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Folder Title: Economic Program Working Group Meeting 02/13/1981(Michael Deaver Set) (3)
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1 [Economic Program Working Group Meeting 02/12/1981 (Michael Deaver Set)] ~~(1) (2)~~ (1)-(3)

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Department of Transportation

SUBJECT: Mass Transit Operating Subsidies

Expected Savings:	1981	1982	1983	1984	1985	1986
	($ in millions)					
Current Base:						
Budget Authority............	1105	1208	1316	1424	1528	1626
Outlays.....................	750	876	1053	1168	1284	1398
Policy reduction:						
Budget Authority............	--	-213	-651	-1089	-1528	1626
Outlays.....................	--	-184	-334	-638	-1089	-1306
Reagan Budget						
Budget Authority............	1105	995	665	335	0	0
Outlays.....................	750	692	719	530	195	92

Change Proposed:

The revised budget would phase-out mass transit operating subsidies by 1985. In order to cushion the difficulties caused by this phase-out of Federal assistance, the remaining transition funds provided in 1982, 1983, and 1984 would be concentrated on those large urban areas which provide the most transit service. Federal operating assistance would be ended because it creates inefficiencies in local transit operating practices and unnecessarily tends to involve the Federal Government in matters more appropriately left for local government decision.

February 12, 1981

Civil Aeronautics Board

SUBJECT: Airline Subsidies

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Expected Savings:						
Current Base:						
Budget Authority.............	144	144	143	138	123	97
Outlays......................	148	144	143	139	124	99
Policy reduction:						
Budget Authority.............	--	-56	-64	-54	-34	-2
Outlays......................	--	-40	-64	-54	-34	-2
Reagan Budget						
Budget Authority.............	144	88	79	84	89	95
Outlays......................	148	104	79	85	90	97

Change Proposed:

Legislation will be submitted to eliminate the 406 airline subsidy program and to amend the 419 essential air service program, prohibiting any community newly entering the 419 program from receiving more in 419 subsidy than it had in direct or indirect 406 subsidy. The 406 program began in 1938 with the purpose of developing the U.S. airline industry. As the airline industry has expanded, the need for this type of financial assistance has disappeared. The purpose of the 419 subsidy program is to assure continued service to local communities which had airline service prior to airline deregulation.

2/10/81

SUBJECT: Coast Guard User Fees

Increased receipts:	1981	1982	1983	1984	1985	1986
	($ in million)					
Current receipts	--	--	--	--	--	--
Policy increase	--	+100	+200	+300	+400	+500
Reagan budget receipts	--	100	200	300	400	500

Change Proposed:

Coast Guard (USCG) operating expenses in 1982 will exceed $1.4 billion. USCG services are provided without charge. Legislation would be proposed to authorize a graduated system of fees for USCG services to be phased in over the next four years. Most costs except those related to law enforcement and military readiness could be recovered eventually. Transaction fees would be established for direct administrative services (e.g., issuance of a merchant marine license, documentation of a boat or vessel, periodic safety inspections, supervising the docking or loading of hazardous cargo, etc.). These fees might range from $15 or $20 for a routine license renewal to several thousands of dollars for inspection of a ship during its construction. Annual vessel fees would be established to cover the cost of indirect services (e.g., maintaining buoys and navigation lights, harbor vessel traffic systems, maintaining rescue helicopters, boats and crews on standby). Annual fees would initially range from $10 to $20 annually for a recreational boat on inland waters to several hundred dollars for commercial vessels in coastal waters.

CORPS OF ENGINEERS, COAST GUARD

SUBJECT: Waterway User Charges

Expected Savings:	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base Receipts	37	58	67	80	90	115
Proposed Increase Receipts	--	--	+258	+275	+300	+315
Reagan Budget Receipts	37	58	325	355	390	430

Change Proposed: Increase the fuel tax on the inland waterways to recover operation, maintenance, and replacement expenditures and the capital cost of completing future additions to the waterway system. Taxes will initially increase from 6 cents to 29 cents per gallon and more thereafter. The change will reduce the large subsidy being given to one form of transportation to the detriment of others and to place the system on a pay-as-you-go basis. Initially, about 90% of the tax will cover Corps of Engineers expenses and 10% will cover Coast Guard expenses.

2/10/81 2:10 p.m.

SUBJECT: Eliminating Subsidies for Airport and Airway Users

($ in millions)

	1981	1982	1983	1984	1985	1986
Current Services Revenue: 1/	1291	1377	1534	1703	1871	2091
Carter Revenue Proposal:	830	3256	3585	3957	4353	4854
Reagan Revenue Proposal:	--	3259	3693	4146	4625	5195

1/ Reflects revenue from 5 percent ticket tax and 4¢/gallon fuel tax--the only aviation taxes currently in effect. Because the 96th Congress did not extend the Airport and Airway Trust Fund, these revenues are being deposited into the General Fund and the Highway Trust Fund, respectively.

Change Proposed:

Submit legislation to extend the Airport and Airway Trust Fund and increase aviation user taxes to ensure that revenues cover the cost of all FAA activities in 1982 and beyond. In the past, user tax revenues have financed airport construction grants and other FAA capital and research activities, while the Congress has insisted that general funds--and hence, the general taxpayers--finance the majority of FAA operations. Balancing tax revenues with all FAA expenditures will require a 20 percent general aviation tax on the price of fuel (versus 7¢/gallon before the trust fund expired), 9% passenger ticket tax (versus 8% before the trust fund expired), and reinstatement of all aviation taxes that currently have expired. This tax package assumes that the trust fund will operate on an accrual basis and that the substantial uncommitted trust fund balance ($3.7B in 1980) will be written-off in 1981. This latter action can be justified on the basis that the uncommitted balance has accumulated due to general fund subsidy of the majority of operations expenses over the past ten years. Revenues resulting from the tax proposal will begin to exceed expenditures over time and thus may necessitate a tax reduction in the outyears.

February 10, 1981

United States Railway Association

Subject: Conrail Subsidies

	1981	1982	1983	1984	1985	1986
	(In millions of dollars)					
Current Base:						
Budget Authority...........	185	450	550	300	150	100
Outlays....................	185	450	550	300	150	100
Policy Reduction:						
Budget Authority..........	+350*	-400*	-550	-300	-150	-100
Outlays	+350*	-400*	-550	-300	-150	-100
Reagan Budget:						
Budget Authority..........	535*	50*	--	--	--	--
Outlays...................	535*	50*	--	--	--	--

* Amounts in the Carter 1982 Budget which are currently under review. These do not necessarily reflect final Reagan Budget proposals.

Change Proposed:

All Federal subsidies to Conrail would end by no later than 1983. A total of $5.7 billion has already gone to Conrail, Conrail employees, and the bankrupt estates which transferred properties to Conrail in 1976. A "status quo" Conrail is expected to cost the Federal Government an additional $1.5-2.0 billion in direct aid between 1981-85, as well as hundreds of millions in payments to Conrail employees and outstanding court suits. In the long term, major reform of Conrail, or dismemberment of Conrail by sale of its lines to other railroads, appears to be a necessity. In the short term, Conrail will need to abandon many of its marginal lines, reduce its workforce, and negotiate changes in employee work rules.

SUBJECT: AMTRAK

	($ in millions)					
	1981	1982	1983	1984	1985	1986
Expected Savings:						
Current base						
Budget Authority.............	906	1,044	1,138	1,231	1,321	1,406
Outlays......................	769	994	1,100	1,200	1,300	1,400
Policy reduction:						
Budget Authority.............	-25	-431	-606	-760	-964	-1,056
Outlays......................	-25	-325	-485	-688	-904	-1,050
Reagan Budget						
Budget Authority.............	881	613	532	471	357	350
Outlays......................	744	669	615	512	396	350

Change Proposed:

Legislation will be proposed to require substantially higher fares on Amtrak trains which would enable a major reduction in the current Federal subsidies. Passengers presently pay only 40% of Amtrak's operating costs. Our proposal is that ticket revenues will be expected to cover 50%, 60%, 70% and 80% of Amtrak's operating costs in 1982, 1983, 1984 and 1985, respectively. Some train routes will be discontinued which have low ridership in relation to the cost of operating the trains. The impac would be greatest on a few long distance trains and several short distance trains, but would have only moderate impact in the Northeast.

DISCUSSION PAPER

SUBJECT: Agriculture User Charges Proposals - Grain Inspection and Cotton and Tobacco Classing and Inspection

	(In millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current services:						
Current receipts..........	37	37	37	37	37	37
Policy reduction:						
Proposed receipts.........	--	50	52	53	54	55
Reagan budget:						
Total receipts...........	37	87	89	90	91	92

Current Program: The Federal Grain Inspection Service currently charges user fees to recover the full cost of direct Federal inspection and weighing services. State inspection and weighing services currently recover all State costs -- direct and supervisory. The Carter Administration originally proposed authorization for full user charge coverage for Federal services, but the enacted legislation limited collections to direct Federal services costs.

Cotton and tobacco are the only commodities for which "classing and grading" are provided at no cost to the producer or handler. Other commodities (dairy products, fruits and vegetables, meats and poultry, etc.) are all graded for a fee by statute. Inspection, classing, and grading are considered services to the marketers and not protection for the health and safety of the general public.

Potential Change: Legislation would be proposed to permit increases in grain inspection fees to cover the indirect (supervisory) cost of the Federal grain inspection and weighing service.

Legislation already proposed (and included in the Carter budget) to permit collection of fees for cotton and tobacco inspection and grading would be endorsed by the Reagan budget.

The fees will be charged to grain shippers, ultimately passed through to producers in the form of slightly lower prices, and to cotton and tobacco warehousemen, which will similarly be passed back to producers. Assuming the full cost is passed to producers, the impacts will be:

- 0.352 cents per bushel of grain inspected at grain terminals; an increase over the current 0.5 cents per bushel charge.
- 0.5 cents per pound for tobacco farmers.
- 0.2 cents per pound for cotton farmers.

Probable Reaction: Senator Dole will probably oppose the grain inspection increase, as he was reportedly responsible for the current statutory limitation to collect for direct costs only. The grain producers and shippers will oppose. Cotton and tobacco growers and handlers will oppose strongly. No adverse reaction from the general public is anticipated.

CORPS OF ENGINEERS, WATER AND POWER RESOURCES SERVICE,
SOIL CONSERVATION SERVICE

SUBJECT: Funding for Ongoing Construction

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	2415	2660	3170	3360	3250	2750
Outlays	2520	2675	3205	3415	3280	2750
Proposed Reduction						
Budget Authority	--	-80	-355	-555	-520	-210
Outlays	--	-80	-395	-615	-550	-210
Reagan Budget						
Budget Authority	2415	2580	2815	2805	2730	2540
Outlays	2520	2595	2810	2800	2730	2540
Change to COE-BA	--	(- 50)	(-300)	(-500)	(-460)	(-190)
WPRS-BA	--	(- 30)	(- 43)	(- 41)	(- 45)	(- 20)
SCS-BA	--	--	(- 12)	(- 14)	(- 15)	(- 10)

Change Proposed: Stretch out construction which will delay approximately 70 projects an average of 2 years. While overall project completions may be delayed, no delays are programmed for bringing on line high priority project outputs: hydropower, commercial navigation, urban flood control, and municipal water supply.

SUBJECT: Compensation adjustment for unemployability

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	8,584	9,631	10,566	11,333	12,027	12,681
Outlays	8,492	9,449	10,478	11,257	11,954	12,604
Policy reduction						
Budget Authority	-27	-66	-81	-96	-110	-125
Outlays	-24	-61	-75	-88	-100	-115
Reagan Budget						
Budget Authority	8,557	9,565	10,485	11,237	11,917	12,556
Outlays	8468	9,388	10,403	11,169	11,854	12,489

Change Proposed:

Under current law, disabled veterans (or their survivors) receive compensation benefits based on degree of disability or, in the case survivors, based on the rank of the deceased veteran. Differing payments are made to disabled veterans on the basis of degree of disability. If a veteran with a 60-90% disability is classified as "unemployable", however, the veteran's compensation is increased to the level of 100% disabled veterans. For those with a 60% disabilit this results in an increase in annual compensation from $4,404 to $12,192.

Under current regulations, upgraded compensation for "unemployabilit is not dependent on expectations about whether the veteran would be the labor force but for his disability. As a result, nearly 36,000 veterans over the age of 62 are currently receiving this upgraded "unemployability" benefit. Under current law, any Social Security payments received by the veteran are not counted against this compensation amount.

Given present economic conditions, the "unemployability" classification for those eligible for retirement is insufficient justification for benefit awards which, when combined with Social Security benefits, provide an income level far in excess of national average per capita income. At a minimum, offsetting disability compensation by the amount of Social Security benefits received is justified to remedy this disparity.

SUBJECT: Cancellation or deferral of VA medical facility construction

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	424	424	424	424	424	424
Outlays	277	443	498	530	510	424
Policy reduction						
Budget Authority	-154	-106	+52	+46	0	0
Outlays	-32	-78	-87	-104	-33	+9
Reagan Budget						
Budget Authority	270	318	476	470	424	424
Outlays	245	365	411	426	477	433

Changes Proposed:

The VA currently plans to request $6 billion ($2.5 billion on a current services basis) over the next six years to finance major new construction or renovation projects at hospitals. Most VA hospitals are in overbedded areas. Although most VA hospitals are in much less-than-desirable shape physically, few projects are due to imminent hazards in existing structures, or to pressing need for additional VA bed capacity in the affected areas.

Significant savings could be achieved by cancelling or postponing several of these projects in the 1981-1982 fiscal years. A 21% reduction in the FY 1982 budget request, along with appropriate FY 1981 rescissions and deferrals, would delay several projects for two years, and permit the cancellation of a few controversial projects without jeopardizing the overall capability of the VA to meet its service commitments to veterans.

SUBJECT: Reduce interest rate subsidy on insurance loans

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	1,175	1,202	1,212	1,214	1,221	1,196
Outlays	1,047	1,071	1,090	1,108	1,163	1,188
Policy reduction						
Budget Authority	-91	-96	-65	-41	-13	0
Outlays	-91	-96	-65	-41	-13	0
Reagan Budget						
Budget Authority	1,084	1,106	1,147	1,173	1,208	1,196
Outlays	956	975	1,025	1,067	1,150	1,188

Change Proposed:

The VA currently carries $30 billion in insurance in force for eligible veterans. Those policies with a cash surrender value can be borrowed against by the insured at interest rates set by the Administrator.

Despite today's soaring interest rates, the VA has held the interest rate on policy loans to 5%, unchanged since the early '70's. This practice has dramatically expanded the amount of borrowing, from $134 million in 1977 to over $300 million this year (96,000 policy loans).

Encouraging over-borrowing by veterans through low interest rates is contrary to the best interest of the beneficiary, as the value of the insurance policy is greatly diminished in the event of the veterans death. Changing the terms of the policy loans from a flat rate to a floating rate 2% below prevailing market rates would still provide assistance to veterans requiring credit at an equitable interest rate, without encouraging wholesale cashouts of the value of veterans' life insurance policies.

SUBJECT: Beneficiary travel

Expected Savings:

	(in millions of dollars) 1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	85	93	98	102	106	110
Outlays	85	93	98	102	106	110
Policy reduction						
Budget Authority	---	-35	-37	-38	-40	-41
Outlays	---	-35	-37	-38	-40	-41
Reagan Budget						
Budget Authority	76	58	61	64	66	69
Outlays	76	58	61	64	66	69

Change Proposed:

The VA currently provides reimbursement to veterans for actual or computed mileage cost of travel between the veteran's home and VA medical care facilities. The purpose is to eliminate travel costs as a barrier that prevents veterans from seeking needed care.

While it is reasonable to defray the cost of travel for service-disabled veterans and of ambulance service or special cross-country transport, it is unreasonable to assume that veterans cannot pay part of their transportation to receive free medical care. This proposal would establish a deductible of $5. This would not po an undue hardship on low-income veterans, or be a barrier to care.

SUBJECT: GI bill benefits for flight training and correspondence courses

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	2,040	1,658	1,320	1,059	848	658
Outlays	2,070	1,668	1,330	1,069	858	668
Policy reduction						
Budget Authority	---	-32	-28	-24	-20	-16
Outlays	---	-32	-28	-24	-20	-16
Reagan Budget						
Budget Authority	2,040	1,626	1,292	1,035	828	642
Outlays	2,070	1,636	1,302	1,045	838	652

Change Proposed:

Under the GI bill, veterans are entitled to support during participation in education programs designed to rapidly enhance their employability. In the past, this has been interpreted to include flight training programs and correspondence courses in various areas.

While the law prohibits courses that are avocational or recreational in nature, there is significant evidence that the great majority of entrants to flight training have this objective in mind. In any event, post-training employment enhancement has proven negligible.

A similar result was obtained from studies of veterans' performance in correspondence courses. Given the necessarily looser controls on measures of student progress in these programs, the poor post-training employment track record is understandable.

The last Congress enacted changes requiring student cost-sharing for participating in these programs. Nonetheless, it is estimated that 45,000 veterans will enroll annually in such programs, regardless of the impact on their subsequent employability. Given the relatively low payoff of these programs, eliminating both flight training and correspondence coursework would achieve significant savings without depriving veterans of access to educational programs that meet the original intent of the GI bill.

SUBJECT: National Aeronautics and Space Administration

Expected Savings: (in millions of dollars)

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	5534	6565	6795	5924	5315	5011
Outlays	5283	6273	6642	6185	5519	5187
Policy reduction						
Budget Authority	-82	-330	-248	+90	+390	+200
Outlays	-70	-241	-334	-86	+156	+124
Reagan Budget						
Budget Authority	5452	6235	6547	6014	5705	5211
Outlays	5213	6032	6308	6099	5675	5311

Change proposed: The proposed reductions in 1981-1983 consist primarily of deferral or deletion of new starts and elimination of low priority existing activities. In Space Transportation Systems, the Solar Electric Propulsion System would be cancelled and other reductions made consistent with space science project rephasing. In Space Science, planetary projects (e.g., Galileo to Jupiter will be delayed two years), Spacelab experiments stretched out, and the Gamma Ray Observatory cancelled. For Space Applications, and Aeronautical Research, new projects will be eliminated and some ongoing projects reduced. The reduced budget continues a viable space and aeronautics program--the NASA budget will grow by 14% ($775 million) in 1982 over the reduced 1981 level.

SUBJECT: National Science Foundation Programs

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	1083	1181	1283	1385	1485	1580
Outlays	1007	1041	1155	1260	1366	1454
Policy reduction						
Budget Authority	-63	-66	-90	-120	-153	-183
Outlays	-26	-15	-81	-109	-141	-155
Reagan Budget						
Budget Authority	1020	1115	1193	1265	1332	1397
Outlays	981	1026	1074	1151	1225	1299

Change proposed: The proposed changes would reduce or eliminate: new programs proposed in the 1982 Carter budget (e.g. university laboratory modernization grants and the 25 meter telescope); programs that are narrowly focused (e.g. 2-4 year college research and industry-university cooperative research), and; programs that are not critical to the Foundation's principal activities in support of basic and applied research in the natural sciences (e.g. science education, social and economic science research and, international and intergovernmental science activities).

February 10, 1981

Appalachian Regional Commission

SUBJECT: Economic Development

Expected Savings:

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	342.6	373.6	406.9	440.2	472.5	502.8
Outlays	329.0	334.2	364.0	394.0	424.0	450.0
Policy reduction						
Budget Authority	-120.0	-158.6	-172.9	-190.2	-202.5	-213.8
Outlays	- 5.0	- 63.2	-136.0	-158.0	-161.0	-176.0
Reagan Budget*						
Budget Authority	222.6	215.0	234.0	250.0	270.0	289.0
Outlays	324.0	271.0	228.0	236.0	263.0	274.0

*These amounts for the Appalachian highway program will be transferred to the Federal Highway Administration and funded out of the Highway Trust Fund.

Change proposed:

Funding for area (economic) development, research, and local development (planning) districts' support, and for the Federal share of the Commission's salaries and expenses will be eliminated. The impact of these programs on the overall condition of the Appalachian region's economic and social well-being is not identifiable.

NATIONAL ENDOWMENT FOR THE ARTS
NATIONAL ENDOWMENT FOR THE HUMANITIES

SUBJECT: Reducing Arts and Humanties Funding

Expected Savings:

National Endowment for the Arts

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	159	173	190	205	220	234
Outlays	154	167	175	189	206	217
Policy reduction						
Budget Authority	---	-85	-96	-105	-120	-134
Outlays	---	-46	-63	-95	-114	-120
Reagan Budget						
Budget Authority	159	88	94	100	100	100
Outlays	154	121	112	94	92	97

National Endowment for the Humanities

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	152	165	180	195	209	222
Outlays	155	163	181	196	210	218
Policy reduction						
Budget Authority	---	-80	-90	-98	-109	-122
Outlays	---	-39	-68	-98	-113	-120
Reagan Budget						
Budget Authority	152	85	90	97	100	100
Outlays	155	124	113	98	97	98

Change proposed: The Administration will propose to reduce the budget authority for the Arts and Humanities Endowments by 50% beginning in 1982 and "cap" them at a $100 million level in 1984 (Arts) and 1985 (Humanities). During recent years, the Endowments have spread Federal support into an ever-wider range of cultural endeavor, promoting the notion that the Federal Government should be the financial patron of the first resort for both individuals and institutions engaged in artistic and cultural pursuits. The proposed reduction will enable private individual and corporate philanthropic activities to increase in importance.

CORPORATION FOR PUBLIC BROADCASTING

SUBJECT: Reducing Public Broadcasting Funding

Expected Savings:

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	162	172	172	183	198	211
Outlays	162	172	172	183	198	211
Policy reduction						
Budget Authority	---	-43	-52	-73	-98	-111
Outlays	---	-43	-52	-73	-98	-111
Reagan Budget						
Budget Authority	162	129	120	110	100	100
Outlays	162	129	120	110	100	100

Change proposed: The Administration will propose a 25 percent reduction in CPB funds in fiscal year 1982, directed primarily at administrative costs and national program production. This will give an opportunity for private and corporate donations to play a greater role in financing public television and allow support to local stations to be maintained. Additional reductions would be made in 1983 and 1984 so that the funding for CPB would level out at $100 million in 1985.

SUBJECT: National Consumer Cooperative Bank

		(in millions of dollars)					
		1981	1982	1983	1984	1985	1986
Potential Reductions:							
Current services base	BA	122	136	160	185	185	200
	O	136	128	152	178	175	190
Policy reduction	BA	-91	-136	-160	-185	-185	-200
	O	-82	-128	-152	-178	-175	-190
Reagan level	BA	31	--	--	--	--	--
	O	54	--	--	--	--	--

Change proposed:

The National Consumer Cooperative Bank (NCCB) was created in 1978 to provide credit, technical assistance, and, where necessary, subsidies to cooperatives serving consumers, e.g. food, medical and housing. It is proposed to close down the NCCB. It has never been demonstrated conclusively that lack of access to private capital for creditworthy cooperatives is as severe as claimed, or why a separate Federal entity is needed to provide it. Given the tax exempt status of cooperatives, it is difficult to justify further Federal assistance. Moreover, the Bank itself has been slow and inefficient in meeting its legislative mandate. Simply put, given the need for budgetary restraint the National Consumer Cooperative Bank is a low priority program, and the savings from closing it down can be put to better use to serve a broader cross section of the public.

ENVIRONMENTAL PROTECTION AGENCY

SUBJECT: WASTE TREATMENT GRANTS

Expected Savings: (in millions of dollars)

	1981	1982	1983	1984	1985	1986
Current Base						
Budget Authority	3,305	3,610	3,940	4,260	4,570	4,865
Outlays	4,200	4,220	4,230	4,250	4,100	4,100
Policy Reduction						
Budget Authority	-1,000	-3,610	-1,540	-1,860	-2,170	-2,465
Outlays	0	-125	-1,045	-1,970	-1,960	-1,950
Reagan Budget						
Budget Authority	2,305	0	2,400	2,400	2,400	2,400
Outlays	4,200	4,095	3,185	2,280	2,140	2,150

Change proposed: This action rescinds $1 billion in 1981 appropriations for EPA waste treatment grants and withdraws the $3.7 billion requested for 1982, pending enactment of major reforms. These reforms will direct funds to projects with the greatest environmental benefits, allow a more efficient allocation of funds and preclude Federal funding for anticipated local community growth. Upon enactment, a lower funding level of $2.4 billion will be requested for the first year following enactment of reforms--FY 1982 only if accepted reforms are enacted this session. This level is projected but not committed to for future year funding.

Subject: United States Postal Service

	(in millions of dollars)					
	1981	1982	1983	1984	1985	1986
Expected Savings:						
Current services						
BA	1,593	1,501	1,409	1,317	1,317	1,317
O	1,593	1,501	1,409	1,317	1,317	1,317
Policy reductions						
BA	-250	-632	-690	-765	-779	-779
O	-250	-632	-690	-765	-779	-779
Reagan level						
BA	1,343	869	719	552	538	538
O	1,343	869	719	552	538	538

Change Proposed:

The U.S. Postal Service currently receives a Federal subsidy equivalent to about 7% of its total operating budget. A total reduction of $632M is recommended in FY 1982. This reduction affects two of the Federal subsidies currently paid to the Postal Service:

-- Public Service Subsidy. Payments to offset the costs of maintaining services which are not self-sustaining and,

-- Revenue Forgone Payments. Subsidies paid to provide free and reduced rates for certain classes of mail.

These reductions should result in a more efficient mail system since reduced subsidization would, in our view, encourage mailers and the Postal Service itself to operate more cost effectively.