |
| House-passed.....    | BA | N/A           | -0.2  | 0.0   | 0.0   | N/A   |
|                      | O  | N/A           | -7.6  | +(*)  | +(*)  | N/A   |
| CBO Baseline.....    | BA | N/A           | -0.21 | +0.9  | +1.8  | N/A   |
|                      | O  | N/A           | -7.5  | +1.0  | +1.8  | N/A   |

## Major Issues

The conference agreement assumes reductions in intragovernmental transactions that result from lower pay assumptions that occur in function 920. In addition, the conference agreement assumes the refinancing of the Rural Electrification Administration (REA) guaranteed loan portfolio, which reduces outlays by \$7.2 billion in FY 1987.

Not shown in the conference agreement figures above are additional offsetting receipts of \$14.65 billion in FY 1988, \$18.15 in FY 1989, and \$32.35 billion in FY 1990. This multi-billion "plug" was incorporated into the conference agreement receipt levels as a result of adopting the "President's estimating assumptions" and in order to meet the G-R-H deficit target of \$108 billion in FY 1988. The agreement appears to contain another \$200 million plug in FY 1988 savings.

## ANALYSIS OF CONFERENCE AGREEMENT

### Function 950: Undistributed Offsetting Receipts (continued)

- o The conference agreement reconciles savings from waiving prepayment penalties on the refinancing of the Rural Electrification Administration (REA) guaranteed loan portfolio. From an accounting standpoint, REA refinancing does not lead to offsetting receipts. Instead, it leads to negative outlays in the first year and positive BA and outlays in the out-years, which should be displayed in function 270, Energy.
- o The federal government holds approximately \$7.2 billion in loans with interest rates in excess of 9 percent. Under current law, there are large prepayment penalties associated with the prepayment of these loans. The waiver of these penalties on the REA guaranteed loan portfolio will lead to the prepayment of \$7.2 billion of outstanding loans in FY 1988. While this proposal will reduce the deficit by \$7.2 billion in FY 1988, the government will forgo future principal and interest payments amounting to approximately \$24 billion over the next 30 years. In today's dollars, this proposal represents a net \$2 billion loss to the federal government.
- o Beyond the "plug" for estimating differences, the conference agreement includes an additional \$200 million in unspecified BA and outlay savings for FY 1988. Since these savings are unspecified and not reconciled, it is unlikely they will be achieved.

ANALYSIS OF CONFERENCE AGREEMENT  
Reconciliation Assumptions by Senate Committee  
(\$ billions)

| Committee/assumption                     | 1988   | 1989   | 1990   | Total<br>1988-90 |
|------------------------------------------|--------|--------|--------|------------------|
| <hr/>                                    |        |        |        |                  |
| Agriculture, Nutrition,<br>and Forestry: |        |        |        |                  |
| Farm programs.....BA                     | -1.200 | -1.600 | -2.650 | -5.450           |
| O                                        | -1.200 | -1.600 | -2.650 | -5.450           |
| REA direct loan<br>repayment.....BA      | -0.098 | -0.098 | -0.096 | -0.292           |
| O                                        | -0.098 | -0.098 | -0.096 | -0.292           |
| REA fees.....BA                          | -0.032 | -0.032 | -0.032 | -0.096           |
| O                                        | -0.032 | -0.032 | -0.032 | -0.096           |
| <hr/>                                    |        |        |        |                  |
| Subtotal, spending...BA                  | -1.330 | -1.730 | -2.778 | -5.838           |
| O                                        | -1.330 | -1.730 | -2.778 | -5.838           |
| Contributions:                           |        |        |        |                  |
| Prepayment of REA<br>guaranteed loans... | -7.218 | 0.788  | 0.788  | -5.642           |
| Total, Agriculture.....BA                | -1.330 | -1.730 | -2.778 | -5.838           |
| O                                        | -8.548 | -0.942 | -1.990 | -11.480          |
| <br>                                     |        |        |        |                  |
| Banking, Housing and<br>Urban Affairs:   |        |        |        |                  |
| Function 450<br>reductions.....BA        | -0.200 | -0.200 | -0.200 | -0.600           |
| O                                        | -0.200 | -0.200 | -0.200 | -0.600           |

ANALYSIS OF CONFERENCE AGREEMENT  
Reconciliation Assumptions by Senate Committee  
(\$ billions)

| Committee/assumption                                                            | 1988   | 1989   | 1990   | Total<br>1988-90 |
|---------------------------------------------------------------------------------|--------|--------|--------|------------------|
| <hr/>                                                                           |        |        |        |                  |
| Commerce, Science, and<br>Transportation:<br>FCC unassigned<br>spectrum.....BA  | -0.300 | -0.300 | ---    | -0.600           |
| O                                                                               | -0.300 | -0.300 | ---    | -0.600           |
| National Oceanic and<br>Atmospheric<br>Administration.....BA                    | -0.044 | -0.044 | -0.044 | -0.132           |
| O                                                                               | -0.026 | -0.041 | -0.043 | -0.110           |
| Coast Guard user<br>fees.....BA                                                 | -0.050 | -0.050 | -0.050 | -0.150           |
| O                                                                               | -0.050 | -0.050 | -0.050 | -0.150           |
| <hr/>                                                                           |        |        |        |                  |
| Total, Commerce.....BA                                                          | -0.394 | -0.394 | -0.094 | -0.882           |
| O                                                                               | -0.376 | -0.391 | -0.093 | -0.860           |
| <br>                                                                            |        |        |        |                  |
| Energy and Natural<br>Resources:<br>Function 270 user<br>fees.....BA            | -0.140 | -0.250 | -0.250 | -0.640           |
| O                                                                               | -0.140 | -0.250 | -0.250 | -0.640           |
| Function 300 user<br>fees.....BA                                                | -0.030 | -0.030 | -0.030 | -0.090           |
| O                                                                               | -0.030 | -0.030 | -0.030 | -0.090           |
| <hr/>                                                                           |        |        |        |                  |
| Total, Energy and<br>Natural Resources....BA                                    | -0.170 | -0.280 | -0.280 | -0.730           |
| O                                                                               | -0.170 | -0.280 | -0.280 | -0.730           |
| <br>                                                                            |        |        |        |                  |
| Environment and Public<br>Works:<br>Nuclear Regulatory<br>Commission fees....BA | -0.150 | -0.150 | -0.150 | -0.450           |
| O                                                                               | -0.150 | -0.150 | -0.150 | -0.450           |

ANALYSIS OF CONFERENCE AGREEMENT  
Reconciliation Assumptions by Senate Committee  
(\$ billions)

| Committee/assumption                                  | 1988    | 1989    | 1990    | Total<br>1988-90 |
|-------------------------------------------------------|---------|---------|---------|------------------|
| <b>Finance:</b>                                       |         |         |         |                  |
| Pension Benefit<br>Guarantee Corp.<br>premiums.....BA | ---     | ---     | ---     | ---              |
| O                                                     | -0.100  | -0.200  | -0.200  | -0.500           |
| Medicare.....BA                                       | ---     | ---     | ---     | ---              |
| O                                                     | -1.500  | -2.950  | -4.250  | -8.700           |
| Subtotal, spending...BA                               | ---     | ---     | ---     | ---              |
| O                                                     | -1.600  | -3.150  | -4.450  | -9.200           |
| Revenues.....                                         | -19.300 | -22.000 | -23.000 | -64.300          |
| Total, Finance.....BA                                 | ---     | ---     | ---     | ---              |
| O                                                     | -20.900 | -25.150 | -27.450 | -73.500          |
| <b>Governmental Affairs:</b>                          |         |         |         |                  |
| Federal civilian<br>pay raises _a/.....BA             | ---     | -1.502  | -2.953  | -4.455           |
| O                                                     | ---     | -1.532  | -3.057  | -4.589           |
| Management savings...BA                               | -0.100  | -0.250  | -0.300  | -0.650           |
| O                                                     | -0.100  | -0.250  | -0.300  | -0.650           |
| Total, Governmental<br>Affairs.....BA                 | -0.100  | -1.752  | -3.253  | -5.105           |
| O                                                     | -0.100  | -1.782  | -3.357  | -5.239           |
| <b>Labor and Human Resources:</b>                     |         |         |         |                  |
| Pension Benefit<br>Guarantee Corp.<br>premiums.....BA | ---     | ---     | ---     | ---              |
| O                                                     | -0.100  | -0.200  | -0.200  | -0.500           |
| <b>Veterans Affairs:</b>                              |         |         |         |                  |
| Real property sales..BA                               | -0.050  | -0.030  | ---     | -0.080           |
| O                                                     | -0.050  | -0.030  | -0.010  | -0.090           |

\_a/ Includes all Federal civilian employees, including those employed by the Department of Defense.

ANALYSIS OF CONFERENCE AGREEMENT  
Reconciliation Assumptions by Senate Committee  
(\$ billions)

| Committee/assumption                              | 1988    | 1989    | 1990    | Total<br>1988-90 |
|---------------------------------------------------|---------|---------|---------|------------------|
| Total reconciled<br>spending.....BA               | -2.394  | -4.536  | -6.755  | -13.685          |
| O                                                 | -4.076  | -7.913  | -11.518 | -23.507          |
| Remove double-counting<br>for PBGC premiums....BA | ---     | ---     | ---     | ---              |
| O                                                 | 0.100   | 0.200   | 0.200   | 0.500            |
| Net reconciled<br>spending.....BA                 | -2.394  | -4.536  | -6.755  | -13.685          |
| O                                                 | -3.976  | -7.713  | -11.318 | -23.007          |
| Percent of total<br>spending cuts.....            | 25%     | 32%     | 30%     | 29%              |
| Reconciled contributions                          | -7.218  | 0.788   | 0.788   | -5.642           |
| Reconciled revenues....                           | -19.300 | -22.000 | -23.000 | -64.300          |
| Percent of total<br>revenue increases....         | 91%     | 88%     | 88%     | 89%              |
| RECONCILED DEFICIT<br>REDUCTION.....              | -23.276 | -29.713 | -34.318 | -87.307          |
| Percent of total<br>deficit reduction....         | 63%     | 60%     | 53%     | 58%              |

## MISCELLANEOUS PROVISIONS

### Funding for defense

Section 5 of the conference agreement sets up a reserve fund for the "high tier" of funding for function 050, National Defense. Under this provision, additional funding for defense will be allocated to the Appropriations Committees when the reconciliation bill required by this conference agreement (including the 3-year tax increase) is enacted into law.

### Deficit reduction account

Section 6 of the conference agreement assumes that, as part of their reconciliation responses, the Committees on Finance and Ways and Means will provide language establishing a separate account at the Treasury into which an amount equal to the reconciled revenue increases and contributions will be deposited. These amounts are not to be made available for appropriation.

### Sale of government assets

Section 7 of the conference agreement expresses the sense of Congress that, while the sale of government assets will occur from time to time, such a sale does not decrease the demand for credit, and should not be treated as revenues, receipts, or negative outlays for the purposes of calculating compliance with the maximum deficit amount, scoring section 311 points of order, determining compliance with reconciliation instructions, or in the making of section 302 allocations.

### Budgetary treatment of legislation authorizing the prepayment of certain loans

Section 8 of the conference agreement provides that contributions derived from legislation waiving prepayment penalties on federally guaranteed loans and allowing repayment with new federally guaranteed loans shall not be allocated to committee and shall not be scored against a committee's allocation, pursuant to section 302 of the Budget Act.

### Funding for welfare reform and medicare catastrophic insurance initiatives

Section 9 of the conference agreement makes arrangements for the funding of (1) in the House, programs within the jurisdiction of the Committee on Ways and Means, and (2) in the Senate, child care and job training initiatives and a medicare catastrophic health insurance initiative.

Subsection (a) states that it would be appropriate for the House Committee on Ways and Means to increase outlays beyond the level assumed in the conference agreement if they can find a way to offset this increased spending so as not to increase the deficit.

Subsection (b) states that, of the levels provided in the conference agreement, specified amounts shall not be allocated to Senate committees until legislation to fund the job training and child care initiatives is reported.

Subsection (c) states that, in addition to levels provided in the conference agreement, the appropriate amounts will be allocated to Senate committees for medicare catastrophic health insurance when both legislation to fund this program and legislation to offset this spending have been reported.

#### Medicare savings

Section 10 of the conference agreement assumes that savings in medicare will not be achieved through increased premiums or deductibles or delaying eligibility or otherwise raising beneficiary out-of-pocket costs.

#### Income tax rates

Section 11 of the conference agreement expresses the sense of the Senate that, due to the recent enactment of tax reform legislation and its basic component of lowered tax rates, revenue increases assumed in the budget resolution should not be achieved through reversing or delaying the tax rate decreases of the Tax Reform Act of 1986.

#### Rural hospitals medicare programs

Section 12 of the conference agreement expresses the sense of Congress that, in achieving savings in medicare, the special needs of rural hospitals should be taken into account.

#### Section 302(a) allocation in the House

Section 13 of the resolution authorizes the Chairman of the House Budget Committee to file section 302(a) allocations not later than July 1, 1987.