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August 6, 1981

TO: Joe Canzeri

FROM: CRAIG L. FULLER

☐ FYI

☐ Comment

☒ Action

Please add Thomas Dailey,
President of the Associated
General Contractors of America
to the list being prepared for
the Reconciliation and Tax
meeting with the President in
September. Thanks.

Done?

THE WHITE HOUSE
WASHINGTON

August 6, 1981

Gray Newell
led
main notes

MEMORANDUM FOR THE SECRETARY OF LABOR

FROM: CRAIG FULLER

SUBJECT: Associated General Contractors

I have your request concerning a meeting with Tom Dailey, President of the Associated General Contractors of America. Unfortunately, the President's schedule makes it impossible to schedule the meeting you requested prior to the departure for California. Perhaps we could schedule the meeting following the return from California in September. Additionally, we can invite Mr. Dailey to a meeting of support groups that is planned once the President returns from California. I will keep this request on file.

Wayne Valler
Mtg. - July 15, 1981
sent #3 man instead

WHITE HOUSE STAFFING MEMORANDUM

DATE: August 7, 1981 ACTION/CONCURRENCE/COMMENT DUE BY: _____

SUBJECT: SUMMARY OF THE RECONCILIATION BILL

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JAMES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	NOFZIGER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WILLIAMSON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WEIDENBAUM	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ALLEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CANZERI	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ANDERSON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	FULLER (<i>For Cabinet</i>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BRADY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HICKEY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
DOLE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	HODSOLL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MC COY	<input type="checkbox"/>	<input type="checkbox"/>
FRIEDERSDORF	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
GARRICK	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	USTR	<input type="checkbox"/>	<input type="checkbox"/>
HARPER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>

Remarks:

Richard G. Darman
Deputy Assistant to the President
and Staff Secretary
(x-2702)

Preliminary Summary of
The Omnibus Reconciliation Act
of 1981, H.R. 3982

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PRELIMINARY SUMMARY OF
THE OMNIBUS RECONCILIATION ACT OF 1981
H.R. 3982

I. OVERVIEW

The Omnibus Reconciliation Act of 1981, H.R. 3982, which the House and Senate adopted on July 31, is a major step in slowing the rate of growth in Federal spending. In response to the instructions included in the First Budget Resolution for FY 1982, the Congress made changes in law that will reduce entitlement spending and authorizations for appropriations. The reductions in these two categories total \$35 billion for 1982 and \$131 billion over the three year period 1982-1984.

(outlays savings in \$ billions)

	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1982-84</u>
Major Entitlements	13.4	14.3	16.1	43.8
Other Programs	<u>21.8</u>	<u>29.7</u>	<u>35.3</u>	<u>86.8</u>
Total	35.2	44.0	51.4	130.6

- . In the case of entitlement programs, the Reconciliation Act makes changes in current law that determine eligibility and benefit levels and will thus affect government spending without further action by the Congress.
- . In the case of non-entitlement programs, the Reconciliation Act reduces authorization levels for appropriations below the spending path implied by policies that have been in effect. In some cases, authorizations are reduced to levels proposed in the President's budget. In other cases, authorizations are reduced from the "current policy" baseline, but remain at levels above those proposed in the President's budget.

Final decisions on the non-entitlement programs depend upon actions on 13 appropriations measures now pending before the Congress. The House has completed action on five of these bills and the Senate has completed action on one. Both Houses will continue to address these spending measures upon return from the summer recess.

- . The Reconciliation Act will also establish nine block grants that will allow States more program flexibility and reduce Federal regulations and reporting requirements.

The Omnibus Reconciliation Act is about 500 pages long and includes hundreds of provisions changing existing law. This preliminary summary covers only the major features of the Act.

The material in this summary is based upon the latest information available, and it may have to be adjusted once the report and final funding estimates are available. The estimates of savings were made by the Congressional Budget Office.

II. MAJOR ENTITLEMENTS CHANGES

Reform of entitlement programs is a major element of the President's program for fiscal restraint. Automatic spending programs such as food stamps, public assistance, Social Security, medicaid, and unemployment benefits have grown from \$63 billion in FY 1970 to \$267 billion in FY 1980, and would reach \$408 billion in FY 1984 in the absence of revision and reform.

The Omnibus Reconciliation Act provides reforms critical to gaining control of the automatic spending programs. Congress has adopted changes in major entitlements that will produce savings of \$13.4 billion in 1982 and \$43.8 billion over the period 1982-1984. These compare favorably with the reconciliation working assumptions to achieve 1982 savings of \$12.5 billion and 1982-1984 savings of \$45.1 billion.

	Entitlement Savings (outlays in \$ billions)			
	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1982-84</u>
Working Assumptions	12.5	15.2	17.4	45.1
Reconciliation Act	13.4	14.3	16.1	43.8

The reforms contained in the Omnibus Reconciliation Act correspond closely to those proposed by the President in the March budget submission. The changes will eliminate wasteful, unintended, and duplicative benefits while protecting the truly needy.

Major entitlement changes are summarized below. The savings achieved are compared to those outlined in the working assumptions in the First Budget Resolution.

● Food Stamps

The Congress adopted the major Administration proposals to:

- . Limit food stamp eligibility to families with income not higher than 130% of the poverty level (about \$11,000 for a family of four).
- . Pro-rate the first month's food stamp benefits for the actual portion of the month for which a recipient is certified, rather than for a whole month.

- . Close loopholes which exclude income in determining an applicant's eligibility and count actual income from the prior month rather than estimating the next month's income.
- . Establish a nutrition assistance grant for Puerto Rico to enhance the Commonwealth's flexibility to target assistance to the most needy.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY-82-84</u>
Working Assumptions	1.5	2.0	2.3	5.8
Reconciliation Act	1.7	2.1	2.4	6.2

● Child Nutrition

The Congress adopted the major Administration proposals to:

- . Reduce subsidies for middle and upper income students in the school lunch and breakfast programs while retaining full subsidies for needy children.
- . Eliminate unnecessary Federal grants for new food service equipment purchases.
- . Discourage fraudulent claims for meal subsidies and encourage schools to verify eligibility for Federal assistance.
- . Make the special milk program available to schools where there are no other Federal feeding programs and eliminate duplicative special milk assistance to schools where Federally subsidized school meals are already provided.

The Congress also limited summer feeding program funding to public sponsors in areas with high concentrations of low-income families.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.5	1.6	1.7	4.8
Reconciliation Act	1.5	1.6	1.7	4.7

● Aid to Families with Dependent Children (AFDC) and Child Support Enforcement (CSE)

The Congress adopted a wide range of Administration proposals to tighten welfare eligibility and reduce fraud, abuse, and waste, including:

- . Limiting the amount of AFDC recipient's earned income that can be disregarded in determining AFDC benefits.
- . Determine recipient's benefits by using actual income in the prior month rather than estimating future income.
- . Including step-parent income in calculating AFDC benefit levels.
- . Assuring that welfare recipients cannot be eligible for AFDC if their income exceeds 150% of the State needs test.
- . Permitting States to adjust payments to AFDC recipients to take into account duplicative food stamp benefits and housing subsidies.
- . Permitting States to establish Community Work Experience Programs in which AFDC recipients would be required to work as a condition of receiving AFDC benefits.
- . Strengthening the child support enforcement program by collecting other valid support payments that would increase the income of welfare families and charging a modest fee for services to non-AFDC families.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.1	1.4	1.4	3.9
Reconciliation Act	1.2	1.4	1.5	4.1

● Medicaid

The Congress agreed to limit the explosive growth in Medicaid expenditures by establishing target rates of program increase for the States. The 1982 target would be 9% and the increase in the medical care component of the CPI would provide the 1983 and 1984 targets. States would have their Federal payments reduced 3% in 1982, 4% in 1983, and 4-1/2% in 1984, unless they were below the target, in which case the reductions would be lessened by the amount they were below the target. The Congress accepted Administration proposals to give States greater flexibility to operate their programs efficiently and effectively and to assure continuance of basic health care services to welfare assistance recipients.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	0.9	1.4	1.9	4.2
Reconciliation Act	0.9	0.9	1.0	2.8

● Subsidized Housing

Congress accepted all of the major reforms for subsidized housing proposed by the President. These include:

- . Substantially reducing the annual growth of additional units from 260,000 units to about 150,000 in 1982.
- . Emphasizing greater use of less costly existing housing units.
- . Authorizing increases in the amount of tenant rent contributions, to reduce Federal costs and achieve more equity between unsubsidized and subsidized low-income renters.
- . Allowing the Administration to continue to meet cost increases for old subsidized units most efficiently by converting them to the existing Section 8 housing subsidy program.

Furthermore, the additional subsidized housing units will be better targeted at those low-income families who need them most; 95% of the units will be allocated to families who earn less than 50% of area median income.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	0.1	0.3	0.6	0.9
Reconciliation Act	0.1	0.3	0.7	1.2

● Social Security

a. Adult Student Payments

The Congress adopted the Administration's proposal to end new social security adult student payments and phase down existing payments by 25% each year.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.0	1.6	2.0	4.6
Reconciliation Act	0.6	1.6	2.0	4.2

b. Minimum Benefits

The Congress eliminated unearned minimum benefits starting in March 1982. Needy, elderly and disabled individuals would be protected from any income loss. (On July 31, the House passed a bill, H.R. 4331, that provides for repeal of the section of the Reconciliation Act that eliminated minimum benefits. H.R. 4331 has been referred to the Senate Finance Committee.)

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.0	1.1	1.1	3.2
Reconciliation Act	0.7	1.1	1.1	2.9

c. Miscellaneous Social Security Payments

The Congress accepted the Administration's proposals to:

- . Limit to survivors lump sum payments in the event of a worker's death. The benefit would no longer be paid to funeral home operators when there are no eligible survivors.
- . Modify Disability Insurance so that the initial disability income payment can no longer exceed the recipient's earnings prior to the disability.
- . Eliminate automatic payments for rehabilitation services from social security trust funds, and reimburse social security for its costs of providing information to private pension plans.

The Congress also accepted the following House proposals:

- . Benefits will be paid beginning with the first full month of entitlement for workers and their dependents.
- . Terminate a mother's or father's benefit when the youngest child attains age 16 (rather than age 18 as under current law).

- . In making benefit calculations, round off to the lower full dollar amount.
- . Delay a scheduled liberalization of the retirement earnings test for one year.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY-84</u>	<u>FY 82-84</u>
Working Assumptions	0.4	0.7	1.0	2.2
Reconciliation Act	0.7	1.0	1.5	3.2

● Guaranteed Student Loans (GSL)

The Congress accepted in principle the Administration's proposal to focus better this program's benefits on the needy students by agreeing to, in part, base guaranteed student loans on "remaining need" (educational costs minus family contribution, etc.). The Reconciliation Act will provide automatic eligibility for students with an adjusted family income below \$30,000; require a remaining needs test for those with incomes above \$30,000; provide a \$1,000 minimum loan to any student with at least \$500 actual need; and require that the student pay an origination fee of 5%.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	0.4	1.1	2.0	3.5
Reconciliation Act	0.3	0.8	1.3	2.3

● Unemployment Insurance

The Congress accepted the Administration proposals to limit the payment of extra unemployment benefits to workers with a substantial attachment to the labor force in States with significant unemployment problems by:

- . Increasing the unemployment rate needed to extend benefits beyond the usual 26 weeks in a State.
- . Excluding extended benefit claimants from the calculation of the unemployment rate that determines whether extended benefits are paid.
- . Eliminating the national extended benefits program.
- . Requiring 20 weeks work in the previous year to receive extended benefits.

It also made unemployment compensation for former members of the armed services more comparable to that available to civilian workers by disqualifying those service members who voluntarily leave the service or are discharged for cause from receiving benefits.

	Savings (outlays in \$ billions)			
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.5	1.9	1.6	5.1
Reconciliation Act	1.5	0.7	0.4	2.7

● Trade Adjustment Assistance (TAA)

The Congress accepted the major Administration proposals to refocus Trade Adjustment Assistance (TAA) to workers adjusting to changed economic conditions by limiting assistance to those workers who are permanently displaced by increased imports. It does this by:

- . Providing TAA only when increased imports are a substantial cause of unemployment at a firm.
- . Paying TAA only after a worker's unemployment benefits have been exhausted.
- . Limiting weekly TAA payments to the weekly unemployment benefit level.
- . Limiting total TAA and unemployment payments to 52 weeks.

	Savings (outlays in \$ billions)			
	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	1.3	0.8	0.5	2.6
Reconciliation Act	1.3	0.8	0.5	2.6

● Medicare

The Congress approved a number of Medicare reforms, including modest increases in beneficiary cost-sharing and several changes designed to reimburse providers more efficiently and appropriately.

- . The major cost-sharing proposals, added by Congress, include a \$28 increase in the hospital deductible per admission in 1982, and a \$15 increase in the annual deductible for physician services.

- . The major changes in provider reimbursement include reducing to 5% the current 8-1/2% bonus paid to hospitals for routine nursing services to Medicare patients and reducing the limit on maximum reimbursement to hospitals, from 112% to 108% of the average cost for similar hospitals.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	0.9	0.4	0.5	1.9
Reconciliation Act	1.5	1.1	1.3	3.9

● Federal Retirees' Cost-of-Living-Adjustment (COLA)

The Congress adopted the Administration's proposal to limit Federal civilian and military retirees' pensions to a once-a-year COLA. Under the legislation, no cost-of-living adjustment would be made in September of this year. The next adjustment would be in March 1982, and would continue to be made in March of each succeeding year on the basis of the annual increase in the Consumer Price Index (CPI). An annual COLA will put Federal retirees on the same basis as Social Security recipients and other Federal beneficiaries whose payments are adjusted once-a-year.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	0.9	0.7	0.6	2.3
Reconciliation Act	0.9	0.7	0.6	2.3

● Railroad Retirement Board (RRB)

The Congress accepted the Administration's proposal not to extend "windfall" benefits to new recipients. The Congress also adopted House provisions agreed to, and advocated by, rail labor and management to restructure industry pension benefits and to borrow limited funds from the Federal Treasury. A provision was added to pro-rate the industry pension benefits to preserve and pay fully the Social Security portion of benefits if industry pension funding becomes inadequate.

Savings
(outlays in \$ billions)

	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 82-84</u>
Working Assumptions	--	--	--	0.1
Reconciliation Act	0.3	0.1	0.2	0.6

III. MAJOR AUTHORIZATION CHANGES

Also included in the Reconciliation Act are changes in authorizations for non-entitlement spending programs. For fiscal years 1982-1984, these amendments are intended to save an estimated \$87 billion. Savings counted in this aggregate number are achieved by eliminating programs entirely, capping spending authorizations, or phasing out programs to eliminate spending in future fiscal years. As indicated on page 1, some authorizations for appropriations in the Act are at or below the President's budget request, others are above. Final funding decisions depend on actions on appropriations bills now pending before the Congress.

● CETA/Public Service Jobs

The Congress accepted the major Administration proposals to eliminate both subsidized Public Service jobs, which were less effective than training in helping the long term unemployed, and the Young Adult Conservation Corps, which was not targeted on the disadvantaged and was extremely costly.

● Civilian Pay Cap

The Congress accepted the Administration's proposal to limit the Federal civilian pay raise to 4.8% in FY 1982. This results in an outlay savings of \$3.7 billion in 1982.

● Postal Service Subsidies

The Congress reduced the FY 1982 authorized level of subsidies by \$956 million from \$1.8 billion. This resulting level is still \$77 million higher than that recommended by the Administration. The Congress increased the amounts proposed by the Administration for subsidies to certain mailers by \$193 million, from \$500 million to \$693 million, while deferring transitional payments and reducing the public service subsidy from the \$300 million level recommended by the Administration to \$250 million.

● Federal-Aid Highways

The Congress agreed with the Administration's call for restraining the Federal-Aid highway program, one of several actions to stretch out public sector capital improvements. The Reconciliation Act provides obligation ceilings for the 1982 and 1983 programs of \$8.2 billion and \$8.8 billion, respectively, (the 1981 obligations ceiling is \$8.75 billion) virtually the same as those requested by the Administration.

- Highway Safety Programs

Congress accepted most of the Administration's proposal to fund only those Federal highway safety programs that have proven successful. It established program levels for 1982-1984 that are half of the previous levels (reduced from \$225 million to \$110 million). The Administration proposed a lower level, \$77 million.

- Airports (ADAP)

The Congress provided \$450 million for the airport program in 1981 and a cumulative total of \$1.1 billion for 1981 and 1982. This total is \$189 million less than current services, but is \$150 million over the Administration's request. Substantive legislation will be required to eliminate funding for major airports as the Administration proposed to do in March.

- Mass Transit

The Congress accepted the Administration's proposed changes in 1982 mass transit capital grants which involved a 25% reduction, \$1.3 billion, from the current policy level. Within the reduced level, the Administration believes that capital grants are more appropriately focused on existing systems, rather than new construction. The Congress did not agree to phase out operating assistance. The Administration believes operating subsidies are more appropriately provided by State and local governments.

- Northeast Corridor

The Congress agreed to the 1982 and 1983 funding caps proposed by the Administration for the Northeast Corridor Improvement Project. These are \$200 million and \$185 million respectively, or \$310 million below the current authorizations. This will permit the realization of two key improvements in the corridor--greater safety, and reliability.

- AMTRAK

The Congress has reduced AMTRAK authorizations from \$1.0 billion to \$0.7 billion in 1982 and from \$1.1 billion to \$0.8 billion in 1983. In addition, the Act requires AMTRAK to cover 50% of its operating costs by 1982, as proposed by the Administration. These actions are consistent with improved cost recovery steps being taken by AMTRAK.

- Conrail

The Administration supports both the sale of Conrail and reduced Federal funding for Conrail until its sale. Congress, through the Reconciliation Act, permits Conrail to be sold immediately upon enactment of the bill, and as of certain dates in parts if found unprofitable. No future funding is planned for Conrail except to enable it to operate until a sale is arranged.

- SBA Disaster Loans

The Congress accepted the Administration proposal to terminate funding for non-physical disaster assistance, and increased interest rates for creditworthy businesses to prevailing market rates. Also consistent with the Administration's objective of restricting assistance to the truly needy, the Act limits the term and percent of loss coverage for loans to creditworthy businesses. It also reduces the interest subsidies provided to non-creditworthy disaster victims by increasing interest rates to no more than 8%. These changes are designed to ensure that disaster loan assistance is targeted to victims who have no alternative sources of financial aid.

- Small Business Loans

The Congress accepted the Administration's proposed 25% reduction in credit assistance. The Reconciliation Act also reduced direct loan interest subsidies by increasing interest rates to equal the Government's cost of money, thus, establishing rates that vary with market rates.

- Economic Development Administration (EDA)

The Congress agreed to reduce 1982 authorizations for EDA from over \$1 billion to \$290 million and to eliminate the Regional Commissions. These reductions are part of the effort to move away from misdirected subsidy programs and to rely on market forces and the President's comprehensive economic plan to encourage economic growth and development.

- Ship Construction Subsidies

The Congress accepted the Administration's proposal to eliminate the \$100 million in new budget authority in FY 1982 for maritime ship construction differential subsidies.

- Impact Aid

The Congress accepted substantial scalebacks in funding levels. The Reconciliation Act provides \$475 million for Impact Aid, a reduction in funding for comparable portions of the Impact Aid program by 25% from the FY 1981 level. It provides for a three year phasing out of payments on behalf of children who live or whose parents work on Federal property ("B" students). This action will assist in the general effort to limit the Federal spending to those areas in which a clear Federal role can be identified.

- Head Start.

Congress accepted the Administration's proposal to extend Head Start's authorization through FY 1984. In addition, the Reconciliation Act authorizes \$950 million for Head Start in FY 1982, as requested by the Administration.

- Pell Grants.

The Congress accepted the Administration's proposal to restrain the growth of the Pell grant program. The bill sets authorization limits at \$2.7 billion in 1982, \$2.8 billion in 1983, and \$3.0 billion in 1984. It will reduce outlays from the current policy baseline by \$54 million in 1982, \$404 million in 1983, and \$717 million in 1984.

- Merchant Seamen

The Congress accepted the Administration's October 1, 1981, date for repeal of one of the oldest Federal programs, the free medical benefit for merchant seamen, enacted in 1798. This change will allow transfer to communities, or closure, of the eight Federal hospitals and 27 clinics now providing service to this population. No change is expected in access to medical care by seamen since these facilities are located in metropolitan areas with adequate or excess hospital beds.

- Health Professions

Congress took an important step, as proposed by the Administration, by redirecting Federal health professions funding toward speciality areas of highest need and reducing general institutional subsidies that aggravate the current health professions surplus. Congress reduced health professions funding from \$401 million in 1980 to \$277 million in 1981 and \$214 million in 1982.

- Other Health Programs

The Congress partially accepted Administration proposals to eliminate excessive institutional overhead payments for research training, and reauthorized immunization grants, national medical library assistance, the Food and Drug Administration, and national centers for health statistics, research and technology at levels equal to or slightly above the Administration requests.

- Storage Facility Loans

The Congress accepted the Administration proposal to eliminate the mandatory loan program for agricultural storage facilities because sufficient storage capacity exists on a national basis.

The Administration will continue a smaller-scale facility loan program over the next several years to alleviate any special local problems in those few States where adequate storage capacity may still be lacking. The program will be phased out by 1986.

- Commodity Inspection User Fees

The Congress accepted the Administration's proposals to collect user's fees for services performed by the Department of Agriculture in cotton classing and inspection; tobacco inspection and grading; warehouse examination; naval stores grading; and supervisory costs for grain inspection and weighing. This will return \$48 million per year to the Federal government.

- EPA Construction Grants

The Congress has accepted the President's proposal that no funding be provided for this program pending major reforms to target funds to those projects that clearly improve water quality. The Congress has also agreed with the President's proposal to appropriate \$2.4 billion once major reforms are enacted. The Congress authorized \$40 million for States to carry on administrative activities pending enactment of these reforms.

- Corps of Engineers Construction

Congress has set limitations on the Corps of Engineers construction program for fiscal years 1982 through 1984. This action will limit Corps spending for water project development to \$4.8 billion over the next three years and result in projected savings of \$521 million. Construction activity limitations will not delay the delivery of hydroelectric power, municipal and industrial water supply, navigation service or urban flood control. The savings are achieved by delaying the development of low priority project features, such as recreation, for up to two years.

- Interior Department Programs

The Congress capped the total amount that could be appropriated to the Interior Department programs that are under the Department's exclusive jurisdiction to levels that are about 2% over the President's budget request (\$97 million in 1982 and \$82 million in 1983 and 1984). In addition, the Congress raised receipts by about \$60 million by requiring that filing fees for non-competitive oil and gas leases be raised immediately to at least \$25.

- District of Columbia Capital Borrowing

Congress established an annual budget authority cap of \$155 million in 1982, 1983 and 1984 on long-term borrowing of the District of Columbia for capital projects.

- Multilateral Development Banks

The Reconciliation Act contains authorizing legislation providing for U.S. participation in multi-year replenishments of the funds of five multilateral development banks: the World Bank; its affiliate, the International Development Association (IDA); the Inter-American Development Bank; and the Asian and African Development Banks. The Act authorizes the full amount requested by the Administration for each year's payment for the banks, except for the IDA, where the amount requested for 1983 was divided equally between 1983 and 1984.

- Export-Import Bank.

The Administration proposed to limit the Bank's direct loan program during 1982 and 1983 to \$4.4 billion and \$4.7 billion respectively. The Administration request balanced the need to reduce federal subsidies with the need to enable American exporters to compete effectively. The Reconciliation Act exceeds the Administration request by \$665 million in 1982 and \$723 million in 1983. The bill also provides flexibility for the Bank to increase the ceiling on new direct lending in either 1982 or 1983 if there is an offsetting decrease in the other year.

- National Consumer Cooperative Bank

The Congress agreed to sever Federal ties to the Bank and turn it into a privately owned and controlled entity. On December 31, 1981, all Treasury held stock will be exchanged for capital debentures that will provide a return to Treasury similar to its dividends on preferred stock under earlier law. The Bank will obtain all of its financing after fiscal year 1982 in the private market, and its activities will no longer be included in the Federal budget totals.

- National Endowments for the Arts and the Humanities

The Congress has accepted a key component of the President's effort to revamp Federal policy in the arts and cultural arena, by reducing the magnitude of Federal support to the Arts and Humanities Endowments. The Congress reduced the FY 1982 authorizations for appropriations to \$119.3 million for the Arts Endowment and \$113.7 million for the Humanities Endowment, from the previously authorized levels of \$190.5 million and \$187.5 million, respectively. Reducing Federal support of arts and cultural activities will place more emphasis on private philanthropy and State and local support in these areas and will reduce funding for programs that are not critical, especially when viewed in the context of the Nation's economic requirements.

- Strategic Petroleum Reserve

Congress decided to authorize \$3.9 billion to finance oil acquisition but considered that sum a savings by placing the SPR off-budget. The off-budget financing mechanism will be subject to annual authorizations and appropriations.

- Other Energy Programs

The Congress authorized \$6.7 billion for other energy programs (non-defense, non-SPR) realizing an FY 1982 savings of \$1.8 billion. The savings result from reduction in technology development and demonstration programs which are more properly the responsibility of the private sector, and reductions in regulatory and energy conservation programs that are no longer necessary as a result of the decontrol of domestic oil prices.

- Corporation for Public Broadcasting (CPB).

The Congress authorized funding for CPB at \$130 million in 1984, 1985 and 1986. The Administration had proposed funding of \$110 million in 1984 and \$100 million in 1985 and 1986. This compares to 1982 funding of \$172 million.

- National Flood Insurance Program

The Reconciliation Act will deny the provision of flood insurance on undeveloped coastal barrier islands, beginning in October 1983. This will eliminate a costly Federal subsidy for new construction in these high-hazard areas.

- Sales of Silver from the Strategic Stockpile

The Administration proposed to sell 139.5 million ounces of silver--which is excess to national security needs--from the stockpile over the next three years. The Reconciliation Act, while authorizing the sale of 105 million ounces, imposes such restrictions that the increased revenues projected by the Administration for 1983-1984 will not be attained.

- Veterans Programs

The Congress has accepted the President's proposal to eliminate flight training to new enrollees after August 1981 and has approached the President's proposals by reducing the amount paid for correspondence training from 70% to 55% and limiting Class II dental benefits to servicemen with at least 180 days service who apply within three months. Congress has also limited burial benefits to compensation and pension recipients and terminated education loans.

IV. OTHER MAJOR CHANGES

The Congress accepted as a part of the Reconciliation Act amendments to various provisions of current law that will not necessarily affect Federal spending. Examples include:

- Fuel Use Act.

The Congress repealed the utility "off gas by 1990" provision of the Fuel Use Act of 1978. Thus, utilities may continue to use natural gas after 1990. However, utilities primarily using gas will be required to submit gas plans to the Department of Energy for approval. The Reconciliation Act also contains a provision that would allow utilities to convert to coal more easily.

- Consumer Product Safety Commission (CPSC)

Congress partially accepted the Administration's recommendation that the CPSC be terminated by reducing CPSC from an appropriation of \$42 million in 1981 to authorization of \$33 million in 1982 and \$35 million in 1983. The Act also requires regulatory analyses before CPSC proposes consumer product safety rules and permits a legislative veto of CPSC regulations.

- Federal Communication Commission (FCC).

The Reconciliation Act would extend the term of broadcast licenses to five years for television stations and seven years for radio stations. The Act also gives the FCC the option of utilizing a lottery system to select among qualified candidates seeking the same broadcast license. Both provisions would reduce regulatory costs.

V. BLOCK GRANTS

The Reconciliation Act consolidates 56 categorical programs into nine block grants, generally beginning in FY 1982. Enactment of these block grants is a critical step toward accomplishing the President's goals of restoring a more appropriate balance among the levels of government and encouraging more efficient and effective use of resources for the benefit of the nation's citizens.

Enactment of the block grants significantly streamlines program administration by reducing unnecessary Federal regulatory, legal, and reporting requirements now imposed on States and grantees. The block grants will serve program purposes similar to the categorical programs consolidated, but will allow States flexibility to coordinate and improve the effectiveness of services for their citizens. Duplicative and low-priority programs can be eliminated, while gaps in needed local services can be filled.

The following block grants will result from the Reconciliation Act:

- MATERNAL AND CHILD HEALTH BLOCK GRANT. This block grant consolidates seven Federal categorical grant programs. It will enable States better to assist and improve the health of mothers and children through a State-administered program and also provides for a percentage of funds each year to support special research, training, and service programs. Funding for the block grant is authorized at \$373 million for FY 1982 and each year thereafter.
- HEALTH PREVENTION AND SERVICES BLOCK GRANT. This block grant consolidates eight categorical grant programs into one program which emphasizes services to prevent unnecessary injury, illness and death. Funding of \$95 million in FY 1982, \$96.5 million in FY 1983, and \$98.5 million in FY 1984 is authorized.
- ALCOHOL, DRUG ABUSE AND MENTAL HEALTH BLOCK GRANT. Five categorical grant programs are consolidated in this block grant which emphasizes substance abuse and mental health services. Funding of \$491 million in FY 1982, \$511 million in FY 1983, and \$532 million in FY 1984 is authorized.

- PRIMARY CARE BLOCK GRANT. This block grant will enhance States' ability to provide primary care services to populations in need by converting the categorical Community Health Centers (primary care) program into a block grant to States beginning in FY 1983. Funding of \$302.5 million in FY 1983 and \$327 million in FY 1984 is authorized for the block grant.
- SOCIAL SERVICES BLOCK GRANT. The social services block grant will consolidate more than \$2.4 billion in Federal Title XX social service programs (e.g. child day care, homemakers services, social services, training, etc.) and will encourage States to deliver social services more efficiently and effectively.
- LOW-INCOME ENERGY ASSISTANCE. Beginning in FY 1982, \$1.875 billion in Federal low-income energy assistance will be redesigned to reduce unnecessary Federal requirements and increase State program discretion. States may provide assistance directly to eligible households and indirectly through energy suppliers and public housing project operators.
- COMMUNITY SERVICES BLOCK GRANT. A program of \$389 million in community services block grants to States will replace the Community Services Administration. States will use block grant funds to ameliorate causes of poverty in their communities. The Department of Health and Human Services will allocate block grant funds and conduct special project activities.
- EDUCATION BLOCK GRANT. The education block grant simplifies and consolidates Federal elementary and secondary education programs. Title I of the bill streamlines current administrative and program requirements of Title I of the Elementary and Secondary Education Act and is authorized annually at \$3.48 billion for fiscal years 1982 through 1984. Title II of the bill consolidates more than 25 Federal elementary and secondary education programs into one State grant to improve education. Title II is authorized annually at \$589 million for fiscal years 1982 through 1984. Specific educational needs and priorities will be determined by State and local educational agencies.

- COMMUNITY DEVELOPMENT BLOCK GRANT. Two categorical grant programs--Planning Assistance and Neighborhood Self-Help Development--are consolidated by the reconciliation legislation into the existing Community Development Block Grant (CDBG) program. In addition, the legislation streamlines the CDBG program by reducing federal requirements and intervention, increases the percentage of funding provided to small cities and rural areas by the CDBG program, expands the activities eligible for funding to include economic development, and establishes a State Community and Economic Development Block Grant program for small cities and rural areas. Funding for the program is authorized at approximately \$4.2 billion in both 1982 and 1983.

These changes were proposed to increase State and local government decision-making and implementation powers, reduce Federal intervention and, by providing more flexible Federal funding for local economic and community development, permit a reduction in total Federal resources for these purposes.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 3, 1981

*OK
file*

TO: Joe Canzeri
FROM: Muffie Brandon *muffie Brandon*
RE: Reception for Supporters of the Tax Bill
DATE: September 15
LOCATION: South Lawn

QUESTIONS

Do you wish us to order a tent?

We currently have a total guest list of 1,347 names drawn from Jack Burgess in the office of public liason, 800 names, Rich Williamson, total 432 and Lyn Nofziger, total 100. Would you be kind enough to give me a ring about this and we can work out the logistical details, and do you feel it is necessary to invite this number of people at this time or do you think it advisable to cut the guest list down?

The 800 original invitations have been sent but the further 432 and 100 are still on hold for your final approval.

Thank you for your kind attention.

cc: Peter McCoy

*Welcome back!
I bring you "goodies" from the
lynol!*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 3, 1981

TO: Muffie

FROM: Linda *L. J.*

RE: Reception for Supporters of the Tax Bill
September 15

We have received over 800 names from the Office of Public Liason, which we have invited. Jack Burgess indicated that there were additional names from Nofziger's office and from Rich Williams' office. Joe Canzeri is the lead on this event; I called him in California, and he told me to go ahead and get the additional names from these two offices.

Rich Williams' names are in, and total 432. They indicated a priority list of 248 out of that 432. I have not yet received the names from Nofziger's office and have been calling for it. They promise it will be here today and will total about 100.

You and Peter (he is aware of all of this) will have to determine if you want to cut off any names. I have reordered invitations to cover the total, which is 1347, but I am sure you do not wish to order that many. Apparently, each office had been told originally that they could have a limitless number of names to submit. The only people already invited are from Public Liason (800+).

Another question - what will we do if it rains?