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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

July 28, 1981

Paul Weyrich's statement on the President's speech of July 27, 1981

"The President's addition of tax indexing to his overall tax program has made his program especially attractive to lower middle class and middle class citizens. Therefore we are hopeful that enough conservative Democrats will recognize this attractiveness and vote in favor of the President's program."

C. John Miller, Allejon, Michigan, President of Independent Petroleum Association of America:

"The Bipartisan Hance-Conable proposal before the House on Wednesday has the active support of thousands of independent oil and natural gas producers--not only because it corrects some of the mistakes of past energy tax laws, but because as a whole it is the better of the two major proposals from the standpoint of getting the nation's economy back on track."

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SAMPLE SPEECH ECONOMIC RECOVERY PROGRAM

It is a pleasure for me to be here today to speak to you about President Reagan's program for economic renewal in America. The President believes the answers to our economic woes lie in the vitality and courage of our people. His Administration is dedicated to unleashing the natural power of the individual to produce more and make a better life for all. His program will return our country to the economic strength we once knew.

We can recreate the incentives that take advantage of the genius of our economic system—a system, as Walter Lippman observed more than 40 years ago, that for the first time in history gave men “a way of producing wealth in which the good fortune of others multiplied their own.”

Now in the hands of the Congress, the program is not designed to change the foundation of our economy, but to return it to its greatness. President Reagan believes, and I wholeheartedly agree, that we have played fast and loose with the principles of free enterprise upon which this Nation was founded. We have gotten away from the idea that the Government's main function is to protect the people.

There are now nearly eight million people in this country who don't have jobs—robbing millions of Americans of basic human dignity. Inflation today is at 11.7 percent. Unless we act, this statistic, which makes a mockery of hard work and savings, will get worse. Our Government deficit stands at more than \$940 billion, driving up interest rates, fueling inflation and undermining the stability of our economy. Unless we act, this debt will continue to get bigger.

Excessive regulation by the government is costing the country an estimated \$100 billion. One Government estimate indicated that fraud alone may account for anywhere from 1 to 10 percent—as much as \$25 billion of federal expenditures for social programs. The rate of increase in American productivity, once leading the world, has dropped to among the lowest of all major industrial nations. Taxes now consume 17.6 percent of the earnings of an average family of four, robbing dollars from our pocketbooks and incentive from the workplace. Unless we act, these sad statistics will continue to grow.

We are on the brink of an economic calamity because we have strayed from first principles. Together, we must alter our course. We can no longer procrastinate, hoping that things will somehow get better. They will not. Unless we act forcefully and now, the economy will get worse.

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For too long we have attacked inflation with unemployment, and unemployment with inflation, trading misery for misery and ending up with both. The two go hand in hand.

Our economic problems are complex and must be attacked together. President Reagan has proposed a four-point, comprehensive package to deal with them. If only a part of the package is passed by the Congress, we will get only a part of the solution. We can no longer afford to tinker with our economy, because our economy cannot be finetuned.

President Reagan has called for a substantial reduction in the growth of federal spending. He has given to the Congress a detailed plan to cut \$48.6 billion from the federal budget in fiscal year 1982. This is not a reduction in current spending levels, but a reduction in planned increases.

Second, he has proposed a 10 percent, across-the-board tax rate cut every year for the next three years for everyone who pays income tax. That is a total of a 30 percent tax rate cut during a three-year period. The reduction will also apply to the tax on unearned income, eventually eliminating the differential between the taxes on earned and unearned income.

Again, while these tax-rate cuts will leave an extra \$500 billion in our pockets during the next five years, they only reduce the tax increases already built into the system.

Third, the President has asked for a prudent elimination of excessive regulation.

And fourth, the Reagan Administration has pledged to work with the Federal Reserve Board to develop a monetary policy consistent with the economic program, geared to stabilize the money supply and revitalize the economy.

This four-point plan is designed to get our economy moving again. We will continue to fulfill obligations to those, who, through no fault of their own, must depend on the rest of us. Those who are deserving can rest assured that the social safety programs they depend on will not be cut. The rest of us will feel the impact of the budget cuts, which have been distributed through the economy as evenly as possible. But through this plan and by these cuts, we will break the back of the inflationary psychology gripping us today.

The proposed cuts, about 49 billion dollars, were chosen by applying basic principles to every Federal expenditure.

The Reagan budget proposes reducing billions of dollars for some entitlement programs, such as food stamps, extended unemployment benefits and a number of others. In 1970, such programs cost Americans about five billion dollars a year. In 1981, they are costing us about \$58 billion.

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The reductions are aimed at restricting eligibility, reducing the overlap and eliminating the waste. By doing so, we can save nine billion dollars next year, nineteen billion dollars during the next two or three years, and still meet the needs of those who deserve our help.

Budget savings will also be found by consolidating narrow, categorical grants to State and local governments into block grants. The President has long believed that programs administered at those levels are often more efficient and responsive, and by funding them through block grants the local government gets an added flexibility that can result in real savings.

The budget inherited by the Reagan Administration also includes subsidies for everything from export companies to school lunches for upper class children to zero interest loans for those who could afford to send their own children to school. Federal taxpayers, for example, are paying \$160 per year per cow to subsidize the dairy industry. Changes are proposed in these areas, and more.

As President Reagan told us in his Inaugural address, "All of us together, in and out of government, must bear the burden." The budget cuts are equitable, with no one group singled out to pay a higher price. But the clearest threat to our recovery comes now from those who oppose only a small part of the program, while supporting the overall effort. The cuts they oppose are the cuts that affect them.

"The accumulative effect of this shortsightedness can be damaging," the President warns us. "We're all in the same boat, and we have to get the engines started before the boat goes over the falls."

At the same time we are cutting spending, we also must go forward with a tax relief package. Both are essential if we are to have economic recovery. President Reagan's tax package will create new jobs, build and rebuild industry, and give the American people room to do what they do best.

What President Reagan is proposing is not the usual tax reform intended to shift income between different sets of taxpayers. His plan reduces everyone's taxes equally, providing needed incentive for both workers and industry.

Along with the personal income tax rate cuts, the President is proposing a program to allow business and industry to keep enough capital to modernize and engage in more research and development. This will involve an increase in depreciation allowances. In much shorter write-off periods, businesses would be allowed a five-year write-off for machinery, three years for vehicles and trucks, and 10 years for plant. In fiscal year 1982, business would have about \$10 billion more for investment than it otherwise would have.

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The third part of the program for economic renewal addresses the explosion in government regulation during the past decade. Between 1970 and 1979, spending for the major regulatory agencies quadrupled. The number of pages published annually in the *Federal Register* nearly tripled, and the number of pages in the *Code of Federal Regulations* has nearly doubled.

The result has been higher prices, higher unemployment, and lower productivity growth. Particularly hard hit by this overregulation are America's small business men and women, and small business is the bedrock of our economy. Vice President Bush now heads a Cabinet-level Task Force on Regulatory Relief.

A consistent monetary policy that does not allow money growth to increase faster than goods and services is the fourth part of the plan. In order to curb inflation, we need to slow the growth in our money supply. Interest rates, which shot over 20 percent last year, are a clear indication of past monetary inconsistency.

President Reagan has said that he does not want this plan to be just the plan of his Administration. He has asked the Members of Congress to make it their plan. And its success requires that all of us adopt it as ours. There can be no special interest other than the interest of all of our people. And we must act now, without delay and without being timid.

Let us act to restore the freedom of all men and women to excel and to create. Let us rely on our heritage of genius and courage. Let us reject the certain failure of present policies for the hope of economic renewal. There is no alternative. Together, we must answer our President's call to forge a new beginning for America.

NOTABLE QUOTES

Congress will, and should, review the Reagan program in all its budget-cutting detail. But whatever alterations it ends up making, it should neither delay nor change the magnitude of the experiment. To wait too long would blunt the shock value of the assault. To retreat to gradualism would doom it.

Editorial, *The New York Times*, February 22, 1981.

The time does come when the important thing is to run effectively the play that has been called—rather than to remain forever in the huddle arguing.

Paul W. McCracken, *The Wall Street Journal*, March 4, 1981.

Regrettably, a business-as-usual attitude in Washington is already discounting the success that can lie ahead for both the size of the proposals and the speed with which Congress will consider them. The fact that past Congresses have not shown a desire to deal effectively with such ambitious proposals is presumed to foretell a similar result this year. When repeated enough, this view can become a self-fulfilling prophecy.

Taxation and Fiscal Policy Department,
National Association of Manufacturers, February 20, 1981.

There is nothing wrong with America that we can't fix.

President Ronald Reagan,
Address to Joint Session of Congress, February 18, 1981.

The President's recommendations, taken together, form a bold attempt to deal with the problems of inflation, taxation and government regulation. The program offers balance, concern for the disadvantaged and hope for a revitalization of our economy. We support it.

The Business Roundtable, February 24, 1981.

If the Reagan Administration during its honeymoon days and a Congress fresh from pledging its deathless loyalty to governmental economy can't slice away the fatty tumors in the budget, when will it ever be done?

Reo M. Christenson, Professor of Political Science,
Miami University, Oxford, Ohio, February 3, 1981.

There is a broad consensus that the size of the federal budget is too large.

President Jimmy Carter, Final Budget Message, January, 1981.

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I wouldn't be disappointed if you went beyond the Reagan spending cuts.

Paul A. Volcker, Federal Reserve Board Chairman,
Testimony before the House Ways and Means Committee,
March 3, 1981.

Do I wish the Administration success? Absolutely! Will I work to try to bring it about? Absolutely! Do I have any fear about a popular President if that occurs? No, I am not worried about that. I think a little success would be healthy for the country.

Representative Thomas S. Foley, Democrat,
State of Washington, March 8, 1981.

I'm confident we'll get a little more than 80% of the program enacted.

Representative Pete V. Domenici, Republican,
New Mexico; Chairman, Senate Budget Committee,
March 10, 1981.

There are two ways we can go. We can fight herculean battles over inches, trying to save bits and pieces of programs. Or we can admit we lost the election and try to draw the differences in more fundamental ways. Whether we roll over or fight, the results are going to be pretty much the same.

Representative David Obey, Democrat, Wisconsin,
March 10, 1981.

The worst thing that could happen to us politically would be for this program to be piecemealed to death.

Representative Leon Panetta, Democrat, California,
March 10, 1981.

There's no question that the President has credibility and overwhelming public backing to balance the budget.

Senator Dale Bumpers, Democrat, Arkansas, March 10, 1981.

You have to go all the way back to John Kennedy to find a President who can articulate issues like President Reagan can.

Representative Robert Michel, House Republican Leader,
March 10, 1981.

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I predict the program will be substantially passed.

Howard H. Baker, Jr., Republican Tennessee.
Senate Majority Leader.

President Reagan has been bolder, gone farther faster, in trying to reverse the nation's course than either friend or foe expected. Yet the country has so far accepted the new direction with more approval than even the election returns suggested.

Vermont Royster, "Thinking Things Over,"
The Wall Street Journal, March 11, 1981.

We don't have inflation because the people are living too well—we have inflation because the government is living too well.

President Ronald Reagan, the Presidential Debate of 1980.

SAMPLE SPEECH TALKING POINTS

- President Reagan believes the answer to our economic mess lies in unleashing the natural power of the individual to produce more and make a better life for all.
- We are on the brink of an economic calamity because we have strayed from the principles upon which our Nation was founded.
- Our economic problems are complex and must be attacked as a whole. President Reagan's proposals are now before Congress. If only a part is adopted, we will get only a part of the solution.
- The first part of the plan is to cut the growth of government spending. The plan would cut \$48.6 billion from the Federal budget in fiscal year 1982. This is a reduction in planned budget increases, not a reduction in current spending levels.
- Second, he has proposed a 10 percent tax rate cut every year for the next three years for everyone who pays Federal income taxes. That means a 30 percent tax rate cut at the end of three years. Again, this is a reduction in tax increases already built into the system.
- Third, the President has asked for a prudent elimination of excessive regulation.
- Fourth, the Reagan Administration has pledged to work with the Federal Reserve Board to develop a monetary policy consistent with the economic program, geared to stabilize the money supply and revitalize the economy.
- We will continue to fulfill obligations to those who must depend on the rest of us. Those who are deserving can be assured the social safety programs they depend on will not be cut.
- The budget cuts are equitable, with no one group singled out to pay a higher price. Those who support the overall program while objecting to cuts that affect them directly post the most serious threat to the chances for economic recovery.
- We must act without delay.

SOME QUESTIONS ANSWERED

HOW MUCH WILL THE REAGAN PLAN CUT TAXES?

The total Reagan tax cut will be larger than the 1966 federal budget. Over the next four years, the Reagan tax cuts will be more than total taxes collected by the government in 1976.

Tax cuts for an average family: for an average family of four with an income of \$15,000, taxes will be reduced under the Reagan plan from \$1,158 in 1980 to \$876 in 1984. For the average family of four with an income of \$25,000 annually, taxes will be reduced from \$2,901 in 1980 to \$2,092 in 1984.

Tax cuts are needed because taxes have increased drastically relative to income over the past five years: adjusted gross income for Americans has increased by 58%, while tax collections have gone up 78%.

All taxes have increased from 11% of the average worker's salary in 1929 to 34% of the average worker's salary in 1979.

In 1929, a taxpayer had to work until February 9 to pay his tax bill. Today you must work until May 11—three months later—to pay your tax bill.

HOW MUCH WILL THE REAGAN PLAN CUT THE FEDERAL BUDGET?

The Reagan plan will cut about \$41.4 billion from the FY 1982 budget. About 85 programs are targeted.

Defense spending, and the safety net of social services essential to the poor—Social Security, Medicare, Headstart, low-income youth jobs programs and veterans cash benefits—will not receive major cuts.

Spending for national defense and safety net programs will be increased in the Reagan plan by 1984. Defense spending will increase to 32.4% of TOTAL federal spending, and safety net spending will increase to 40.6% of the budget.

HOW WILL THE ECONOMIC PLAN WORK?

Deficit spending has caused rampant inflation, which has ravaged the pocketbook of the American worker. In 1969-1979, median family income rose from \$11,152 to \$18,467. But after tax income for the family actually FELL from \$8,500 to \$7,800.

Prices have gone out of sight. From 1969 to 1979, the price of a new house went up 150%...of a week's groceries for a family of four, 110%...of a new car, 103%...of a loaf of bread, 87%...of a haircut, 70%...of a man's suit, 78%...of a woman's skirt, 60%.

Inflation makes investment useless: \$1,000 put in a Savings and Loan at the maximum allowable rate in January 1977 is today worth only \$851.

The Reagan economic plan will turn this all around:

SPENDING will be cut in order to REDUCE WASTE, GAIN CONTROL of the budget, ELIMINATE subsidies to businesses and individuals and to BALANCE the budget by 1984.

TAXES will be cut in order to stimulate economic growth, give incentives for work, savings and investment. The object: to create more jobs, more prosperity for everyone.

The President's economic plan offers a trade-off: less government in return for more take home pay and economic prosperity.

HOW WILL THE POOR BE AFFECTED?

The poor will not be cut from the President's budget. In fact, the share of the budget devoted to providing essential services to the poor will be increased from 37% in 1981 to 41% in 1984. Health and Human Services has the single largest budget of any government agency—and provides most of the safety net services for the poor. Yet more than \$200 billion of its \$260 billion is exempt from the budget cuts. HHS contains the single largest chunk of exempted programs—five out of the seven. Only 2% of the total HHS budget will be cut.

JUST HOW "ESSENTIAL" ARE THOSE ESSENTIAL SERVICES?

In 1979, the Department of Housing and Urban Development spent 47% of its budget in the last two months of the fiscal year.

Last year, Congress authorized \$5.4 million for a new health assurance program for children, even though the same services were already provided under Medicaid and AFDC.

Last year, Congress wanted to spend \$75 million for a new program of dispute resolution centers—even though 100 of these centers already operate in 28 states, paid for out of local revenues.

Last year, Congress asked for a new \$64 million domestic protection program, even though 19 existing federal agencies already spent \$11.5 million on this in 1979.

DO WE NEED THE "BIG" IN BIG GOVERNMENT?

The federal government is the nation's single largest consumer of energy. In 1978, it managed to reduce its energy consumption by less than one percent over the two previous fiscal years.

The Department of Energy is the second largest user of energy in the federal government, and ranks 12th in conserving energy among U.S. government agencies. Its regulations and budget have produced not one additional barrel of oil or fuel of any kind for Americans.

INFLATION IN TERMS OF COSTS OF ACTUAL ITEMS

Inflation in the last two years averaged 13%. If continued for five more years, on average, items would cost 84% more than at present.

- a 50¢ McDonald's hamburger would cost 92¢
- a week's groceries now costing \$100 would cost \$184
- a new modest car, \$7,000 in 1981, would cost just under \$14,000

(To get other examples, multiply today's prices by 1.84.)

BASIC FACT SUMMARY

I. INTRODUCTION AND BACKGROUND: PROBLEMS AND SOLUTIONS

A. Current Economic Problems

1. Inflation/High Interest Rates
2. Stagnation/Unemployment
3. Growing Tax Burden
4. Increasing Regulatory Burdens
5. Excessive Federal Spending and Debt

B. The Solutions

1. Budget Control
2. Easing Taxes
3. Reducing Regulatory Restrictions
4. Monetary Restraint

C. Why this plan will work—a comprehensive solution to an integrated problem.

1. Budget cuts and tax cut together.
2. Monetary policy aimed at lowering inflation and interest rates.
3. Consistency of policy means stability to give solutions a chance to work.
4. Steady policy implementation will change the inflationary expectation.

II. A NEW SENSE OF PRIORITIES: THE RATIONALE

A. The Social Safety Net and National Security

1. Insure that the truly needy have the support they need—
 - Social Security for the Elderly
 - Veterans compensation and pensions
 - School nutrition programs for needy children
 - Medicare
 - Head Start
 - Supplemental income for elderly and disabled
 - Summer jobs for youth
2. Provide a margin of safety for our national defense system.

B. Budget Control Criteria

1. Eliminate unintended benefits from entitlement programs.
2. Reduce benefits to upper/middle income families.

3. Recover costs of certain programs from the users who benefit from them the most.
4. Apply sound economic thinking to Federal subsidy of certain programs.
5. Stretch out and retarget Federal capital funds on large public sector projects.
6. Use restraint in Federal spending for lower priority programs during difficult economic times.
7. Combine narrow categorical grants into a few more effective block grants.
8. Reduce Federal overhead and personnel costs.

C. Easing the Tax Burden

1. Personal tax rate cut—decreasing marginal taxes to lower the actual rate, not just the amount, of taxes.
2. Cutting business taxes by changing depreciation allowances.
— Need for improved productivity.
3. Lower personal and business taxes encourages savings, investment, and productivity.
4. Increased productivity means more jobs, more revenue, less unemployment and welfare costs.

D. Reducing Regulatory Restrictions

1. Task force on regulatory relief.
2. Termination of Wage/Price program.
3. Studying cost effectiveness and benefits of regulation.
4. Eliminating overlapping and conflicting regulations.
5. The Paper Work Reduction Act.

E. Stable Monetary Policy

1. Preserve independence of the Federal Reserve System.
2. Stable, consistent monetary policy to slow the growth of the money supply, lower inflation, lower interest rates.
3. Restore confidence in financial institutions and markets both in the U.S. and abroad.

F. The Results

1. Increased savings and investment.
2. Breaking the inflationary psychology.
3. Improvement in real earning for individuals and business.
4. Significant economic gains—restores growth and production.
5. More real jobs, lower unemployment.

TALKING POINTS

FAIRNESS OF THE BUDGET CUTS

Issue: The Administration has asked Congress to reverse the "tax and tax and spend and spend" attitude of the past trimming the FY 1982 budget almost \$45 billion.

Opposition: They argue that the budget plan is unfair to the needy—the poor, the elderly, the disabled.

Response: The reductions are fair because:

1. They are across the board. Not only will the budgets of social programs have to be trimmed, but so will a broad range of other federal program budgets.
2. The "Social Safety Net"—federal assistance for those who otherwise would not get help—has broadened. Under the Reagan budget plan, spending for social programs will take a larger portion of the federal budget than it does now. The Administration's plan will impact on the truly needy less than it does others.
3. The portion of federal spending on social programs will actually rise from 36.6 percent in FY '81 to 41 percent of the federal budget by 1984.
4. The budget reductions only slow the increase in federal spending. Services for the poor, disabled and elderly will not be cut back from present levels. Many programs scheduled for cuts will not reduce services below their current levels.
5. Programs being trimmed have either fulfilled their intended purpose, are better left to the private sector, are duplicative, or are simply ineffective.
6. The Administration's plan to convert categorical grants to block grants will actually improve social services, giving state and local governments more flexibility by eliminating federal middlemen and red tape. Because state and local governments know best how to apply their resources and will be freed of the cost of complying with federal paperwork, social services will improve although the dollar amounts allocated for block grants may be less than the dollar amounts for categorical grants.
7. If the Carter Administration and previous Democratic majorities in Congress had been fiscally responsible, this Administration would not now have to present the budget reforms. Under Carter, the federal budget grew from \$403 billion to \$655 billion—more than \$250 billion, a 60 percent increase!—between FY 1977

and FY 1981. To finance this explosive increase in federal spending, taxes rose by 70 percent. We cannot postpone the day of reckoning. Although it may be unpopular with those special interests affected by this budget reform, we must act unselfishly to slow the disastrous rise in federal spending. We can't pass the problem on to future generations—the buck must stop here.

EFFECTS OF THE ECONOMIC RECOVERY PROGRAM

Issue: The Administration's four-part Program for Economic recovery proposes slowing the rate of growth of federal spending by \$49.1 billion in FY 1982, and totaling \$112.8 billion in cuts by FY 1986, providing across-the-board tax relief for individuals and businesses, relieving the burden of over-regulation, and supporting a stable monetary policy.

Opposition: The Program for Economic Recovery is opposed by special interest groups who contend that: (1) the proposed budget cuts are unfair to the poor; (2) across-the-board tax cuts benefit the wealthy and business while fueling inflation; (3) many justifiable regulations—such as environmental safeguards—could be discarded; (4) a tight money supply will generate higher inflation through high interest rates. They argue that the Program will be inflationary, reduce our standard of living, increase unemployment, harm the poor, and damage the economy.

Response: To reverse the trend of higher inflation, higher interest rates, and a declining standard of living, the Program for Economic Recovery must pass Congress intact.

1. If it passes, the average standard of living will increase by about one-third between now and 1985. Americans personal incomes will rise twice as fast as prices.
2. Thirteen million new jobs will be created—3 million more than would be created without the Program. Unemployment will decline from about 7.7 percent in 1981 to 6.5 percent in 1983, and drop to 5.6 percent by 1986.
3. Inflation will fall from 10.5 percent in 1981 to 7.2 percent in 1982, 6.6 percent by 1983, and 4.7 percent by 1986.
4. The Gross National Product will grow at a faster rate, up from 1.4 percent in 1981 to 5.2 percent in 1982, 4.9 percent in 1983, and 4.2 percent during the years 1984-1986.
5. Interest rates will fall from their present levels. Rates on 91-day Treasury Bills—the benchmark interest rate—will fall from 11.1 percent in 1981 to 8.9 percent in 1982, and 7.8 percent in 1983. By 1986 they could be as low as 5.6 percent—about half the present level.

WASTE AND FRAUD IN THE FEDERAL GOVERNMENT

Issue: Along with budget reform, the Administration is pledged to root out waste and fraud in the federal government.

Opposition: While there is some waste and fraud, it is not extensive. Tax dollars are generally well-spent. Focusing on waste and fraud is an attempt to rally public support for the Administration's budget plan.

Response:

1. The estimates of losses due to waste and fraud each year range from \$10 billion to \$60 billion.
2. Based on a study of deficiencies in just a few government programs, The Republican Study Committee estimates that by eliminating waste and fraud as much as \$34 billion can be saved annually.
3. In Medicare alone, waste and fraud account for the loss of as much as \$8 billion annually.
4. The General Accounting Office estimated that \$25 billion may be lost each year due to fraud alone.
5. *The Chicago Tribune* places the loss at \$51 billion due to waste and fraud. *The Chicago Tribune* story estimates the cost of waste and fraud for the average taxpayer at \$548 annually.

BACK-UP DETAIL BASIC SPEECH OUTLINE

A Program for Economic Recovery

- I. Introduction and Background: What are the problems with our economy and how can these be solved?
 - A. The Problems—Past Fiscal and Monetary Policy Intensified Inflation Fears, Disrupted Financial Markets and Prevented Economic Growth:
 1. Inflation/High Interest Rates
 - Inflation has grown from 1-1.5% in the early 1960's to about 13% in the last two years; not since WW II has there been two years of back-to-back double digit inflation. Prime rate went over 20% and home mortgages over 15%.
 2. Stagnation/Unemployment
 - Productivity has been declining for a decade. Over 8 million Americans are unemployed.
 3. Growing Tax Burdens
 - Hourly wages, adjusted for inflation, have decreased by 5% in the past 5 years while Federal personal taxes for the average family have increased 67%.
 4. Increasing Regulatory Burdens
 - Some estimate that 10% of total business investment has been regulation-related in recent years. Estimates are that regulations add \$100 billion to the price of things we buy.
 5. Excessive Federal Expenditures and Deficits
 - Budget overruns of \$100 billion in the last two years. Spending growth of 16% in last two years. Disorder in financial markets: T Bills below 10% in June, 17-18% by December.
 - B. The Solution—Four-pronged Plan to Lower Inflation and Increase Real Growth:
 1. Budget Control
 2. Easing Taxes
 3. Reducing Regulatory Restrictions
 4. Monetary Restraint
 - C. Why this plan will work. An integrated solution to a complicated problem—you cannot solve a massive problem with fine tuning or simplistic panaceas.

Key to Success: Everything working together.

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1. Budget cuts and tax cuts, *together*.
 - Reduce real tax burden and spark economic growth.
2. Monetary policy aimed at long inflation and interest rates.
3. Consistency and stability are needed to give solutions a chance to work.
4. Steady implementation will change expectations and behavior.

II. A New Sense of Priorities: The Rationale Behind the Plan

A. First Priorities: Social Safety Net and National Security.

1. Preserving the Social Safety Net—Fulfilling obligations to those who depend on the rest of us for basic support.
 - Full retirement benefits for the elderly with an annual cost of living increase.
 - The elderly have suffered greatly from the ravages of inflation.
 - Veterans compensation and pensions.
 - School breakfast and lunch programs for needy children.
 - Medicare.
 - Head Start.
 - Supplemental income security for the elderly, blind, and disabled along with special nutrition and services for the elderly.
 - Summer jobs for youth.

2. Creating a margin of safety in our national defense system.

B. Budget Control Criteria

1. Eliminating unintended benefits from entitlement programs.
 - Tighter food stamp eligibilities—but not below 130% of poverty level; Cap Medicaid at 5% in 81; eliminate adult student benefits from Social Security.
2. Reducing benefits to middle and upper income groups.
 - Cut 32¢ lunch subsidy per lunch for family earning over \$15K—saves \$1.6 billion.
3. Recovering clearly identified costs of certain programs that can be allocated to the users.
 - Eliminate subsidies to recreational boaters, users of airways—reduces deficit by \$2 billion.
4. Applying sound criteria to economic subsidy programs.
 - Reduces subsidies to synfuels, dairy price supports, Amtrak, mass transit capital, REA; eliminate CETA Program, mass transit operating subsidies.

5. Stretching out and retargetting public sector capital improvement programs.
 - Saves about \$1 billion on delaying completion of major federally capitalized projects that can be stretched out.
6. Restraining federal spending on non-priority programs.
 - Federal support of cultural programs.
7. Consolidating many narrow categorical grants into a few block grants.
 - Return allocating authority to local areas that know where need lies; 47 education categoricals combined save \$106 million; Social Security and Health saves \$2.5 billion.
8. Reducing Federal overhead and personnel costs.
 - Non-defense personnel reduced by \$32.9K in 81 and \$63.1K in 1982; eliminate twice a year COLA; pay comparability.

C. Easing the Tax Burden: Balanced Budget Requires Economic Growth.

1. Personal Tax Rate Cut

- High taxes keep people from saving, investing, and producing more.
- Plan calls for personal tax rate cut of 30% over the next 3 years.
- Changing the *rate*—provides an incentive to save and invest.
- Inflation pushes people into higher marginal brackets so that each additional earned dollar gives the worker less for himself.
- Inflation and federal taxes have reduced after-tax real income to its lowest point in ten years. In 1970, the average family earned \$9,750. In 1980 that family earned over \$10,000 more—\$19,950—yet the real income, measured after taxes is lower now than it was a decade ago. Real income was \$8,412 in 1970 and is only \$7,976 in 1980.

Without a new tax policy, federal taxes will soon consume almost 24% of GNP.

- In 1965 only 7% of all taxpayers had marginal tax rates about 25%; today over 40% are above 25%. Under the Reagan tax policy, receipts will fall to 20.4% of GNP in 1982, and 19.3 in 1985.
- Decreasing marginal taxes will encourage individuals to produce more, save more, and invest in productive areas.
- Major tax rate reductions in past support this.

2. Changing depreciation allowances for business will increase productive capital investment and create jobs and services.

- Inflation and outdated capital equipment depreciation systems have combined to lower the real rate of return on capital investment by business.

American industry must be retooled and equipped—the U.S. has lagged behind its major trading partners—in the last decade productivity growth in Japan and Germany were about double that of the U.S. Failure to modernize equipment means loss of competitive advantage. Not only does this make us vulnerable to imports, but we lose our competitive edge in the exports market as well.

3. Lower personal and business taxes encourages savings, investment, and productivity.

- Lower expectations of future inflation will encourage investment in productive areas rather than non-productive assets like gold, antiques and Oriental rugs.
- Sound monetary and economic policy will encourage people to put money back into the capital market—bonds, stocks, annuities—the capital market that finances the growth of our economy.

4. Increased productivity means more jobs, more revenue, less unemployment and lower welfare costs.

- A 1% decline in unemployment saves \$9 billion.

D. Reducing regulatory restrictions.

- Regulations that are not controlled tend to increase labor costs, reduce competition, discourage new investment, and smother innovation.
- In spite of efforts of previous administrations to curtail regulation, regulations have proliferated based on inadequate analysis of the costs and benefits that would result.
- The consumer always pays both for the increased Federal costs of regulating and for the increased cost of goods due to higher costs to manufacturers.
- During the last month of the Carter Administration, regulatory agencies in the Executive Branch issued more than 150 final regulations. Of these so-called "Midnight Regulations," over 100 were scheduled to become effective within the next 60 days. Many of these new regulations impose substantial new burdens on the economy.
- Often, the high cost of regulatory compliance is due to the cumulative effect on an industry of many agencies' rules, rather than to a single major rule. For example, at least five Federal agencies directly regulate the auto industry, and these five agencies are now considering more than 50 significant new auto rules.
- This year, the Federal government is forcing Americans to spend over a billion hours providing information to the government.

Steps to curtail undesirable regulation:

1. Task Force on Regulatory Relief—Chaired by Vice President Bush.

2. Termination of Wage Price Program.
 3. Postponment of pending regulations—make sure new regulations are properly drawn.
 4. Legislative changes to reduce statutes that are conflicting, overlapping or inconsistent.
 - Direct agency involvement to determine cost effective approaches to regulatory objectives.
 5. The Paperwork Reduction Act.
- E. Maintaining a sound monetary policy: A Balanced Budget Requires Monetary Restraint.
1. Preserve the independence of the Federal Reserve System.
 2. In order to curb inflation, we need to slow the growth in our money supply.
 - a. Lower interest rates—each 1% saves \$3-4B on debt expense.
 - b. Lower inflation rates—each 1% saves \$2B on COLA expense.
 3. Establish a program to achieve stable and moderate growth patterns in the money supply to keep inflation and interest rates down and restore confidence in our financial institutions and markets.

III. The Results

1. Increased savings and investments.
 - Enlarged savings supply from tax rate incentives.
 - Movement of investment dollars from tax shelters, real estate, and commodities into more productive financial instruments.
2. Breaking the consumer expectation of continuing inflation.
 - Improving stock and bond prices.
 - Improved mortgage values.
 - Tax incentives for savings targeted to housing.
3. Improvement in real earnings for individuals and businesses.
4. Significant economic gain restores growth and production.
 - Recovery of thrift institutions for improvement of capital base.
5. More real jobs, lower unemployment.
 - Increased productivity will create new jobs and increased revenue.
 - Lower unemployment lessens the welfare burden.

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GLOSSARY

Reconciliation. A procedure provided for in the Congressional Budget Act (P.L. 93-344) under which Congress repeals previously enacted legislation in order to change spending that would otherwise occur (or in order to increase or decrease revenues).

Reconciliation is a two step process. Congress first agrees to an instruction, as part of a budget resolution. The instruction directs one or more committees to report, by a date certain, legislation which will achieve savings in specific amounts (or specific changes in revenue levels).

If only one committee is instructed, it reports a reconciliation bill directly to the Senate. If two or more committees are instructed, they submit reports to the Budget Committee. The Budget Committee packages the legislation developed by the different committees into a single omnibus reconciliation bill, which is reported to the Senate without substantive change.

Floor debate on a reconciliation bill is limited to 20 hours, including time spent on any amendments; and amendments must be germane.

Direct spending. Defined in section 401(c)(2)(C) of the Budget Act, this is spending to which the government is committed whether or not appropriations are provided in advance.

This may include entitlement payments, contract authority, authority to incur indebtedness, and the authority to make payments (including loans and grants).

Reconciliation instructions to reduce direct spending are directed to the authorizing committee which has jurisdiction over the direct spending legislation.

Rescission. A reverse appropriations action. Rescissions require Acts of Congress. Reconciliation instructions which contemplate rescissions are directed to the appropriations committees.

Tradition dictates that appropriations actions originate in the House. Reconciliation instructions to the Senate Appropriations Committee have not, therefore, required Appropriations to submit its recommendations to the Budget Committee for inclusion in an omnibus reconciliation bill. They have been directed to report separately, and at a time which would allow the instructions to be met by amending the necessary legislation to a House passed bill.

Deferral. Deferrals delay obligation (and therefore outlay) of budget authority. The President defers funds and the deferral stands unless overturned by action of either House of Congress.

Reconciliation instructions do not contemplate deferrals, as these are not changes in law, i.e., the budget authority is not rescinded.

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Tuesday, March 10, 1981

March 10, 1981

FACT SHEET

President Reagan's 1982 Budget

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FACT SHEET

President Reagan's 1982 Budget

SUMMARY: President Reagan today forwarded to the Congress his proposals for a complete revision of the 1982 budget that was submitted on January 15, 1981, by former President Carter. The President's action today formally places before the Congress specific budget change proposals affecting fiscal years 1981 and 1982. The President's 1982 budget includes details on:

- Budget savings from the 83 major policy and program changes announced on February 18th.
- Over 200 additional budget reductions — affecting nearly every department and agency — which have resulted from the complete review of the budget conducted over the past 6 weeks.
- Increases for essential national defense programs and continued protection of essential social safety net programs.

The 1982 Budget submitted today is a major step in the President's program for bringing about a fundamental change in the size and direction of Federal Government activities.

The budget reform plan announced on February 18 specified major cuts resulting in \$34.8 billion outlay savings for 1982, with greater future savings. With this message, an additional \$13.8 billion in savings are now planned. Further, changes are proposed in user charges and off-budget payments that will bring total fiscal savings to \$55.9 billion. This compares with \$49.1 billion in fiscal savings announced on February 18.

I. BACKGROUND:

- Upon taking office, President Reagan asked for a comprehensive review of the Nation's economic situation. The findings, which he described in a nationwide television address on February 5, 1981, included high rates of inflation, interest and unemployment; a Federal budget that was out of control; taxes that claimed a growing share of income; and rapidly expanding Government.
- During his first few days in office, the President also took several immediate steps to bring Federal spending under control and to reduce regulatory burdens. These steps included a freeze on hiring and procurement; reductions in Government travel, use of consultants, and contracting; and a regulatory moratorium.
- On February 18, 1981, the President described to a Joint Session of the Congress his program to bring about a fundamental redirection in the role of the Federal Government, together with reductions in the burdens of high inflation, high taxation and over-regulation. His Economic Recovery Program called for:
 - Spending cuts and other measures to reduce sharply the growth rate of federal outlays and eliminate the deficit;

- Reductions in personal tax rates and business taxes;
- Reductions in the costs and intrusion of Federal Government regulations; and
- A new commitment to a stable monetary policy.

II. THE PRESIDENT'S BUDGET REFORM PLAN:

The 1982 Budget Revisions submitted today reaffirm the President's plan announced on February 18. The Revisions and the technical documents being submitted to the Congress place before the Congress the specific recommendations for actions needed now to sharply reduce the rate of Government spending and reduce the role of the Federal Government.

The President's budget targets call for the following:

	Actual	Estimates (fiscal year) in billions					
	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
• <u>Budget Totals:</u>							
Receipts (with tax cuts)	520.0	600.3	650.3	709.1	770.7	849.9	940.2
Target Outlay ceiling	<u>579.6</u>	<u>655.2</u>	<u>695.3</u>	<u>732.0</u>	<u>770.2</u>	<u>844.0</u>	<u>912.0</u>
Target surplus or deficit	-59.6	-54.9	-45.0	-22.9	0.5	5.9	28.2
• <u>Percent of GNP:</u>							
Receipts	20.3	21.1	20.4	19.7	19.3	19.3	19.5
Target Outlays	22.6	23.0	21.8	20.3	19.3	19.2	19.0

III. THE BUDGET SAVINGS PROPOSALS

A. Summary.

The 1982 Budget Revisions submitted to the Congress today by President Reagan include details on:

- Budget savings for 83 major policy and program changes announced on February 18.
- Savings from over 200 additional budget reductions affecting nearly every department and agency of the Federal Government.

The combined reductions announced on February 18th and today will slow the rate of growth in Federal spending in 1982 from 11.6% to 6.1%.

The budget savings announced today for 1982 are larger than those planned on February 18. As the full review of the Carter 1982 Budget proceeded after February 18, two developments occurred that made it necessary for the President to direct that larger reductions be identified:

- Estimates of FY 1981, 1982 and future year outlays turned out to be higher than reflected in the Carter 1982 Budget. Estimates for FY 1982 were higher by \$6.8 billion. Such reestimates are characteristic of changes that now occur in the Federal budget. Budget outlay estimates change over time for a variety of reasons that cannot be changed easily either by the Executive or the Congress. For example:
 - Estimates of spending levels for benefits determined by formula (entitlement programs) change because of differing inflation rates, unemployment and other conditions;

- Estimates of spending for discretionary programs change over time because programs are implemented faster or slower than previously expected or because of new estimates of delivery or completion dates for products or services paid for under grants and contracts.
- The President made a policy decision that increases in outlay estimates would be offset, dollar for dollar, by further program reductions. This action would permit staying with the outlay ceilings the President set in his February 18th Economic Recovery Program.

During the past three weeks over \$13.8 billion in additional 1982 savings were identified. This total is over \$7.0 billion more than had been contemplated on February 18. As the President directed, the additional amount more than offsets the \$6.8 billion that was added to the estimates during the review of the budget.

The table below summarizes the savings now proposed.

	Estimates (fiscal year) in billions					
	1981	1982	1983	1984	1985	1986
• <u>Outlays</u>						
- Savings listed on Feb. 18th ^{a/}	4.8	34.8	50.1	61.4	70.2	77.3
- Additional savings planned on Feb. 18 for the March revision (but not specified) ^{b/}	--	6.7	8.4	12.4	16.4	18.5
Subtotal	4.8	41.4	58.5	73.7	86.6	95.8
- Further savings now proposed	1.6	7.1	8.8	7.5	6.2	6.9
Total Outlay Savings ^{c/}	6.4	48.6	67.2	81.2	92.8	102.7
• <u>Receipts</u>						
- Proposed user charges and other proposals ^{c/}	0.3	2.6	2.9	3.3	3.6	4.0
Total Budget Savings	6.6	51.2	70.2	84.5	96.4	106.8
• <u>Off-Budget</u>						
- Reductions now listed	0.6	4.7	6.9	8.4	9.8	11.6
Total Savings	7.2	55.9	77.0	92.9	106.2	118.4

^{a/} Measured from the current policy base.

^{b/} Measured from the January Carter Budget.

^{c/} Includes savings also proposed in the Carter January Budget and, for that reason, not listed on the attached reductions table. These savings are:

	1981	1982	1983	1984	1985	1986
Budget Outlays	0.3	8.2	9.1	9.7	11.1	11.5
Budget Receipts	0.2	1.8	2.0	2.2	2.4	2.6

B. Budget and Program Priorities and Criteria used in Deciding upon Budget Savings.

The same priorities and criteria that were used in developing the budget reform plan announced on February 18th have been used in identifying additional policy and budget changes. Specifically, the President decided that achievement of his budget targets will require an end to the proliferation of new Federal programs and a reversal of the trend toward greater Federal roles in planning and controlling economic and social decisions.

1. Two Priorities. He directed that all Federal programs be subjected to thorough scrutiny. However, in doing so he decided that:

- A margin of safety must be created by rebuilding the Nation's defense capabilities
- The Social Safety Net of income security measures erected in the 1930's to protect the elderly (including cost of living protection), the unemployed, and the poor, as well as veterans, must be maintained.

2. Criteria Used in Evaluating Programs and Funding Levels. Eight basic criteria have been used in evaluating and making decisions on programs:

- Entitlement Programs must be revised to eliminate unwarranted benefits and payments, such as providing food stamps to the non-needy.
- Subsidies and benefits for middle and upper income levels must be reduced, such as school lunch subsidies for middle and upper income families.
- Allocable costs of government programs must be recovered from those benefiting from the services provided, such as airports and airways, inland waterways and Coast Guard services to yacht and boat owners.
- Sound economic criteria must be applied to economic subsidy programs, such as synthetic fuels, Export-Import Bank loans, and other subsidized loans.
- Capital investments in public sector programs—such as highways, waste treatment plants and water resource projects—must be stretched out and retargeted.
- Fiscal restraint must be imposed on programs that are in the national interest but are lower in priority than the national defense and safety net programs. Examples include NASA, National Science Foundation, and the National Institutes of Health, which would be allowed to grow at lower rates than planned.
- Large numbers of categorical grants must be consolidated into block grants permitting less Federal administrative overhead, greater flexibility for State and local governments, greater efficiency in management and reduced overall costs. Examples include elementary and secondary education, health, and social services.
- Federal personnel and overhead costs, and program waste and inefficiency must be reduced.

C. The New Reductions

The new budget savings announced today include over 200 changes affecting nearly every department and agency in the Executive Branch.

1. Deeper Reduction in Programs Identified on February 18th. In some cases the amount of the reduction associated with the 83 policy and program changes announced on February 18th has been increased. For example, further reductions have been necessary in the programs of:

- The Department of Agriculture for food and nutrition;
- The Department of Education;
- The National Oceanic and Atmospheric Administration (NOAA) in the Department of Commerce;
- The National Science Foundation (NSF);
- The National Aeronautics and Space Administration (NASA);
- The Rural Electrification Administration in the Department of Agriculture.

2. Additional Policy Changes. In addition, the President's 1982 Budget reflects a number of additional significant policy changes. Examples include:

- Veterans Administration. A reduction in lower priority functions results in a decrease of about \$700 million in 1982 outlays below the Carter Budget. However, the overall budget for the VA will increase over 1981 by \$1.3 billion. Several hospital projects will be deferred or cancelled but there will be no reduction in medical personnel serving patients directly, and no reduction in compensation payments for the service-connected disabled or in pensions for other disabled veterans.
- Labor Department. Additional changes are proposed in Comprehensive Employment and Training Act (CETA) programs, principally for multi-purpose training and employment grants. Earlier reductions were confined to a reduction in "public service" employment and elimination of the Young Adult Conservation Corps. The Employment Service will also be reduced.
- Commerce Department. A somewhat lower level of Federal support for shipbuilding is planned.
- Corps of Engineers. Funding for continuing several water projects is not requested.
- Small Business Administration. Credit assistance will be reduced.
- Health and Human Services. Discretionary funding for the Public Health Service and Office of Human Development Service programs will be decreased.
- Railroad Retirement Board. Unfunded railroad pension increases will be deferred.
- Housing and Urban Development. Federal Housing Administration (FHA) and Government National Mortgage Association (GNMA) mortgage insurance and loan guarantee commitments will be reduced. The GNMA tandem and Indian housing programs will be terminated and a 1981 supplemental for public housing subsidies will be withdrawn.

D. Specific Program Reductions.

President Reagan's 1982 Budget details the hundreds of programmatic reductions that should be made in 1981 and 1982 to achieve his 1982 Budget outlay target of \$695.3 billion and begin the reduction in commitments that will be necessary to achieve his budget outlay targets for FY 1983 and future years.

A detailed listing of the programmatic reductions for each Federal agency from the Carter Budget submitted on January 15th is attached (Attachment 1) to this Fact Sheet, beginning on page 13. The programmatic decreases listed in Attachment 1 do not include those already provided for in the Carter Budget.

IV. PROGRAMMATIC INCREASES

President Reagan's 1982 Budget also provides for increases in funding for national security and a few selected other programs. These increases above the Carter Budget for 1982 are listed in Attachment 2, beginning on page 29. The full increases required to strengthen national defense were partially offset by savings in Defense programs (identified in Attachment 1).

V EXPLANATION OF CURRENT POLICY BASE

In the February 18th budget reform plan and in the previous parts of this Fact Sheet, most calculations have been based on estimates of the "Current Policy Base." This baseline has been used because it provided the most useful base to measure the magnitude of the redirection of Federal activities that was initially presented on February 18th and is

presented fully in the Revised 1982 Budget sent to the Congress today. "Current Policy Base" as used in the February 18th plan and previously in this Fact Sheet is based upon estimates of the spending implied by the laws and policies prevailing at the start of 1981. In most cases, these estimates do not reflect changes that were proposed in former President Carter's 1982 Budget.

The table below shows the relationship between the current policy base outlays in the February 18th budget reform plan and the target outlay ceilings that were set in the reform plan and reaffirmed today in President Reagan's 1982 Budget:

	<u>1981</u>	<u>1982</u>	<u>-1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
• February 18th current policy base	657.8	729.7	792.1	849.0	911.4	972.8
- Added defense funds	2.0	6.2	20.7	27.0	50.2	63.1
- Reestimates & other adjustments	<u>0.2</u>	<u>6.8</u>	<u>14.4</u>	<u>17.7</u>	<u>17.1</u>	<u>19.8</u>
• Current policy base with adequate defense	660.0	742.7	827.2	893.7	978.7	1055.7
- Outlay savings (from table on page)	-6.4	-48.6	-67.2	-81.2	-92.8	-102.7
- Non-defense increases ^{a/}	1.6	1.2	1.8	1.9	1.8	1.7
- Additional savings to be proposed	<u>--</u>	<u>--</u>	<u>-29.8</u>	<u>-44.2</u>	<u>-43.7</u>	<u>-42.7</u>
• Target Outlay Ceiling	655.2	695.3	732.0	770.2	844.0	912.0

^{a/} Measured from the January Budget.

VI COMPARISONS OF REAGAN AND CARTER 1982 BUDGETS

In the ensuing weeks, much of the focus will be upon the differences between the 1982 Budget submitted today by President Reagan and the 1982 Budget submitted by former President Carter on January 15, 1981. Such comparisons are necessary because:

- Until today, it has been the Carter Budget that was formally before the House and Senate for consideration.
- Changes in 1981 and 1982 funding proposed by President Reagan in his fully revised 1982 Budget and in related documents (Supplementals, Amendments, Rescissions and Deferrals) must be stated in terms of changes from the January Budget to comply with Congressional requirements.

Provided below are the selected direct comparisons of the Reagan and Carter 1982 budgets covering receipts, budget authority and outlays by function and agency, the credit budget, and government civilian employment.

However, it should be recognized that the differences between the January Carter budget and President Reagan's budget are not a meaningful measure of changes in policy for several reasons:

- Each budget is based upon quite different economic assumptions which have a significant effect on budget levels.
- The January budget contained a number of proposals for policy increases and decreases. If a January policy increase is dropped in the current budget, a difference appears even though no policy change is now planned. Conversely, if President

Reagan's budget includes the same policy decrease shown in the January budget, no difference appears though a policy change is proposed to the Congress.

- In many instances, outlay estimates are changing because of recent experience in spending rates or new circumstances. These kinds of differences do not measure any change in policy.

A. Receipts.

The table below shows the reductions in tax burdens compared to the Carter Budget for fiscal years 1982, 1984 and 1986 that would result from President Reagan's proposals for reducing individual's tax rates, reducing business taxes and increasing charges to certain users of government funded facilities and services (e.g., waterways).

	Actual	Estimates (in billions of dollars)		
	1980	1982	1984	1986
• January budget	520.0	711.8	922.3	1188.5
– Policy changes:				
• Removal of Carter administration proposals	--	-5.3	15.0	17.8
• Individual income tax reductions	--	-44.2	-118.1	-162.4
• Depreciation reform	--	-9.7	-30.0	-59.3
• Taxation of Federal employee injury compensation	--	0.1	0.1	0.1
• User charges	--	2.1	2.7	3.4
• Other proposals ^{a/}	--	0.4	0.5	4.5
Subtotal, policy changes	--	-56.6	-129.8	-195.9
– Administrative actions ^{b/}	--	0.5	*	*
– Revised economic assumptions	--	-4.3	-21.8	-54.9
• Technical reestimates	--	1.0	0.1	2.5
• Revised Budget	520.0	650.3	770.7	940.2

^{a/} These proposals include extension of highway trust fund taxes scheduled to expire September 30, 1984, an increase in railroad retirement taxes, and increases in passport and visa fees.

^{b/} These estimates include gross Windfall profit tax receipts resulting from immediate decontrol of crude oil prices and a speed-up in collections of tobacco and alcohol excise taxes resulting from the electronic funds transfer of payments.

B. Budget Authority by Function.

The table below compares proposed budget authority by function for fiscal year 1982 as presented in President Reagan's 1982 budget with the 1982 budget submitted in January by former President Carter. President Reagan's 1982 Budget calls for a net decrease in budget authority of \$37.4 billion reflecting the major reductions summarized earlier in this Fact Sheet and proposed increases, principally for national defense.

Function	Estimates (billions)			
	Actual 1980	Carter 1982	Reagan 1982	Change
National defense	145.8	200.3	226.3	+26.0
International affairs	15.5	19.6	17.9	-1.7
General science, space, and technology	6.1	8.1	7.2	-0.9
Energy	36.4	12.1	9.0	-3.1
Natural resources and environment	13.1	13.6	7.9	-5.7
Agriculture	4.9	5.6	5.5	-0.1
Commerce and housing credit	10.5	10.7	8.2	-2.5
Transportation	20.2	25.5	20.5	-5.0
Community and regional development	10.1	9.2	7.3	-1.9

Education, training, employment, and social services.....	30.6	36.3	24.6	-11.7
Health.....	59.8	86.1	83.5	-2.6
Income security	224.2	279.6	261.8	-17.8
Social security (OASDI)	(116.0)	(150.4)	(151.0)	(+ 0.6)
Other	(108.2)	(129.2)	(110.8)	(-18.4)
Veterans benefits and services.....	21.2	25.0	24.2	-0.8
Administration of justice	4.4	4.8	4.2	-0.6
General government.....	4.6	5.4	5.1	-0.3
General purpose fiscal assistance	8.7	6.9	6.5	-0.4
Interest.....	64.5	89.9	82.5	-7.4
Allowances	- -	3.0	2.3	-0.7
Undistributed offsetting receipts	-21.9	-31.9	-32.0	-0.1
Total budget authority	658.8	809.8	772.4	-37.4

Estimates of budget authority by function for 1981-1986 along with a detailed description of changes can be found in Part 5, Table 19 of the 1982 Budget Revision.

C. Outlays by Function.

The table below compares outlays by function for fiscal year 1982 as presented in President Reagan's 1982 budget with the January Carter Budget. The Reagan Budget calls for a net decrease in outlays of \$44 billion, reflecting reductions summarized earlier in this Fact Sheet and proposed increases principally for national defense.

Function	Estimates (billions)			
	Actual 1980	Carter 1982	Reagan 1982	Change
National defense.....	135.9	184.4	188.8	+4.4
International affairs	10.7	12.2	11.2	-1.0
General science, space, and technology	5.7	7.6	6.9	-0.7
Energy.....	6.3	12.0	8.7	-3.3
Natural resources and environment.....	13.8	14.0	11.9	-2.1
Agriculture.....	4.8	4.8	4.4	-0.4
Commerce and housing credit	7.8	8.1	3.1	-5.0
Transportation.....	21.1	21.6	19.9	-1.6
Community and regional development	10.0	9.1	8.1	-1.0
Education, training, employment, and social services.....	30.8	34.5	25.8	-8.7
Health.....	58.2	74.6	73.4	-1.2
Income security	193.1	255.0	241.4	-13.6
Social security (OASDI)	(117.1)	(159.6)	(154.8)	(-4.8)
Other.....	(76.0)	(95.4)	(86.6)	(-8.8)
Veterans benefits and services.....	21.2	24.5	23.6	-0.9
Administration of justice.....	4.6	4.9	4.4	-0.5
General government.....	4.5	5.2	5.0	-0.2
General purpose fiscal assistance	8.6	6.9	6.4	-0.5
Interest.....	64.5	89.9	82.5	-7.4
Allowances	- -	1.9	1.8	-0.1
Undistributed offsetting receipts	-21.9	-31.9	-32.0	-0.1
Total budget outlays	579.6	739.3	695.3	-44.0

Estimates of outlays by function for 1981-1986 along with a detailed description of changes can be found in Part 5, Table 20 of the 1982 Budget Revision.

D. Budget Authority by Agency.

The table below compares budget authority by agency for fiscal year 1982 from the Reagan and Carter 1982 Budgets:

Agency	Estimates (billions)			
	Actual 1980	Carter 1982	Reagan 1982	Change
Legislative branch	1.3	1.5	1.5	0
The Judiciary	0.6	0.7	0.7	0

Executive Office of the President	0.1	0.1	0.1	0
Funds appropriated to the President	12.5	10.9	9.8	-1.1
Agriculture	24.9	30.1	25.9	-4.2
Commerce	3.1	3.1	2.1	-1.0
Defense — Military	142.6	195.7	221.8	+ 26.1
Defense — Civil	3.3	3.4	3.1	-0.3
Education	13.8	17.0	12.3	-4.7
Energy	10.0	14.6	11.9	-2.7
Health and Human Services	195.9	258.4	255.3	-3.1
Housing and Urban Development	35.7	38.2	29.0	-9.2
Interior	4.6	4.5	3.4	-1.1
Justice	2.5	2.6	2.3	-0.3
Labor	28.8	37.0	27.9	-9.1
State	2.1	3.0	2.8	-0.2
Transportation	18.2	24.0	19.2	-4.8
Treasury	90.6	104.7	92.9	-11.8
Environmental Protection Agency	4.7	5.3	1.4	-3.9
National Aeronautics and Space Administration	5.2	6.7	6.1	-0.6
Veterans Administration	21.2	24.9	24.2	-0.7
Office of Personnel Management	24.9	30.5	30.4	-0.1
Other agencies	34.3	21.8	17.9	-3.9
Allowances	- -	3.0	2.3	-0.7
Undistributed offsetting receipts	-21.9	-31.9	-32.0	-0.1
Total budget authority	658.8	809.8	772.4	-37.4

Estimates of budget authority by agency for 1981-1986 along with a detailed description of changes can be found in Part 5, Table 21 of the 1982 Budget Revision.

E. Outlays by Agency.

The table below compares outlays by agency for fiscal year 1982 from the Reagan and Carter 1982 Budgets.

Agency	Estimates (billions)			
	Actual 1980	Carter 1982	Reagan 1982	Change
Legislative branch	1.2	1.4	1.4	0
The Judiciary	0.6	0.7	0.7	0
Executive Office of the President	0.1	0.1	0.1	0
Funds appropriated to the President	7.5	6.3	6.1	-0.3
Agriculture	24.6	28.0	23.7	-4.3
Commerce	3.8	3.2	2.5	-0.7
Defense — Military	132.8	180.0	184.8	+ 4.8
Defense — Civil	3.2	3.4	3.2	-0.2
Education	13.1	15.7	12.4	-3.3
Energy	6.5	14.1	11.1	-3.0
Health and Human Services	194.7	258.2	250.7	-7.5
Housing and Urban Development	12.6	15.5	14.3	-1.2
Interior	4.4	4.1	3.3	-0.8
Justice	2.6	2.7	2.5	-0.2
Labor	29.7	34.5	26.7	-7.8
State	1.9	2.6	2.4	-0.2
Transportation	19.0	20.0	18.3	-1.7
Treasury	76.7	104.3	92.6	-11.7
Environmental Protection Agency	5.6	5.8	5.2	-0.6
National Aeronautics and Space Administration	4.8	6.4	5.9	-0.5
Veterans Administration	21.1	24.4	23.6	-0.8
Office of Personnel Management	15.1	20.2	19.9	-0.3
Other agencies	20.0	17.5	14.1	-3.4
Allowances	- -	1.9	1.8	-0.1
Undistributed offsetting receipts	-21.9	-31.9	-32.0	-0.1
Total outlays	579.6	739.2	695.3	-43.9

Estimates of outlays by agency for 1981-1986 along with a detailed description of changes can be found in Part 5, Table 22 of the 1982 Budget Revision.

F. The Credit Budget.

In the past decade, rapid growth in Federal credit activity — in both direct loans and loan guarantees — has had a serious adverse effect on the Nation's economy and financial markets. Federal borrowing increases the demand for capital and contributes to increases in price (interest) that all borrowers — public and private — must pay.

President Reagan directed that both on-budget and off-budget credit programs be reviewed and that reductions be made to reduce the size and scope of Federal credit programs and thus reduce the pressure on credit markets that is due to, or stimulated by, the Federal Government.

The actions taken by the Administration and the revised 1982 Budget submitted to the Congress will result in reductions of \$21 billion in the demand for credit, down from \$148.9 billion in the Carter 1982 budget to \$127.9 billion in the Reagan Budget. This includes:

- \$2.6 billion in net direct loan obligations.
- \$18.4 billion in primary loan guarantee commitments.

Details on the reductions in Credit Budget and Off-budget outlays are presented in Part 2 of the 1982 Budget Revisions document, beginning at page 13.

G. Federal Employment.

The President demonstrated his commitment to reduce the level of Federal civilian employment when he signed an order freezing Federal civilian hiring as his first official act following his inauguration.

During the preparation of the revised 1982 Budget, President Reagan has set new civilian personnel ceilings for 1981 and 1982 for each agency. These ceilings are significantly below those planned in the Carter 1982 budget.

As a result of these ceilings, total Federal civilian employment in the Executive Branch is expected to be:

- 18,900 below the Carter Budget estimates for the end of 1981 (2,092,100 compared to 2,111,000). Nondefense agencies will be reduced by 32,900 and defense will be increased by 14,000.
- 43,100 below the Carter Budget estimates for the end of 1982 (2,088,400 compared to 2,131,500). Non-defense agencies will be reduced by 63,100 and defense will be increased by 20,000.

As agency heads adopt specific plans to meet revised ceilings, they may be able to modify or lift the hiring freeze.

A table comparing the end of year employment estimates for 1981 and 1982 for major agencies can be found in Attachment 3 to this Fact Sheet, on page 33.

VII. PLACING THE PRESIDENT'S PROPOSED BUDGET BEFORE THE CONGRESS FOR ACTION

The 1982 Budget Revisions submitted today formally advises the Congress of the changes and the budget totals that the President recommends. In addition, the following actions are necessary to meet Congressional requirements:

A. Budget Amendments and Supplementals.

The President today has forwarded to the Congress the detailed changes from the proposals contained in the Budget Appendix that was submitted with former President Carter's 1982 Budget. These include:

- Withdrawal and other revisions of 1981 supplemental requests.
- Submission of 1981 supplemental requests to cover programmatic increases for national defense and other needs which must be met in 1981.
- Submission of amendments to the 1982 budget which provide for the increases and decreases recommended for fiscal year 1982.

B. Rescissions and Deferrals.

The President has forwarded to the Congress an initial package of "Rescission" and "Deferral" actions which are needed to carry out his proposals for reductions in 1981 spending authority.

Additional rescission proposals will be submitted to the Congress as soon as they can be processed by the Office of Management and Budget.

Specific rescission and deferrals must be approved by the President and submitted to the Congress to comply with the Congressional Budget and Impoundment Control Act of 1974.

- A "rescission," once approved by the Congress formally removes authority to commit Federal funds which had previously been provided by the Congress.
- A "deferral" merely authorizes a delay in the use of funding authority already provided by the Congress.

Rescissions, in order to become effective, must be approved by both Houses of the Congress within 45 legislative days. Deferrals remain in effect for the period specified by the President unless specifically overturned by a Resolution passed by one House.

C. Proposed Legislation.

Many of the changes proposed in President Reagan's 1982 Budget will require adoption of specific legislative changes — in addition to the changes in appropriations that would be accomplished with budget supplementals and amendments or rescissions.

Proposed legislation is now being prepared by the Administration and will be forwarded to the Congress. The highest priority proposals will be forwarded this week. Additional, more complex proposals will be submitted in the coming days.

VIII. ACTIONS BY THE CONGRESS ON THE PRESIDENT'S PROPOSALS

Over the next few months, the Congress will be proceeding with a number of measures that reflect action on the President's proposals. It now appears that these actions will include:

A. A Fiscal Year 1981 Reconciliation Bill.

This Bill is expected to include changes in 1981 appropriations and other laws that are necessary to meet 1981 outlay limits and reduce commitments for 1982 and future years.

B. Additional 1981 Appropriations or Continuing Resolution.

For those agencies where the last Congress had not completed action on 1981 appropriations, the Congress passed a "Continuing Appropriations Act" which provided spending authority lasting through June 5, 1981. Additional steps will be needed to provide spending authority for the remainder of the fiscal year (i.e., through September 30, 1981) for these agencies.

C. A 1981 Supplemental Appropriations Bill.

This bill would include those additional funds that the Congress wishes to provide above the appropriations already enacted for 1981.

D. Rescissions.

The Congress is expected to take up the rescissions of 1981 spending authority that are forwarded by the President. These may be included with one of the bills referred to above or could be handled as separate legislative actions.

E. 1982 Budget Resolutions.

Under the Congressional Budget and Impoundment Control Act of 1974, the House and Senate agree on preliminary outlay limits for the ensuing fiscal year each May and final outlay limits in September. These outlay limits provide guidance or limitations for the various authorizing appropriations committees as they consider and approve measures affecting Federal spending.

F. 1982 Appropriations Bills.

The Congress will be considering President Reagan's proposals for 1982 as it takes up regular appropriations bills.

G. Authorizing Legislation.

The various legislative proposals submitted by the Administration to carry out the President's 1982 Budget will be considered by the respective committees having jurisdiction over the programs involved. Some are likely to be included with the 1981 Reconciliation bill, others will be handled separately. There is no specific schedule for consideration of this legislation but all of the President's proposals appear likely to receive early and thorough consideration during the current session of Congress.

SUMMARY TABLE OF PROGRAMMATIC DECREASES TO THE JANUARY BUDGET
FY 1981 - 1986
(in millions of dollars)

Budget Authority and Outlay Savings

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Executive Office of the President												
Staffing levels.....	6	7	6	7	5	7	8	9	11	9	13	12
Funds Appropriated to the President												
Appalachian Regional Development programs.	110	6	125	100	129	77	134	99	144	102	157	162
International development assistance (including Peace Corps and Inter-American Foundation).	542	10	1,511	147	-7	383	2,070	713	2,433	1,095	2,810	1,569
International commodity agreements....	---	---	119	20	-39	-15	-15	---	-20	---	---	---
Special Defense Acquisition Funds....	---	---	---	321	---	254	---	213	---	252	---	203
Administrative reductions not included above.....	6	6	7	7	---	---	---	---	---	---	---	---
Subtotal.....	658	22	1,762	595	83	699	2,189	1,025	2,557	1,449	2,967	1,934
Department of Agriculture												
P.L. 480 Food aid.....	76	76	100	100	110	110	266	266	358	358	369	369
Conservation cost-sharing.....	---	---	56	16	56	30	56	39	56	47	56	55
Commodity Credit Corporation												
-Storage Facility loans.....	---	25	---	100	---	110	---	120	---	130	---	150
-CCC loan interest rates.....	---	4	---	45	---	49	---	54	---	59	---	66
-Grain Reserve interest waivers.....	---	80	---	167	---	180	---	200	---	225	---	250
-Target prices.....	---	---	---	---	---	---	---	58	---	108	---	119
Rural Electrification Administration.....	16	6	---	10	---	---	---	---	---	---	---	---
Farmers Home Admin....												
-Direct Loan Programs (Direct loan obligations).....	(565)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---	(2,354)	---
-Grant and Homeownership Assistance.....	5	---	111	10	112	14	112	15	114	18	144	20

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-Alcohol Fuels/ Biomass Loans 1/ (non-add).....	(505)	(46)	---	(94)	---	---	---	---	---	---	---	---
Soil Conservation Service.....	---	---	10	5	16	13	17	16	19	18	16	18
Food Program Administration.....	4	4	5	5	5	5	5	5	5	5	5	5
Food Stamps* 2/.....	150	148	2,328	2,304	2,179	2,167	2,810	2,795	3,175	3,157	3,391	3,373
Special Milk*.....	---	---	95	90	98	92	102	96	108	101	113	107
Child Nutrition* 2/...	35	---	1,336	1,243	1,475	1,394	1,637	1,547	1,760	1,663	1,898	1,793
Special supplemental Food Program* (WIC)2/	---	---	343	287	344	270	344	270	344	270	344	270
Increased user charges for grain inspection.*	---	---	25	25	25	25	25	25	25	25	25	25
Forest Service.....	---	---	60	50	60	60	60	60	60	60	60	60
Employment freezes travel, equipment, consultant and other administrative reductions.....	61	67	66	66	66	66	66	66	66	66	66	66
Subtotal.....	347	440	4,535	4,628	4,576	4,764	5,605	5,887	6,269	6,641	6,742	7,153
14 Department of Commerce												
Economic Development Administration.....	345	11	624	374	694	532	759	621	823	754	889	844
Regional Development Programs.....	21	8	---	7	---	4	---	1	---	1	---	---
National Oceanic and Atmospheric Admin.... (Regulatory reduction)	60	16	236	208	303	292	334	339	334	338	302	300
	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
National Telecom- munications and Information Admin....	22	2	22	10	23	14	23	23	23	23	23	23
Maritime Admin.....	---	21	107	40	29	53	55	44	86	54	124	59
Administrative/program reductions not included above.....	18	18	12	25	24	27	37	38	49	49	59	59
Subtotal.....	466	76	1,001	664	1,073	922	1,208	1,066	1,313	1,219	1,397	1,285
Department of Defense-Military												
Civilian pay and withdrawal of retired pay legislation*.....	---	---	131	154	1,214	1,214	1,653	1,653	2,010	2,010	2,384	2,384
Program reductions....	319	60	1,735	792	1,646	1,336	2,498	2,018	3,209	2,749	3,939	3,379
Administrative reductions not included above.....	220	220	120	120	120	120	120	120	120	120	120	120
Subtotal.....	539	280	1,986	1,066	2,980	2,670	4,271	3,791	5,339	4,879	6,443	5,883

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Defense-Civil												
Corps of Engineers....	---	---	230	230	1,017	782	1,284	1,039	1,488	1,283	1,380	1,290
Cemeterial Expenses, Army.....	aa	aa	2	2	1	aa	1	1	1	1	1	1
Department of Education												
Local education block grants.....	---	---	-3,647	-235	-3,829	-2,815	-4,021	-3,589	-4,222	-3,927	-4,433	-4,163
Title I basic local concentration, migrant.....	814	57	3,562	824	3,858	3,241	4,139	3,519	4,404	3,787	4,686	4,030
Education for the handicapped.....	237	5	1,060	238	1,161	715	1,247	1,182	1,326	1,266	1,410	1,349
Adult education.....	30	14	122	28	132	126	142	134	150	143	160	153
Emergency school aid.	53	5	224	55	242	174	260	228	277	254	294	272
Basic skills improve- ment.....	9	9	18	14	20	15	21	17	23	18	24	19
Subtotal, savings..	1,143	96	1,339	904	1,584	1,456	1,788	1,491	1,958	1,541	2,141	1,660
State education block grants.....	---	---	-715	-50	-750	-551	-788	-703	-827	-769	-869	-816
Title I Handicapped, neglected and delinquent.....	66	5	268	66	290	241	311	262	331	285	352	306
Special programs and populations....	11	2	120	31	130	126	139	131	148	139	156	147
Education for the handicapped.....	31	---	117	12	122	107	131	122	138	131	148	137
Emergency school aid.....	25	2	81	22	88	64	94	83	100	93	107	100
School improvement..	78	6	123	89	134	107	143	116	156	124	166	132
School libraries....	43	8	171	47	186	152	202	198	216	214	230	228
Other.....	1	aa	23	1	23	24	24	24	24	24	24	24
Subtotal, savings..	255	23	188	218	223	278	256	233	286	241	314	258
Rehabilitation services and handi- capped, research 3/..	23	4	(1,011)	(842)	(1,102)	(1,031)	(1,192)	(1,174)	(1,279)	(1,262)	(1,361)	(1,344)
Student financial assistance.....	150	50	296	205	323	224	350	242	376	260	400	277
Student loan insur- ance (savings).....	25	24	25	25	27	27	30	30	32	32	34	34
Vocational and adult education.....	195	59	156	174	164	188	172	164	174	234	185	302
National Institute of Education.....	5	3	23	22	22	20	23	20	25	21	27	22
Institute of Museum Services.....	12	---	17	8	18	16	20	17	21	19	22	20
Indian Education.....	aa	aa	21	7	22	17	24	18	26	22	20	24
Higher and continuing education.....	8	3	49	15	46	43	50	47	53	50	57	54

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
College housing loans	15	18	13	4	12	30	12	73	12	86	12	85
Fund for improvement of postsecondary education.....	3	2	7	4	8	4	8	5	9	5	9	6
Libraries and learning technologies.....	---	---	31	3	33	10	40	33	48	43	50	52
Office of Civil Rights.....	1	1	2	1	2	2	2	2	2	2	2	2
Youth education and training.....	---	---	900	50	900	900	900	900	900	900	900	900
Bilingual and minority language education...	54	5	65	3	70	64	75	69	80	72	85	76
Other program reductions.....	4	---	13	3	14	10	16	13	17	15	18	18
Administrative reductions (not included above).....	3	1	11	10	11	11	13	11	13	13	13	13
Subtotal.....	1,896	283	3,156	1,656	3,479	3,292	3,779	3,370	4,032	3,556	4,289	3,803
Department of Energy												
97. Uranium enrichment....	843	---	405	393	-69	15	9	51	75	46	-1	35
Synthetic Fuels.....	547	263	772	789	1,060	840	356	730	128	214	5	241
Fossil Energy.....	50	121	360	321	498	404	661	503	614	595	517	519
Solar Energy.....	99	79	390	380	457	443	403	437	362	362	309	309
Other Energy Supply...	147	69	223	196	211	215	209	206	197	198	194	204
Energy Conservation...	207	42	677	442	631	645	461	623	408	467	407	407
Regional Storage.....	---	---	15	10	---	5	---	---	---	---	---	---
Energy Information....	14	12	47	49	61	61	67	67	73	73	78	78
Energy Regulation....	111	68	159	179	143	145	136	138	133	129	123	123
Alcohol Fuels												
Subsidy 1/ (non-add).	(741)	(103)	(---)	(28)	(---)	(---)	(---)	(---)	(---)	(---)	(---)	(---)
General Science.....	---	---	40	24	44	42	60	60	76	72	83	83
Department Admin.....	20	2	129	107	118	85	127	122	139	134	142	145
Administrative reductions not included above.....	269	-239	-59	390	222	208	197	353	456	415	663	1,321
Naval Petroleum												
Reserve Receipts.....	245	245	264	264	182	182	137	137	113	113	80	80
Energy Sciences.....	2	1	54	54	60	60	64	64	68	68	71	71
Magnetic Fusion.....	11	8	46	84	86	65	155	105	216	136	253	168
Subtotal.....	2,565	671	3,522	3,682	3,704	3,415	3,042	3,396	3,058	3,022	2,924	3,784
Department of Health and Human Services												
Health and Social Services grant consolidation ^a 4/....	---	---	2,315	1,836	2,619	3,129	2,847	3,330	3,031	3,316	3,112	3,397
National Health Service Corps Scholarships...	23	6	56	38	87	100	121	110	158	130	198	150
Health Professions Education.....	41	8	44	70	44	50	44	50	44	50	44	48

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Merchant Seamen (PMS) ^a 5/.....	39	39	82	82	150	150	160	160	160	160	160	160
PMS Commissioned Corps Physician Bonuses ^a ...	---	---	3	3	3	3	3	3	3	3	3	3
Centers for Disease Control (excluding grant consolidation).	29	10	76	62	76	66	76	70	76	76	76	76
National Institutes of Health 6/.....	81	36	86	73	91	83	97	92	102	98	107	103
National Research Service Awards ^a (ADAMHA) 6/.....	4	1	5	4	---	4	---	---	---	---	---	---
Regulation of Health Care Industry												
-Health Planning.....	24	9	89	45	145	107	145	120	145	145	145	145
-PSRO's ^a	6	38	13	102	15	106	22	171	22	171	22	171
(PSRO obligations)..	(38)		(104)		(107)		(174)		(174)		(174)	
Health Maintenance Organizations ^a	28	10	40	22	48	32	48	42	48	48	48	48
Indian health programs	33	3	137	53	166	68	196	165	228	196	262	229
Alcohol, Drug Abuse and Mental Health programs (excluding grant consolidation).	77	21	48	65	167	116	187	148	208	142	230	164
Office of the Assistant Secretary for Health (excluding grant consolidation).	5	3	13	5	23	10	23	20	23	23	23	23
Food and Drug Administration.....	---	---	32	19	17	17	17	18	17	18	17	20
Medicaid ^a	589	339	1,185	944	2,608	2,365	3,969	3,682	5,164	4,898	6,535	6,206
Health Care Financing Administration program management ^a	2	3	16	16	16	16	16	16	16	16	16	16
Medicare payments timing ^a	---	-518	---	522	---	---	---	---	---	---	---	---
Medicare reimbursements changes ^a	---	20	---	105	---	130	---	155	---	180	---	205
Supplemental Security Income ^a	---	---	110	110	110	110	110	110	110	110	110	110
Aid to Families with Dependent Children and Child Support Enforcement ^a	---	---	636	636	802	802	884	884	975	975	1,003	1,003
Refugee Assistance....	50	31	69	54	57	53	24	39	14	22	14	15
Cuban/Haitians education assistance.	---	---	15	---	---	15	---	---	---	---	---	---
Immigrants Welfare Eligibility ^a	---	---	15	15	15	15	15	15	15	15	15	15
Social Security 7/....	---	---	---	---	---	---	---	---	---	---	---	---
-Minimum benefits ^a ...	---	50	---	1,000	---	1,100	---	1,100	---	1,100	---	1,100
-Disability Insurance ^a	---	60	---	370	---	925	---	1,430	---	1,975	---	2,470
-Student benefits ^a ...	---	35	---	1,000	---	1,625	---	2,000	---	2,125	---	2,250

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-OASDI Lump Sum Death Payment*.....	---	---	---	150	---	175	---	200	---	200	---	200
Administration on Aging.....	---	---	55	52	72	70	92	90	113	111	135	132
Administration for Native Americans.....	---	---	6	3	6	3	6	3	6	3	6	3
Administrative reductions not included above.....	17	17	42	18	45	41	48	44	51	47	53	50
Subtotal.....	1,046	221	5,188	7,424	7,382	11,486	9,150	14,267	10,729	16,355	12,334	18,512
Department of Housing and Urban Development												
Subsidized Housing:												
-program level.....	4,632	3	8,688	19	9,421	76	10,143	215	10,838	483	11,510	825
-rent contribution...	---	---	60	119	132	304	213	530	302	792	402	1,088
-rental assistance payments.....	---	---	149	5	163	10	180	15	198	21	217	28
-Indian housing.....	161	---	703	---	744	---	784	3	824	19	865	45
-eliminate outyear inflation.....	---	---	---	---	2,235	2	3,755	16	5,233	62	6,620	143
Payments for the operation of low income housing projects (public housing operating subsidies).....	100	43	---	57	258	142	305	285	175	234	239	211
Public Housing Modernization.....	300	---	500	---	800	7	800	27	800	60	800	100
FHA-Credit Limitation.....	(4,845)8/	5	(9,000)8/	-15	---	-36	---	-63	---	-100	---	-149
Cash sales.....	---	8	---	20	---	18	---	16	---	15	---	14
Rent contributions	---	---	---	2	---	3	---	3	---	4	---	6
GNMA Mortgage-Backed Securities.....	(8,000)8/	-1	(8,000)8/	-2	N/A	-3	N/A	-5	N/A	-6	N/A	-7
GNMA Special Assistance Functions.....	196	-3	-2,627	4	0	-258	0	-201	360	400	514	654
GNMA Mortgage Assistance Grants.....	---	---	490	---	490	---	490	490	490	490	490	490
Solar Energy and Conservation Bank....	121	47	125	134	125	125	125	125	125	125	125	125
Community Development Support Assistance...	---	---	469	-5	339	-16	359	118	257	369	92	317
Planning Assistance...	35	3	35	24	35	35	35	35	35	35	35	35
Rehabilitation Loan Fund.....	111	39	134	199	138	214	142	215	144	217	146	218
Neighborhood Self-Help Development.....	8	4	9	6	9	9	9	9	9	9	9	9
Research and Technology.....	---	2	15	5	17	15	17	17	17	17	17	17
Administrative reductions not included above.....	4	4	18	18	18	18	18	18	18	18	18	18

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Housing Counseling Assistance.....	6	3	6	3	6	6	6	6	6	6	6	6
Subtotal.....	5,674	137	8,773	593	14,930	671	17,381	1,874	19,831	3,270	22,103	4,193
Department of the Interior												
Water and Power Resources Service.....	---	---	64	60	43	41	204	202	201	201	111	111
Office of Water Research and Technology.....	35	7	32	26	37	43	38	40	41	40	42	40
Fish and Wildlife Service.....	6	3	60	53	60	60	60	60	60	60	60	60
Improved targeting of conservation expenditures.....	309	98	577	270	512	239	454	428	468	496	624	564
Surface mining.....	---	---	64	21	57	23	76	43	97	41	118	66
Youth Conservation Corps.....	38	33	60	60	60	60	60	60	60	60	60	60
Indian Affairs.....	---	---	56	49	56	49	56	49	56	49	56	49
Territorial Affairs....	---	---	46	46	22	4	28	27	28	28	28	28
Bureau of Land Management.....	1	1	48	48	48	48	48	48	48	48	48	48
Geological Survey.....	---	---	34	34	34	34	34	34	34	34	34	34
Other program reductions	---	---	7	7	8	8	8	8	8	8	8	8
On-shore mineral leasing.....	---	---	200	200	80	80	150	150	135	135	145	145
Other offsetting receipts.....	---	---	154	154	90	90	163	163	150	150	162	162
Administrative reductions not included above.....	30	30	37	37	56	57	76	80	93	99	115	119
Subtotal.....	419	172	1,439	1,063	1,163	836	1,433	1,394	1,481	1,449	1,611	1,494
Department of Justice												
Legal Division.....	---	1	6	6	8	8	13	13	19	19	24	24
FBI.....	6	22	4	4	6	6	17	17	28	28	39	39
Drug Enforcement Admin.	9	8	8	8	10	10	18	18	28	27	37	36
Federal Prison System..	5	9	8	7	6	6	10	10	15	15	19	19
Juvenile Justice and Delinquency Prevention 9/.....	---	---	138	19	133	98	146	187	156	186	167	198
Administrative reductions not included above.....	25	17	67	77	57	57	87	87	138	137	150	149
Subtotal.....	45	35	231	121	220	183	291	332	384	412	436	463

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Labor												
CETA:												
Eliminate Public Service Employment programs.....	149	535	4,558	3,545	4,222	4,073	4,561	4,408	4,931	4,762	5,341	5,143
Withdraw Youth Legislation.....	---	---	250	80	250	232	250	250	250	250	250	250
Consolidate youth programs into general employment and training grants.....	---	---	856	670	1,074	892	1,263	1,094	1,452	1,290	1,640	1,487
Reduce Job Corps capital improvements.....	---	---	15	15	48	48	48	48	48	48	48	48
Reduce CETA National Programs.....	---	---	108	100	110	110	110	110	110	110	110	110
Eliminate Welfare Reform Demos.....	---	38	216	155	---	61	---	---	---	---	---	---
Eliminate Positive Adjustment Initiative.....	---	---	50	31	---	19	---	---	---	---	---	---
All Other CETA												
Reductions.....	---	1	16	12	15	15	16	16	16	16	16	16
Reduce WIN to current services.....	---	---	20	20	20	20	20	20	20	20	20	20
Trade Adjustment Legislation*.....	---	---	1,150	1,150	760	760	380	380	380	380	380	380
Unemployment Benefits to Ex-Servicemen.....	60	60	225	225	237	237	245	245	247	247	248	248
Unemployment Insurance:												
Eliminate National ES Trigger/State Rate Change.....	400	505	---	---	200	92	---	72	100	270	200	284
Enforce ES work test strictly.....	---	18	---	13	---	5	---	4	---	4	---	3
Strengthen regular work test.....	---	---	---	---	---	285	---	285	---	272	---	264
Extended benefits 20-week work base.....	---	---	---	---	---	11	---	10	---	4	---	2
Reduction in State UI administrative expenses												
-increase productivity.....	---	---	---	46	---	43	---	43	---	42	---	42
-related to UIF legislation.....	---	10	---	68	---	39	---	22	---	22	---	20
Reform Federal Employees Injury Compensation*.....	---	---	50	50	54	54	59	59	63	63	69	69
Reduce Employment Service state personnel.....	---	---	4	150	4	150	4	150	4	150	4	150

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Other policy changes in salaries and expenses.....	1	1	13	13	4	4	4	4	4	4	4	4
Travel reductions (not included above).	4	4	9	9	---	---	---	---	---	---	---	---
Consulting services (not included above).	3	2	7	7	---	---	---	---	---	---	---	---
Procurement reductions (not included above).	2	2	2	2	---	---	---	---	---	---	---	---
Personnel compensation (not included above).	15	16	42	45	105	104	133	135	162	167	190	197
Subtotal.....	634	1,192	7,591	6,406	7,103	7,254	7,093	7,355	7,787	8,121	8,520	8,737
Department of State												
Assessed contributions to international organizations.....	---	---	160	160	138	137	187	182	200	34	---	---
Refugee assistance.....	22	18	42	38	19	24	14	15	15	15	15	15
Asia Foundation.....	---	---	4	4	5	5	5	5	5	5	6	6
Foreign buildings and narcotics assistance..	3	2	17	8	15	17	3	9	3	3	3	3
Administrative reductions, including employment, travel, etc.....	3	3	15	14	17	17	17	17	17	17	19	19
Subtotal.....	28	23	238	224	194	200	226	228	240	74	43	43
Department of Transportation												
Airport Construction*..	272	49	300	50	350	215	400	381	450	458	525	363
Other FAA reductions...	---	6	99	67	40	66	40	25	40	32	46	42
FAA regulatory reductions.....	---	---	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Federal Highway Construction*												
-Non-Interstate Highways.....	---	---	1,900	388	2,100	1,344	2,100	1,732	2,100	1,837	1,800	1,945
-Interstate Transfers.	---	---	100	16	200	154	165	187	285	158	405	185
-Other, Federal Highway Admin.....	---	7	7	17	7	22	7	22	7	15	7	6
Highway Safety Grants*.	---	---	167	47	125	112	138	138	162	150	178	163
NHTSA regulatory reduction.....	(**)	(**)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Cooperative Automotive Research program.....	12	6	17	12	34	17	50	25	50	35	50	45
Railroad Restructuring Assistance.....	---	---	40	5	54	30	68	55	81	70	204	90

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Low Volume Railroad												
Branch Lines.....	80	8	80	32	87	57	94	75	101	98	108	106
Federal Railroad												
Admin. regulatory												
reduction.....	(**)	(**)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Northeast Corridor												
Improvement Program ^a ..	---	25	288	155	-13	114	20	1	15	15	---	---
AMTRAK subsidies.....	25	25	380	304	550	497	700	689	900	858	987	1,037
Urban Mass Transportation-												
Capital Grants ^a	250	54	1,340	420	1,635	805	1,795	1,153	1,845	1,535	1,860	1,649
Operating Subsidies ^a ..	---	---	---	---	370	208	740	512	1,105	899	1,105	1,088
Other UMTA programs..	25	3	35	5	45	26	55	46	60	41	70	55
Administrative												
reductions not												
included above.....	25	27	124	105	144	134	158	155	175	167	184	185
Boat and Yacht Fees												
(increases to												
proprietary receipts)	---	---	100	100	200	200	300	300	400	400	500	500
Subtotal.....	689	210	4,977	1,723	5,928	4,001	6,830	5,496	7,774	6,768	8,029	7,459
Department of the Treasury												
Biomass Energy												
Development.....	1,246	148	---	122	---	---	---	---	---	---	---	---
Payment in excess of												
business tax												
liabilities.....	227	227	3,493	3,493	4,704	4,704	5,390	5,390	6,030	6,030	6,657	6,657
Payment to non-profit												
institutions related												
to the 8% social												
security tax credit..	---	---	237	237	349	349	389	389	446	446	500	500
Payments to State and												
local governments												
related to the 8%												
social security tax												
credit.....	---	---	495	495	812	812	897	897	1,020	1,020	1,146	1,146
Payments where credit												
exceeds liability....	---	---	---	---	572	572	526	526	484	484	446	446
Internal Revenue												
Service												
- Personnel.....	23	39	84	94	148	163	240	288	329	373	414	457
Administrative												
reductions not												
included above.....	25	26	79	78	134	141	200	205	261	265	318	322
Subtotal.....	1,521	440	4,388	4,519	6,719	6,741	7,642	7,695	8,570	8,618	9,481	9,328

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Environmental Protection Agency												
Wastewater Treatment												
Grants.....	1,700	20	3,700	290	1,600	1,450	2,000	2,270	2,300	2,270	2,600	2,275
Superfund.....	10	5	50	30	49	50	28	38	-42	-7	-277	-69
Other Programmatic												
Reductions.....	---	---	181	102	210	157	236	195	262	230	285	251
(Reductions related to												
Regulatory Programs)..	(21)	(21)	(150)	(90)	(194)	(142)	(228)	(184)	(263)	(230)	(294)	(259)
Administrative												
reductions not												
included above.....	21	21	4	4	9	9	17	17	26	26	34	34
Subtotal.....	1,731	46	3,935	426	1,868	1,666	2,281	2,520	2,546	2,519	2,642	2,491
National Aeronautics and Space Administration												
Program reductions.....	5	2	580	447	765	686	913	795	645	804	419	664
Administrative												
reductions.....	10	10	24	22	20	20	20	20	20	20	20	20
Subtotal.....	15	12	604	469	785	706	933	815	665	824	439	684
Veterans Administration												
Interest rates on												
insurance loans.....	---	91	---	96	---	65	---	41	---	13	---	---
GI bill extension.....	---	---	63	63	67	67	16	16	14	14	13	13
GI bill flight and												
correspondence.....	14	14	---	---	---	---	---	---	---	---	---	---
Consolidation of												
Benefit Processing												
Functions.....	---	---	36	36	73	73	74	74	75	75	78	78
Major construction												
projects.....	154	28	71	91	-52	74	-11	55	---	3	---	-36
Minor construction												
projects.....	---	---	32	8	34	25	36	36	39	39	40	40
Physician and Dentist												
Bonuses.....	10	10	40	40	40	40	40	40	40	40	40	40
Personnel adjustments												
excluding regional												
offices.....	41	41	146	146	253	253	329	329	408	408	501	501
Administrative reduc-												
tions not included												
above.....	40	34	208	211	373	376	573	573	759	768	939	939
Subtotal.....	259	218	596	691	788	973	1,057	1,164	1,335	1,360	1,611	1,575
Other Independent Agencies												
ACTION.....	9	3	40	36	56	55	73	69	80	76	86	82
Administrative Confer-												
ence of the United												
States.....	---	---	---	---	66	66	66	66	66	66	1	1
Architectural and												
Transportation Barriers												
Compliance Board.....	---	---	2	2	3	2	3	3	3	3	3	3

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Arms Control and Disarmament Agency....	2	1	3	2	3	3	3	3	3	3	4	4
Civil Aeronautics Board												
Airline subsidy.....	---	---	36	51	64	64	54	54	34	34	2	2
Administrative reduction.....	1	1	1	1	2	2	2	2	2	2	3	3
CAB regulatory reduction.....	(1)	(1)	(1)	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(3)	(3)
Commission of Fine Arts	---	---	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa
Commission on Civil Rights.....	aa	aa	1	1	1	1	2	1	2	2	3	3
Committee for Purchase from the Blind and Other Severely Handicapped.....	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa
Commodity Futures Trading Commission....	---	---	1	1	2	2	2	2	2	2	3	3
Community Services Administration 3/.....	---	---	(542)	(299)	(542)	(542)	(542)	(542)	(542)	(542)	(542)	(542)
Consumer Product Safety Commission.....	2	2	12	14	12	12	12	12	12	12	12	12
Corporation for Public Broadcasting.....	---	---	43	43	52	52	73	73	98	98	110	110
Federal loans to the District of Columbia..	---	---	39	74	84	99	-14	141	-71	84	-85	70
Equal Employment Opportunity Commission	4	4	20	20	32	32	44	44	52	52	59	59
Export-Import Bank of the United States.....	748	70	571	236	891	523	1,266	782	1,690	1,026	2,117	1,248
Federal Communications Commission.....	1	1	5	5	15	11	22	18	30	27	39	35
Federal Election Commission.....	aa	aa	1	1	1	1	1	1	1	1	1	1
Federal Emergency Management Agency												
-Disaster relief.....	8	8	31	31	31	31	31	31	31	31	31	31
-Flood insurance.....	---	---	99	97	111	115	121	125	129	132	135	137
-Other.....	1	1	4	4	5	5	7	7	8	8	9	9
Federal Home Loan Bank Board.....	---	---	---	186	---	130	---	130	---	130	---	130
Federal Labor Relations Authority.....	1	1	1	1	1	1	2	2	2	2	2	2
Federal Maritime Commission (Regulatory restraint).....	a	a	1	1	1	1	1	1	1	1	2	2
Federal Mediation and Conciliation Service..	1	1	4	4	5	5	6	6	7	7	7	7
Federal Mine Safety and Health Review Commission.....	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa
Federal Trade Commission	4	4	8	8	15	16	20	20	22	22	25	24

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
General Services												
Administration												
-Federal Buildings Construction.....	---	---	121	12	---	7	---	27	---	79	---	26
-Grants to the National Historical Publication and Records Commission	---	---	3	3	3	3	3	3	3	3	3	3
-National Defense Stockpile.....	---	---	507	507	507	507	75	75	-206	-206	-206	-206
-Administrative reductions not included above.....	9	16	28	42	38	54	47	70	55	86	63	96
Intelligence Community Staff.....	aa	aa	---	---	---	---	---	---	---	---	---	---
Advisory Commission on Intergovernmental Relations.....	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa
Appalachian Regional Commission.....	aa	aa	4	4	4	4	4	4	4	4	4	4
International Communication Agency.....	4	4	29	24	39	40	44	44	49	49	49	49
Interstate Commerce Commission.....	3	3	6	6	11	11	12	12	13	13	14	14
ICC regulatory reduction	(3)	(3)	(6)	(6)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)
Legal Services Corporation 9/.....	---	---	347	312	364	364	382	382	401	401	421	421
Marine Mammal Commission.....	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa
Merit Systems Protection Board.....	aa	aa	1	1	1	1	2	2	2	2	2	2
National Consumer Cooperative Bank.....	89	86	136	136	160	159	185	180	185	177	200	192
National Foundation on the Arts and the Humanities.....	---	---	172	87	183	146	199	187	216	207	232	221
National Labor Relations Board.....	3	3	4	4	9	8	16	15	24	22	32	30
National Mediation Board.....	aa	aa	aa	aa	aa	aa	aa	aa	aa	aa	1	aa
National Science Foundation.....	83	36	320	209	360	324	406	369	454	417	496	462
National Transportation Safety Board.....	aa	aa	1	1	1	1	1	1	1	1	2	2
Nuclear Regulatory Commission.....	2	2	---	---	---	---	---	---	---	---	---	---
Occupational Safety and Health Review Commission	aa	aa	aa	aa	1	1	1	1	1	1	1	1
Office of the Federal Inspector for the Alaska Natural Gas Transportation System.	1	1	---	---	---	---	---	---	---	---	---	---

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Office of Personnel Management												
-Administrative early retirement.....	---	30	30	30	30	30	30	30	30	30	30	30
-Disability criteria ^a	---	150	150	150	150	150	150	150	150	150	150	150
-Intergovernmental Personnel Act ^a	1	00	20	13	20	20	20	20	20	20	20	20
-Administrative reductions not included above.....	2	2	10	10	14	14	18	18	22	22	25	25
Panama Canal Commission	1	1	4	4	5	5	6	6	6	6	7	7
Pennsylvania Avenue Development Corporation	00	00	12	14	25	6	17	13	10	22	17	26
Postal Service (payment to the Postal Service Fund).....	---	---	250	250	150	150	237	237	226	226	258	258
Railroad Retirement Board.....												
-Ad hoc June 1981 Rail Pension Increase ^a	---	10	---	40	---	40	---	40	---	40	---	40
-Administrative reductions.....	---	---	---	2	---	3	---	4	---	5	---	6
Renegotiation Board....												
Securities and Exchange Commission.....	1	1	6	6	15	15	19	19	21	21	25	25
Selective Service System.....	3	3	2	2	1	1	1	1	1	1	1	1
Small Business Admin..												
-Business loans.....	---	49	149	81	22	197	60	226	75	240	82	248
-Disaster relief.....	780	780	---	-8	---	2	---	-11	---	-24	---	-36
-Technical assistance.....	4	8	20	16	16	16	16	16	16	16	16	16
-Administrative reductions not included above.....	3	3	9	9	12	12	15	15	16	16	18	18
Smithsonian Institution (includes National Gallery and Wilson Center)	1	1	26	5	-22	11	2	-1	2	-6	3	3
President's Commission for the Study of Ethical Problems in Medicine.....	00	00	00	00	---	00	---	---	---	---	---	---
Tennessee Valley Authority.....	1	1	10	10	---	---	---	---	---	---	---	---
United States Metric Board.....	00	00	1	1	1	1	1	1	1	1	1	1
United States Railway Association ^a	25	125	5	-95	102	102	---	---	---	---	---	---
Water Resources Council	5	---	39	33	42	43	43	43	44	45	45	47
Subtotal, Other Independent Agencies. 1,803	1,272		3,365	2,740	3,651	3,611	3,743	3,726	3,980	3,842	4,581	4,180

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Allowance for effect of changes in Davis-Bacon Act and Service Contract Act administrative procedures and Black Lung Trust fund Reform.....	30	30	528	528	624	624	753	753	932	932	1,119	1,119
Effects on civilian agency pay costs of revising the Federal Pay Comparability Standard.....	---	---	159	149	635	616	1,132	1,161	1,540	1,597	2,022	2,131
Mineral Leasing on Outer Continental Shelf.....	250	250	700	700	2,000	2,000	3,000	3,000	3,500	3,500	3,500	3,500
TOTAL, On-Budget, Budget Authority and Outlay Savings	20,621	6,057	58,914	40,310	70,908	58,123	84,354	71,564	95,363	81,698	104,627	91,256
Off-budget Items												
Federal Financing Bank.												
-Foreign Military Sales Credit.....	---	---	300	300	350	350	350	350	350	350	350	350
(Loan guarantee commitments).....			(300)		(350)		(350)		(350)		(350)	
-Rural Electrification and Telephone*.....	38	38	1,152	1,152	2,360	2,360	3,670	3,670	5,091	5,091	6,630	6,630
(Loan guarantee commitments).....	(187)		(5,545)		(6,045)		(6,580)		(7,170)		(7,800)	
-Farmers Home Admin....	361	360	1,699	1,698	1,505	1,705	1,572	1,571	4,773	1,585	2,707	1,910
(Direct loan obligations).....	(365)		(2,354)		(2,354)		(2,354)		(2,354)		(2,354)	
-Small Business Administration 10/....	67	64	65	59	65	35	65	15	65	20	65	20
(Loan guarantee commitments).....	(67)		(65)		(65)		(65)		(65)		(65)	
-HUD Community Development loans 11/.....	143	133	90	90	182	183	250	286	---	107	---	77
(Loan guarantee commitments).....	(250)		(250)		(250)		(250)		(250)		(250)	
-Student Loan Marketing Association.....	---	---	1,423	1,423	2,211	2,211	2,543	2,543	2,543	2,543	2,543	2,543
(Loan guarantee commitments).....			(1,423)		(2,211)		(2,543)		(2,543)		(2,543)	

SUMMARY TABLE (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
-Health Maintenance Organizations.....	---	---	---	---	10	10	15	15	90	90	90	90
(Loan guarantee commitments).....	(---)		(---)		(10)		(15)		(90)		(90)	
Subtotal, FFB reductions.....	609	595	4,729	4,722	6,683	6,854	8,465	8,450	12,912	9,786	12,385	11,620
Other off-budget entities:												
Rural Telephone Bank.	---	---	23	---	23	---	23	---	23	---	---	---
Subtotal, off-budget savings.....	609	595	4,752	4,722	6,706	6,854	8,488	8,450	12,935	9,786	12,385	11,620
Total, Budget Authority and Outlay Savings.....	21,230	6,652	63,666	45,032	77,614	64,977	92,842	80,014	108,298	91,484	117,012	102,876

* Involves proposed legislation to be submitted

** Less than \$500 thousand.

1/ The appropriations for the Alcohol Fuels and Biomass programs are in the Department of the Treasury.

2/ Savings partially offset by Nutrition Block Grant for Puerto Rico funded at \$.9 billion in each year 1982-86.

3/ Funding will be available beginning in 1982 for the purposes served by this program from the Health and Human Services, Social Services Block Grant. Displayed as a non-add entry because these savings are reflected in the HHS Social Services Block grant entry.

4/ Inclusive of savings derived from agencies other than the Department of Health and Human Services, including the Rehabilitation Services Administration (Department of Education) and the Community Services Administration.

5/ These savings to the Public Health Service will be partially offset by additional costs to the U.S. Coast Guard, the Merchant Marine and several other agencies.

6/ Elimination of National Research Service Awards is also included in National Institutes of Health reduction.

7/ The outlay savings would increase trust fund interest receipts (BA) by \$100 million in 1982, \$400 million in 1983, \$800 million in 1984, \$1,100 million in 1985 and \$1,400 million in 1986. Increased trust fund receipts decrease the deficit.

8/ Represents reduction in limitation on commitments.

9/ Authorized activities in programs encompassed in the proposed Social Services Block Grant.

10/ Includes Small Business Investment Companies and Development Company debentures.

11/ While loan guarantee commitments financed through FFB will be reduced by these amounts, loan guarantees will still be made, though not financed by the FFB.

NOTE: Administrative reductions involve decreases in personnel costs, consultants, travel, etc.

SUMMARY OF PROGRAMMATIC INCREASES TO THE JANUARY BUDGET
(in millions of dollars)

	1981		1982		1983		1984		1985		1986	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Funds Appropriated to the President</u>												
International Security Assistance												
Military Assistance.....	—	—	105	40	100	65	100	95	100	100	100	100
International Military Education and Training.....	—	—	12	6	12	11	12	11	12	12	12	12
Foreign Military Sales Credit.....	—	—	632	309	632	551	632	713	632	713	632	713
Economic Support Fund.....	==	==	<u>150</u>	<u>52</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>
Subtotal.....	—	—	899	407	894	777	894	969	894	975	894	975
<u>Department of Agriculture</u>												
Agricultural Research and Extension...	—	—	20	20	20	20	20	20	20	20	20	20
Commodity Credit Corporation: Polish debt rescheduling....	==	<u>88</u>	==	==	==	==	==	==	==	==	==	==
Subtotal.....	—	88	20	20	20	20	20	20	20	20	20	20

	<u>1981</u>		<u>1982</u>		<u>1983</u>		<u>1984</u>		<u>1985</u>		<u>1986</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Department of</u>												
<u>Commerce</u>												
Tourism program.....	—	—	4	4	4	4	4	4	4	4	4	4
Secretary's Special Initi- atives Fund.....	—	—	1	1	1	1	1	1	1	1	1	1
Subtotal.....	—	—	5	5	5	5	5	5	5	5	5	5
<u>Department of</u>												
<u>Defense-Military</u>												
Military pay.....	420	420	1,857	1,857	1,988	1,988	1,924	1,924	1,658	1,658	1,287	1,287
Other programs...	<u>7,731</u>	<u>3,518</u>	<u>28,644</u>	<u>7,620</u>	<u>37,007</u>	<u>19,743</u>	<u>47,100</u>	<u>25,271</u>	<u>58,552</u>	<u>48,041</u>	<u>71,650</u>	<u>60,703</u>
Subtotal.....	8,151	3,938	30,501	9,477	38,995	21,731	49,024	27,195	60,210	49,699	72,937	61,990
<u>Corps of Engi-</u>												
<u>neers-Civil</u>												
Emergency supplemental for Mt. St. Helens and Hurricane Allen.....,.....	64	64	—	—	—	—	—	—	—	—	—	—
<u>Department of</u>												
<u>Education</u>												
School Assist- ance in Federally affected Areas.....	82	73	7	1	—	—	—	—	—	—	—	—

		1981		1982		1983		1984		1985		1986	
		<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Department of</u> <u>Energy</u>													
Clinch River Breeder Reactor.....		50	50	269	222	271	277	304	306	332	239	387	389
Strategic Petroleum Reserve.....		1,305	1,334	248	269	-114	10	-126	-42	-194	-114	-662	-279
Defense activities.....		—	15	296	148	391	366	473	398	488	391	445	288
Three mile island activities.....		—	—	27	27	—	—	—	—	—	—	—	—
31 Commercial waste.		—	—	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>	<u>42</u>
Subtotal.....		1,355	1,399	882	708	590	695	693	704	668	558	212	440
<u>Department of</u> <u>the Interior</u>													
Payment in Lieu of Taxes.....		—	—	45	45	45	45	45	45	45	45	45	45
Mineral Leasing Acceleration....		—	—	-7	-7	138	138	86	86	110	110	106	106
Park Restoration and Improve- ment.....		—	—	105	60	105	114	105	114	105	111	105	108
Office of Water Policy.....		—	—	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Subtotal.....		—	—	146	100	290	299	238	247	262	268	258	261

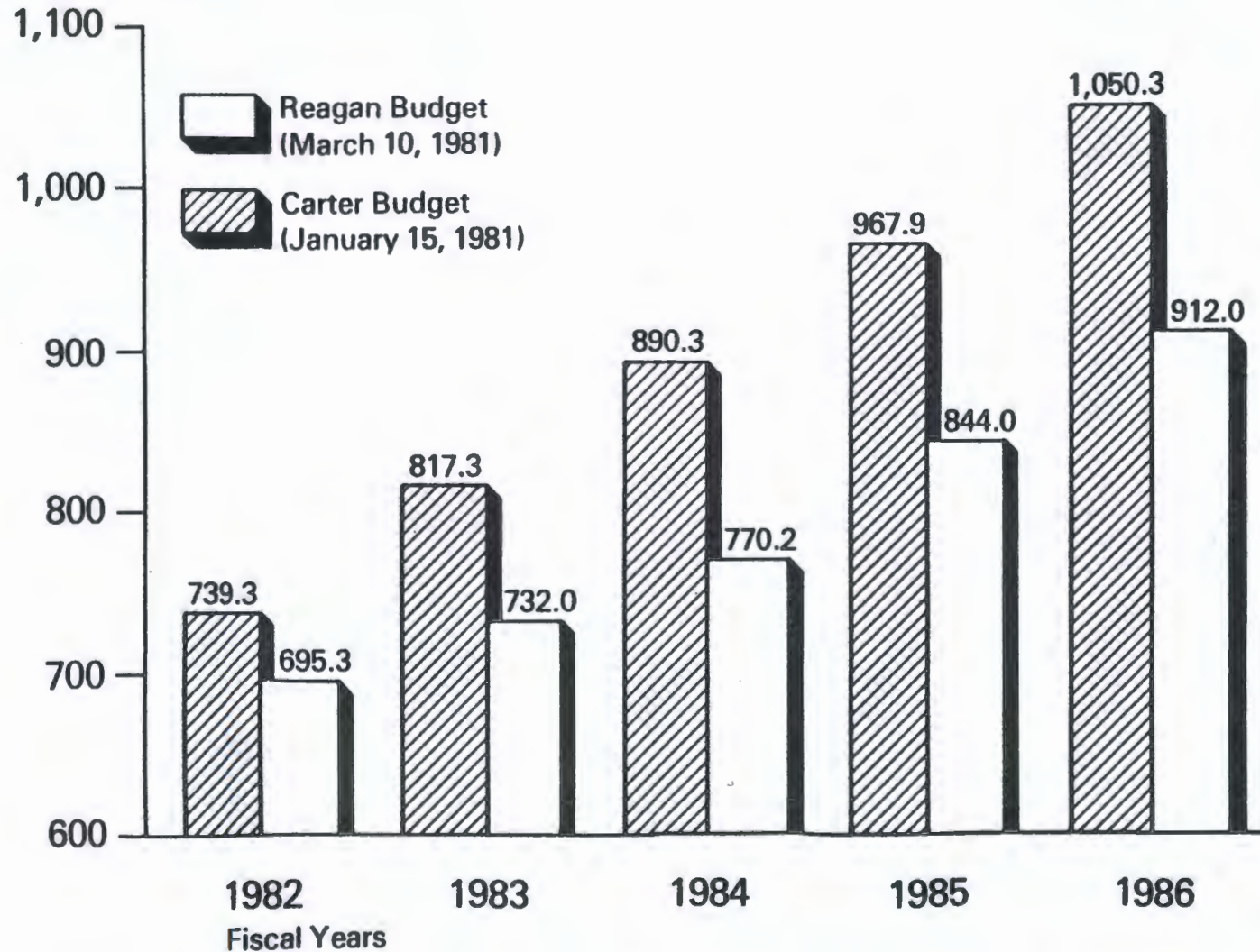
	1981		1982		1983		1984		1985		1986	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
<u>Board for Inter-</u>												
<u>national Broad-</u>												
<u>casting</u>												
Increased grants												
to Radio Free												
Europe/Radio												
Liberty, Inc....	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total.....	<u>9,653</u>	<u>5,563</u>	<u>32,464</u>	<u>10,721</u>	<u>40,798</u>	<u>23,531</u>	<u>50,878</u>	<u>29,144</u>	<u>62,063</u>	<u>51,529</u>	<u>74,330</u>	<u>63,695</u>
<u>Memorandum</u>												
Department of												
Defense.....	8,151	3,938	30,501	9,477	38,995	21,731	49,024	27,195	60,210	49,699	72,937	61,990
Other.....	1,502	1,625	1,963	1,244	1,803	1,800	1,854	1,949	1,853	1,830	1,393	1,705

TOTAL FEDERAL CIVILIAN EMPLOYMENT -- EXECUTIVE BRANCH
(Excluding the Postal Service; End-of-Year)

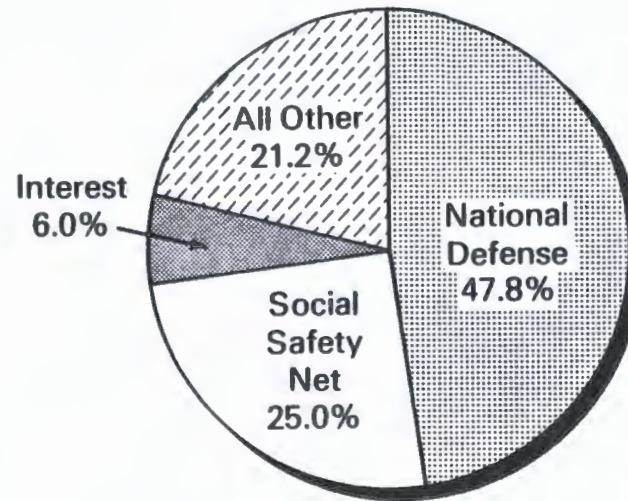
	1981			1982		
	January Budget	Revised Budget	Change	January Budget	Revised Budget	Change
Agriculture.....	129,200	125,000	-4,200	132,300	126,000	-6,300
Commerce.....	39,200	37,300	-1,900	43,100	39,600	-3,500
Defense-Military.....	916,000	930,000	14,000	916,000	936,000	20,000
Defense-Civil.....	31,900	31,900	---	34,700	32,100	-2,600
Education.....	7,200	6,800	-400	6,900	6,400	-500
Energy.....	21,500	20,300	-1,200	21,700	18,400	-3,300
Health and Human Services.....	154,500	160,100	5,600	155,300	155,500	200
Housing and Urban Development.....	16,400	15,500	-900	16,800	15,300	-1,500
Interior.....	77,000	75,000	-2,000	78,700	74,300	-4,400
Justice.....	55,900	54,700	-1,200	56,500	54,100	-2,400
Labor.....	23,500	21,900	-1,600	23,500	21,800	-1,700
State.....	23,400	23,400	---	23,700	23,200	-500
Transportation.....	71,800	68,800	-3,000	72,200	67,500	-4,700
Treasury.....	125,000	120,900	-4,100	128,300	121,200	-7,100
Environmental Protection Agency...	14,800	14,100	-700	15,500	13,800	-1,700
National Aeronautics and Space Administration.....	23,800	23,300	-500	23,800	23,200	-600
Veterans Administration.....	216,700	212,000	-4,700	217,200	208,000	-9,200
Other:						
General Services Administration	35,500	33,700	-1,800	36,200	33,300	-2,900
International Communication Agency.....	8,100	7,700	-400	8,100	7,700	-400
International Development Cooperation Agency.....	6,100	5,900	-200	6,100	5,800	-300
Nuclear Regulatory Commission..	3,500	3,400	-100	3,600	3,500	-100
Office of Personnel Management.	7,400	7,400	---	8,000	7,400	-600
Panama Canal Commission.....	8,700	8,600	-100	8,600	8,500	-100
Small Business Administration..	5,000	4,700	-300	5,000	4,500	-500
Tennessee Valley Authority.....	49,000	45,500	-3,500	48,000	44,000	-4,000
Miscellaneous.....	45,900	43,200	-2,700	47,700	44,300	-3,400
Subtotal.....	2,117,000	2,101,000	-15,900	2,137,500	2,095,400	-42,100
Contingencies.....	2,000	1,000	-1,000	2,000	1,000	-1,000
Expected lapse.....	-8,000	-10,000	-2,000	-8,000	-8,000	---
Total.....	2,111,000	2,092,100	-18,900	2,131,500	2,088,400	-43,100

Total Outlays, Including Defense

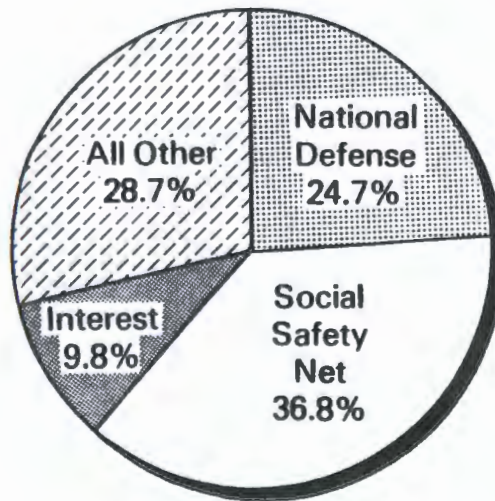
Billions of Dollars



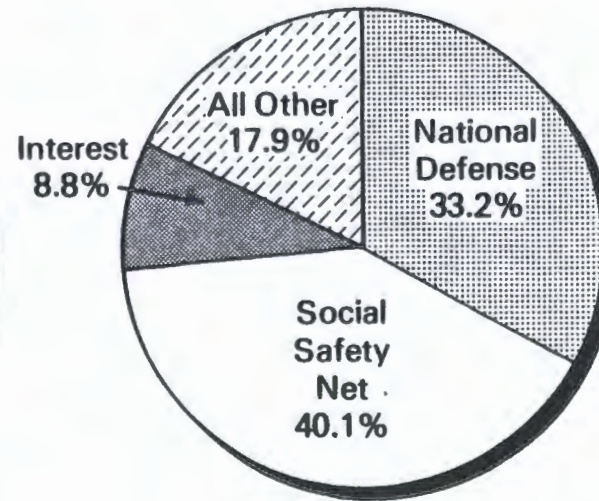
Budget Shares



1962

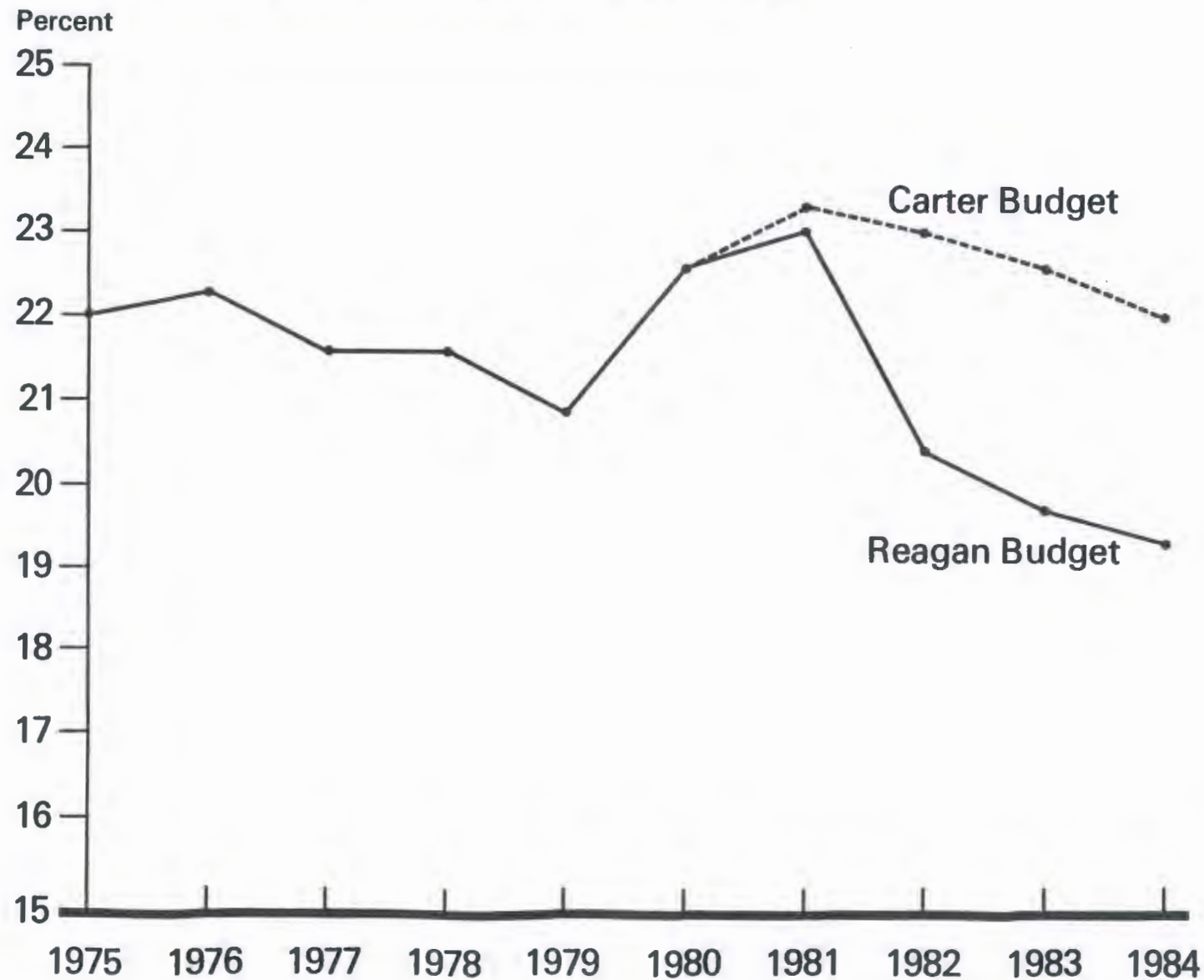


1981

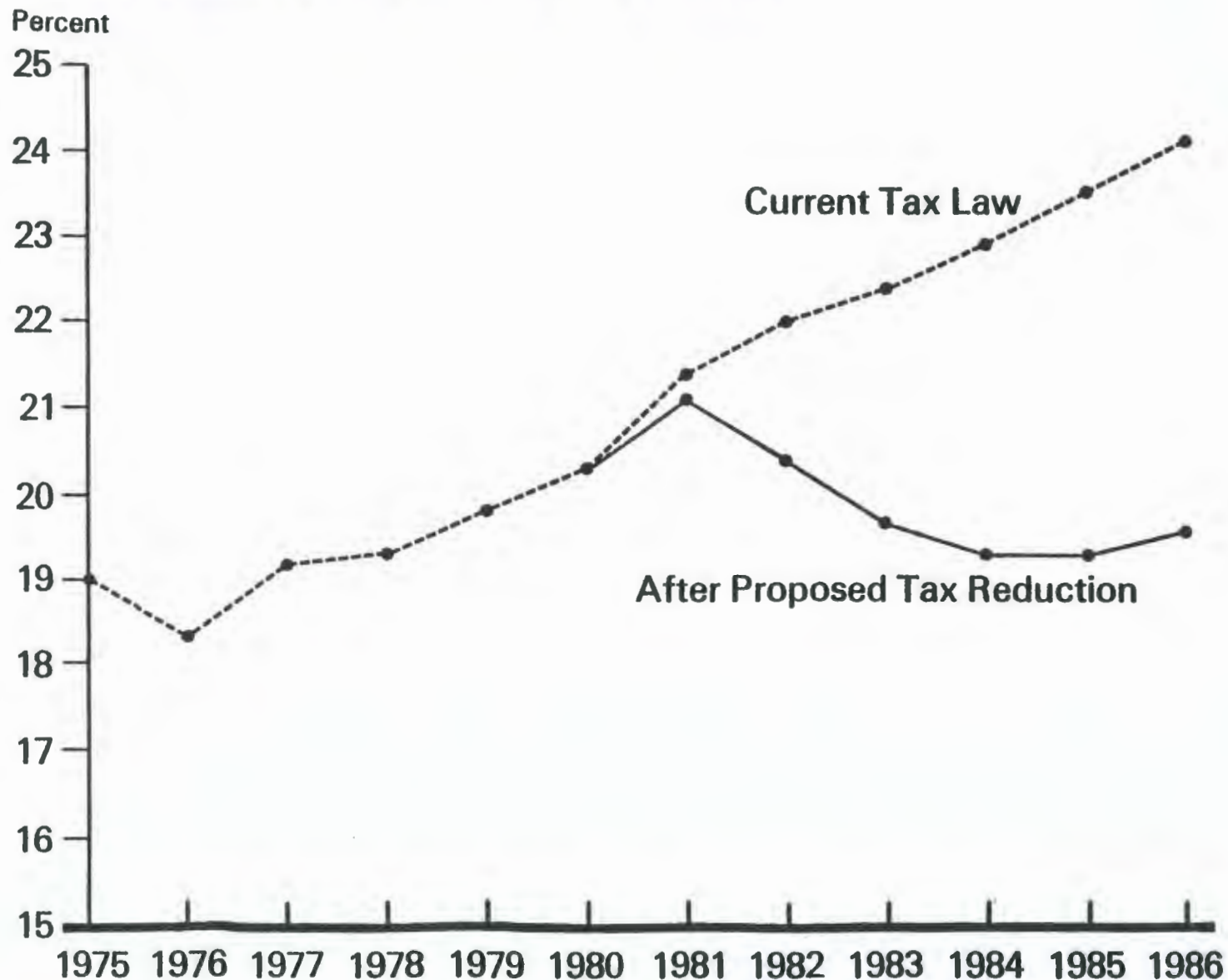


1984

Budget Outlays as a Percent of Gross National Product



Budget Receipts as a Percent of Gross National Product



THE WHITE HOUSE
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Wednesday, February 18, 1981.

February 18, 1981

SUMMARY FACT SHEET
A Program for Economic Recovery

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SUMMARY FACT SHEET

The President's Economic Program

Summary: President Reagan tonight presented to a Joint Session of the Congress a comprehensive program to bring about a recovery of the Nation's economy to reduce the burdens of high inflation, high taxation and over-regulation. The program calls for fundamental redirection in the role of the federal government, including:

- Reductions in personal tax rates and business taxes;
- Spending cuts and other measures to reduce the budget deficit;
- Reductions in the burden and the intrusion of Federal regulations; and
- A new commitment to a stable monetary policy.

BACKGROUND:

- Immediately upon taking office, President Reagan asked for a comprehensive audit of our Nation's economic situation. He described the findings in a Nationwide television address on February 5, 1981. Among the serious economic problems that he found upon taking office were:

- Rates of consumer price inflation were 13.3% in 1979 and 12.4% in 1980, up from 4.8% in 1976.

- Interest rates for short term credit had reached 20%, and home mortgage rates were over 15%, two and one-half times 1960 levels.

- Almost eight million people were unemployed.

- Under the previous Administration the Federal budget was out of control:

- Estimates made in March 1980 of Federal spending in fiscal year 1981 were low by at least \$50 billion, and estimates of the deficit were low by over \$70 billion.

- Recent Federal spending has been growing by about 16% per year.

- Deficits this year are now expected to be around \$80 billion, including over \$55 billion that shows up in the Federal budget and about \$25 billion which is hidden in so-called "off-budget" programs.

- The national debt is approaching \$1 trillion.

- The percentage of income paid by individuals in Federal taxes has doubled since 1960 -- all to pay the costs of expanding Federal programs.

- Government regulation has expanded rapidly, adding to the cost of all consumer goods, impeding new industrial development, and substituting Washington-based decisions for those of individuals, businesses, and State and local governments.

- During his first few days in office, the President:
 - Took initial steps to bring government spending under control, including a freeze on government hiring and procurement, reductions in government travel, and reductions in the use of consultants and contracts.
 - Created a task force under the direction of the Vice President to coordinate efforts to reduce the regulatory burden, placed a freeze on new regulations, and withdrew certain regulations issued in the final days of the Carter Administration.

NEW ACTIONS ANNOUNCED TODAY

In his address to a Joint Session of the Congress and in detailed economic and budget reform messages, the President described his proposals and plans for:

- The first round of major reductions in Federal spending. Additional spending reductions will be presented on March 10, 1981, in a full revision of the 1982 budget. Together, these proposals will reduce FY 1982 spending \$41.4 billion below current policy levels, they will also result in \$2.0 billion in user fees and \$5.7 billion in off-budget cuts for a total of \$49.1 in savings.
- A major reduction in individual and business taxes.
- Additional measures to reduce the cost, burden and intrusion of government regulations.

The principal effects of the President's program, if it is approved by the Congress, will be to:

- Reduce inflation rates.
- Reduce the nonproductive burden imposed by the Federal government, particularly through regulations.
- Reduce the heavy tax burden on the American taxpayer.
- Reduce the size and role of the Federal government, and its intrusion in decisions that could better be made by individuals, businesses, and State and local governments.
- Reduce interest rates for credit purchases and borrowing of money by reducing government borrowing made necessary to cover massive deficits.
- Increase real incomes by spurring capital investment and enhancing productivity.

The President's proposals are summarized below and described more fully in documents being sent to the Congress.

BUDGET OUTLOOK WITH THE PRESIDENT'S BUDGET SAVINGS AND TAX REDUCTION PROGRAM.

Official budget estimates showing the President's tax and budget savings proposals will be provided in the March 10th revision of the 1982 Budget. The table below provides a preliminary estimate of the renewed fiscal balance when the President's measures are fully implemented:

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Proposed Outlay Ceilings	654.7	695.5	733.1	771.6	844.0	912.1
Receipts with tax plan	600.2	650.5	710.2	772.1	850.9	942.1
Target Deficit (-) or Surplus	-54.5	-45.0	-22.9	+0.5	+6.9	+29.9
<u>Share of GNP</u>						
Outlays	23.0	21.6	20.4	19.3	19.2	19.0
Receipts	21.1	20.4	19.7	19.3	19.3	19.6

THE PRESIDENT'S BUDGET REFORM PLAN

In his address to the Joint Session and in a detailed Budget Reform Plan sent to the Congress, the President described the first major steps in a comprehensive redirection of Federal Government activity including:

- Cutbacks in lower priority Federal activities;
- Sharply constrained overall spending levels; and
- Dramatic shifts in internal budget priorities.

A. Past Actions Have Contributed to Today's Economic and Budget Problems.

The rate of increase in Federal spending has risen sharply over the past 25 years:

	<u>Average Annual Rate of Increase</u>
• From 1955 - 1964:	6.3%
• From 1976 - 1981:	11.9%
• From 1979 - 1981:	15.9%

Spending increased even more rapidly than tax revenues, which were pushed up by inflationary movement of taxpayers into higher tax brackets.

The results have included increased tax burden, reduced incentives for working, saving and investing and a slow down in the economy. As a result, Federal deficits and borrowing continue to increase.

Also, national defense was underfunded because of the failure to control domestic program expansion.

B. New Priorities.

Achieving the President's budget savings targets will require an end to the proliferation of new Federal programs and a reversal of the trend toward greater Federal roles in economic and social programs. The President's program stresses two overriding priorities:

- Sufficient budget resources must be provided to rebuild the Nation's defense capacities;
- The Social Safety Net of income security measures erected in the 1930's to protect the elderly (including cost of living protection for the elderly), unemployed, and poor, as well as veterans, must be maintained.

Beyond these two priorities, all other Federal programs are being subjected to thorough scrutiny and widespread reduction.

C. Criteria Used in Evaluating Programs and Funding Levels.

Eight basic criteria have been used in evaluating and making decisions on all other programs:

1. Entitlement Programs must be revised to eliminate unwarranted beneficiaries and payments.
2. Subsidies and benefits for middle and upper income levels must be reduced.
3. Allocable costs of government programs must be recovered from those benefiting from the services provided, such as airports and airways, inland waterways and Coast Guard services to yacht and boat owners.
4. Sound economic criteria must be applied to economic subsidy programs such as synthetic fuels, Export-Import Bank loans, and subsidized loans.
5. Capital investments in public sector programs — such as highways, waste treatment plants and water resource projects — must be stretched out and retargeted.

6. Fiscal restraint must be imposed on programs that are in the national interest but are lower in priority than the national defense and safety net programs. Examples include NASA, National Science Foundation, and the National Institutes of Health, which would be allowed to grow at lower rates than planned.
7. Large numbers of categorical grants must be consolidated into block grants permitting less Federal administrative overhead, greater flexibility for State and local governments, greater efficiency in management and reduced overall costs. Examples include elementary and secondary education, and health and social services.
8. Federal personnel and overhead costs, and program waste and inefficiency must be reduced.

D. Major features of the President's Program

Major features of the President's program include:

- A \$41.4 billion reduction in FY 82 outlays compared to the current policy base, together with \$2.0 billion in user charges and \$5.7 billion in off-budget outlay reductions for a total of \$49.1 billion in fiscal savings.
- A dramatic downward shift in Federal spending growth rates, bringing the 16% trend of the recent period to about 7% over the next several fiscal years.
- A steady reduction in the Federal deficit, resulting in a balanced budget in 1984 and modest surpluses thereafter.
- The first comprehensive proposal in more than a decade to overhaul the Nation's overgrown \$350 billion entitlements system. Proposed revisions of food stamp, extended unemployment benefits, trade adjustment assistance, student loans, various secondary social security benefits, medicaid and other entitlement programs would save \$9.4 billion in fiscal year 1982, with savings growing to \$18.9 billion by FY 86.
- Substantial cutbacks or actual elimination of non-essential or ineffective Federal programs, including CETA public service jobs, AMTRAK, energy technology commercialization programs, impact aid, and Federal support for the arts.
- Proposed consolidation of nearly 100 narrow categorical grant programs into a few flexible block grants for State and local support of education, health, and social services. Savings by FY 1983 would exceed \$4 billion.
- Sharp reductions in direct Federal subsidies for synfuels development, Export-Import Bank activities and the dairy industry, along with a substantial stretch-out of funding for highways, airports, sewage treatment plants and water projects.
- Increased user fees for barge operators, airway system users and commercial and recreational vessels.

Specific program reductions proposed in the President's Budget Reform Program are listed by department and agency in the attached 10 page table. This table shows estimated reductions in budget authority and outlays, as well as increased receipts from user charges, for fiscal years 1981-1986.

E. A Stronger National Defense within Restrained Overall Spending Levels.

The President has decided that budget resources must be devoted to national defense to improve and sustain the readiness of U.S. forces and to increase their ability to deter and, should deterrence fail, to prevail in response to aggression against U.S. interests. The defense budget has been reviewed closely to achieve cost savings. Part of the defense growth will be financed by the savings that result from increased efficiency and reductions in travel and other marginal activities.

The President has also decided that Federal spending growth must be held to 6% in FY 82 and that similar restraint must be exercised in future years. To provide \$7.2 billion extra for defense in 1982, overall spending levels must be reduced by \$41.4 billion or by 6% from the current policy base.

The 83 major policy and program changes described in the President's Budget Reform Plan and listed in the appendix to this Fact Sheet provide most of the savings required in FY 1982, with larger reductions in future years. In summary, the President's Budget Savings Plan would provide the following:

	Outlays Fiscal years (\$ in Billions)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Existing budget status</u>						
Current policy base	657.8	729.7	792.1	849.0	911.4	972.8
Added Defense funds	1.3	7.2	20.7	27.0	50.2	63.1
Current policy base with adequate defense	659.1	736.9	812.8	876.0	961.6	1035.9
<u>President's Budget Plan</u>						
Proposed spending ceiling	654.7	695.5	733.1	771.6	844.0	912.1
Budget savings target	4.4	41.4	79.7	104.4	117.6	123.8
<u>President's Budget Savings Proposals</u>						
Actions recommended now or to be included in March Budget Revisions:						
Budget Outlay reductions	4.8	41.4	58.5	73.7	86.6	95.8
User charges (receipts)	-	(2.0)	(2.6)	(3.0)	(3.5)	(3.9)
Off-budget outlay reductions	<u>(.7)</u>	<u>(5.7)</u>	<u>(7.4)</u>	<u>(9.2)</u>	<u>(11.1)</u>	<u>(13.1)</u>
Subtotal	(5.5)	(49.1)	(68.5)	(85.9)	(101.2)	(112.8)
Budget savings to be proposed subsequently	-	-	21.2	30.7	31.0	28.0

F. The Resulting Shift in Spending.

The shift in government spending priorities as a result of the rigorous review conducted by the President and the Cabinet is shown in the tables below:

(Dollar amounts in billions)	<u>1962</u>	<u>1981</u>	<u>1984</u>
Department of Defense-Military.....	46.8	157.9	249.8
Safety net programs	26.2	239.3	313.0
Net interest.....	6.9	64.3	66.8
All other		<u>193.2</u>	<u>142.0</u>
Total.....	106.8	654.7	771.6
Outlay Shares (Percent)			
Department of Defense-Military.....	43.8	24.1	32.4
Safety net programs	24.5	36.6	40.6
Net interest.....	6.4	9.8	8.6
All other	<u>25.2</u>	<u>29.5</u>	<u>18.4</u>
Total.....	100.0	100.0	100.0

G. The First Step in Budget Reform.

The Budget Reform Message forwarded to the Congress is the first step in the President's program to reduce budget deficits. The reform package provides details on 83 major policy and program actions to achieve budget savings. These major actions are being provided now to permit the Congress to begin work immediately and meet its schedule for reconciling fiscal year 1981 spending levels and setting the course for fiscal year 1982.

H. The Fully Revised 1982 Budget.

On March 10, 1981, the President plans to submit his fully revised 1982 budget to the Congress. This new budget will provide details on the additional 1981 and 1982 budget savings that are needed to achieve the President's goal of a \$41.4 billion reduction in 1982 outlays below the current policy base.

THE PRESIDENT'S PROPOSAL TO REDUCE TAXES

President Reagan's plan for reducing taxes proposes:

- Reducing individual tax rates by 10% a year for 3 years.
- Increasing the incentive for productive investments by business and industry in new plant and equipment by allowing more rapid write-off of recosts of investments.

A. Reducing individual income tax rates. Tax rates will be reduced by 10% effective July 1, 1981; a second 10% on July 1, 1982; and the third 10% on July 1, 1983.

The net effect will be a 5% reduction in 1981 individual taxes, a 15% reduction in 1982 taxes, a 25% reduction in 1983 taxes and a 30% reduction in 1984 taxes.

1. Background. Individual tax burdens have been increasing steadily over the past few years as inflation pushes individuals into higher tax brackets and social security tax rates have increased. This has reduced the incentive to work and the ability to save.
2. Effect on tax rates. At present, under each of the four taxpayer rates schedules -- joint, single, married filing separately, and head of household -- individuals pay tax at marginal rates ranging between 14% and 70%. When the tax cut proposed by the President is fully implemented, rates will range between 10% and 50%.
3. Implementing the tax reductions. Under the President's proposal, reductions will begin July 1, 1981. At that time, withholding will be reduced by roughly 10% for individual taxpayers.
4. Expected effects. The cut in tax rates will provide individuals greater incentives for productive employment and for savings. Also, reduced tax rates will make tax shelters less attractive and productive investments more attractive. Thus, cuts in individual taxes are expected to contribute to increased investments that will expand the productive base of the economy and create more jobs.

B. Encouraging Productive Investments by Business and Industry.

The second major part of the President's tax proposals -- called the Accelerated Cost Recovery System -- would establish a new system for treating investments by business and industry. This system will determine the periods of time over which the costs of investments can be "recovered" or "written off" when calculating taxes. The system will result in fixed periods, known in advance, over which the cost of investments in particular plant and equipment can be charged off as expenses of doing business and thus deducted from gross income before calculating taxes.

1. The New System.

Most business property will, for purposes of calculating taxes, fall into one of the three write-off periods listed below. An accelerated costs recovery schedule is provided for each.

- 3 years: This class consists of autos and light trucks and machinery and equipment used for research and development. Expenditures can be written off in 3 years: 33% in the first year, 45% in the second year, and 22% in the third. An investment credit of 6% will also apply to this class, up 2-2/3 percentage points from present law for property written off in 3 years.
- 5 years: This class consists of other machinery and equipment, except for certain long-lived public utility property. After a phase-in period, the original cost of additions can be written off according to an accelerated 5-year schedule:

- 20% in the year acquired.
- 32% in the 2nd year.
- 24% in the 3rd year.
- 16% in the 4th year.
- 8% in the 5th year.

The full 10% investment credit will be allowed for this class.

- 10 years: This class consists of factory buildings, retail stores, and warehouses used by their owners; and public utility property for which present guidelines exceed 18 years. The accelerated schedule for deductions is as follows:

- | | |
|------------------------|------------------------|
| • 10% in the 1st year | • 10% in the 6th year. |
| • 18% in the 2nd year. | • 8% in the 7th year. |
| • 16% in the 3rd year. | • 6% in the 8th year. |
| • 14% in the 4th year | • 4% in the 9th year. |
| • 12% in the 5th year | • 2% in the 10th year. |

As in present law, the 10% investment credit applies to public utility property in this class, but is not generally available for real property.

Specific depreciation periods, not requiring subsequent audit, would be established for write-off of other depreciable real estate -- on a straight line basis (i.e., the same % share of the original cost each year). These are:

- 15 years: for other nonresidential buildings, such as offices and leased stores and for low-income housing.
- 18 years: for other rental residential structures.

2. Effective Dates.

The new system would be effective for property acquired or placed in service after December 31, 1980. A 5-year phase in period would provide progressively shorter recovery periods for long-lived machinery and buildings acquired before 1985.

3. Principal Changes from the Current System.

The proposed new capital recovery system improves upon the current system in several ways. Specifically, it would:

- Substantially increase the incentive for business investments for increased productivity, higher real wages, and sustained economic growth.
- Provide the basis for creating new jobs.
- Improve U.S. competitive position in world markets.
- Reduce the accounting and tax planning burden for taxpayers, by replacing the current, complex concepts such as "useful life" and "facts and circumstances of the anticipated use" which require estimates by taxpayers and later audit by IRS agents and which result in years of dispute and litigation.
- Reduce the auditing burden on the Internal Revenue Service.

Details of both tax proposals are being provided in material released by the Secretary of the Treasury.

C. Estimated Receipts with the Tax Reduction Program.

The table below shows current estimates of receipts and taxes as a share of GNP — before and after the President's Tax reduction program:

	Fiscal years (\$ in Billions)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current law receipts	609.0	702.4	807.6	917.2	1033.2	1159.8
Individual Income tax reductions	-6.4	-44.2	-81.4	-118.1	-141.5	-162.4
Depreciation Reform	-2.5	-9.7	-18.6	-30.0	-44.2	-59.3
Proposed user charges	-	2.0	2.6	3.0	3.5	3.9
Receipts with new tax policy	600.2	650.5	710.2	772.1	850.9	942.0
<u>Share of GNP</u>						
Current Law	21.4	22.0	22.4	22.9	23.5	24.1
After tax reduction program	21.1	20.4	19.7	19.3	19.3	19.6

THE PRESIDENT'S PROGRAM TO REDUCE REGULATORY BURDEN

In his address to a Joint Session of the Congress, the President reviewed the actions taken since January 20th and new steps to reduce the burden, cost and intrusion of government regulatory efforts that are unnecessary, duplicative, inefficient, ineffective, or simply not justified on the basis of benefits.

A. Actions Taken Since January 20th.

The actions taken by the President since January 20th include:

- Creation of a Task Force on Regulatory Relief on January 22, 1981. The Task Force is chaired by the the Vice President and has seven cabinet-level members.
- Termination on January 29, 1981, of the Council on Wage and Price Stability's wage-price standards program which has been ineffective in halting the rising rate of inflation, has proven unnecessarily burdensome and a waste of taxpayer money.

- Postponement of regulations on January 29. The President requested the heads of 12 departments and agencies to postpone, to the extent permitted by law, the effective dates of regulations that would otherwise become effective before March 29, 1981, and to refrain to the extent permitted by law from issuing new regulations during that same 60-day period.
- Withdrawal or modification of regulations. In response to the President's request for a close review of existing and proposed regulations, the Secretaries of Education, Transportation, Labor and Energy, and the heads of EPA and OMB already have modified or revoked a number of regulations.

B. New Actions Announced by the President.

The President announced two additional actions in his continuing program to reduce unnecessary regulation. These are:

- Issuance of an Executive Order designed to improve management of the Federal regulatory process.
- Integration of the goals of regulatory relief with paperwork reduction, principally as is carried out under the recently enacted Paperwork Reduction Act of 1980 which provides, in effect, for OMB review of most regulations.

Changes from Current Base
Summary Table of Budget Authority and Outlay Savings by Agency
and Increases to Governmental Receipts
FY 1981 - 1986
(in millions of dollars)

1. Budget Authority and Outlay Savings

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
<u>Department of Agriculture</u>														
Dairy price supports (Commodity Credit Corporation).....	---	138	---	1,095	---	1,614	---	1,887	---	2,263	---	2,727	---	9,724
Food Stamps.....	150	150	1,828	1,822	2,012	2,004	2,462	2,451	2,636	2,624	2,771	2,759	11,859	11,810
Child Nutrition.....	145	42	1,657	1,575	1,800	1,709	1,934	1,835	2,046	1,940	2,158	2,045	9,740	9,146
Rural Electrification Administration (off-budget).....	(38)	(38)	(1,142)	(1,142)	(2,328)	(2,328)	(3,603)	(3,603)	(4,975)	(4,975)	(6,450)	(6,450)	(18,536)	(18,536)
(Loan guarantee commitments).....	(187)		(5,495)		(5,935)		(6,405)		(6,925)		(7,480)		(32,427)	
Farmers Home Admin. (Direct loan obligations).....	---	30	---	105	30	179	105	255	179	331	255	407	569	1,307
Alcohol Fuels/Biomass Loans 1/.....	(565)		(2,354)		(2,354)		(2,354)		(2,354)		(2,354)		(12,335)	
	505	46	---	94	---	3	---	4	---	3	---	3	505	153
Subtotal.....	800	406	3,485	4,691	3,842	5,509	4,501	6,432	4,861	7,161	5,184	7,941	22,673	32,140
<u>Department of Commerce</u>														
Economic and Regional Development (including Appalachian Regional Commission 2/.....	502	24	769	440	854	644	934	755	1,010	882	1,085	997	5,154	3,742
National Oceanic and Atmospheric Admin....	9	6	152	69	202	148	238	216	250	253	241	223	1,092	915
Subtotal.....	511	30	921	509	1,056	792	1,172	971	1,260	1,135	1,326	1,220	6,246	4,657
<u>Department of Defense-Military</u>														
Personnel.....	68	68	2,387	2,387	3,736	3,736	4,152	4,152	4,369	4,369	4,544	4,544	19,256	19,256
Program and all other.	360	280	840	530	1,360	1,050	2,180	1,700	2,860	2,400	3,560	3,000	11,160	8,960
Subtotal.....	428	348	3,227	2,917	5,096	4,786	6,332	5,852	7,229	6,769	8,104	7,544	30,416	28,216

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of Education														
Elementary and Secondary Grants Consolidation.....	---	---	1,498	106	1,761	1,217	1,998	1,766	2,366	2,051	2,617	2,272	10,240	7,412
School Assistance in in Federally Affected Areas (Impact Aid)...	67	82	474	450	523	500	567	551	608	584	632	613	2,871	2,780
Vocational Education..	---	---	236	220	242	242	259	252	277	269	294	283	1,308	1,266
Student Assistance....	338	106	1,016	803	1,659	1,499	1,857	1,808	2,074	2,019	2,287	2,233	9,231	8,468
National Institute of Education.....	---	---	20	22	22	20	23	20	25	21	27	22	117	105
Institute of Museum Services.....	12	2	14	12	15	13	16	14	18	16	19	18	94	75
Subtotal.....	417	190	3,258	1,613	4,222	3,491	4,720	4,411	5,368	4,960	5,876	5,441	21,861	20,106
Department of Energy														
Synthetic Fuels.....	545	275	1,028	864	1,064	859	362	676	140	224	25	256	3,164	3,154
Fossil Energy.....	70	59	373	361	522	433	605	549	676	657	602	604	2,848	2,663
Solar Energy.....	99	79	363	365	428	414	372	406	330	330	275	275	1,867	1,869
Other Energy Supply...	148	37	186	156	178	177	178	170	169	158	176	163	1,035	861
Energy Conservation...	254	66	677	310	597	611	427	589	374	413	373	373	2,702	2,382
Energy Information and Departmental Overhead	13	3	38	27	62	62	67	67	73	73	78	78	331	310
Energy Regulation.....	33	33	150	127	138	140	131	132	127	123	118	117	697	672
Alcohol fuels Subsidy 1/.....	745	114	---	29	---	13	---	15	---	15	---	15	745	201
General Science.....	5	4	40	29	45	43	61	61	72	72	84	84	307	293
Subtotal.....	1,912	670	2,855	2,268	3,034	2,752	2,203	2,665	1,961	2,085	1,731	1,965	13,696	12,405
Department of Health and Human Services														
Social Security-														
Minimum Benefits.....	---	50	---	1,000	---	1,100	---	1,100	---	1,100	---	1,100	---	5,450
Disability Insurance..	---	65	---	550	---	1,175	---	1,700	---	2,225	---	2,750	---	8,465
Student Benefits.....	---	20	---	700	---	1,200	---	1,500	---	1,700	---	1,700	---	6,820
Aid to Families with Dependent Children...	4	4	520	520	670	670	722	722	795	795	824	824	3,531	3,531
Medicaid.....	353	100	1,237	1,013	2,213	1,986	3,166	2,930	4,181	3,916	5,318	5,021	16,468	14,966
Health and Social Services grant Consolidation 3/.....	---	---	2,697	2,540	3,148	2,993	3,532	3,347	3,863	3,676	4,084	3,929	17,324	16,485

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Regulation of Health Care														
Industry														
-Health Planning.....	28	10	100	62	168	87	180	159	190	188	199	197	865	701
-PSRO'S.....	6	38	15	117	19	134	27	212	29	221	31	234	127	958
(PSRO obligations)...	(38)		(119)		(136)		(215)		(227)		(238)		(973)	
National Institutes of Health 4/.....	126	54	197	145	373	336	512	468	628	584	726	682	2,562	2,269
Health Professions Education.....	219	32	280	126	309	221	336	260	361	297	385	313	1,890	1,249
Health Maintenance Organizations.....	37	6	24	18	57	27	66	50	69	61	72	73	325	235
National Research Service Awards (ADAMHA) 4/.....	4	1	5	4	5	4	6	6	6	5	7	6	33	26
Merchant Seamen (PHS) 5/.....	39	39	110	110	183	183	194	194	205	205	215	215	946	946
National Health Service Corps Scholarship....	16	3	31	14	45	37	54	45	65	54	80	65	291	218
Subtotal.....	828	418	5,216	6,919	7,190	10,153	8,795	12,693	10,392	15,029	11,941	17,109	44,362	62,321
Department of Housing and Urban Development														
Planning Assistance....	34	3	37	26	39	36	42	39	44	41	46	44	242	189
Rehabilitation Loan Fund.....	130	63	130	191	134	210	138	211	140	213	142	214	814	1,102
Neighborhood Self-Help Development.....	8	4	10	9	11	10	11	11	12	11	12	12	64	57
Community Development Support Assistance....	—	—	584	12	678	67	837	271	882	702	926	814	3,907	1,866
Subsidized Housing														
-program level.....	—	1	3,536	10	3,026	39	3,440	95	3,437	223	3,624	371	17,063	739
-rent contributions...	500	9	4,916	232	4,574	538	5,587	1,018	6,066	1,748	6,269	2,445	27,912	5,990
Public Housing Modernization.....	(300)**	—	800	—	800	—	800	20	800	60	800	100	4,000	180
Solar Energy and Conservation Bank.....	121	47	132	149	141	137	150	147	158	157	166	162	868	799
Subtotal.....	793	127	10,145	629	9,403	1,037	11,005	1,812	11,539	3,155	11,985	4,162	54,876	10,477

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Department of the Interior														
Improved targeting of conservation expenditures.....	373	91	366	270	312	286	465	365	471	349	605	403	3,192	1,764
Youth Conservation Corps.....	36	32	60	59	60	60	60	60	60	60	60	60	356	351
Subtotal.....	409	123	426	329	372	346	525	425	531	409	665	463	3,548	2,115
Department of Labor														
Unemployment Insurance-Extended Benefits.....	400	323	700	1,231	700	477	100	196	100	284	200	287	2,200	2,998
Unemployment Insurance-Work Test.....	---	---	---	---	---	285	---	285	---	272	---	264	---	1,106
Unemployment compensation for ex-service members.....	60	60	175	175	175	175	181	181	183	183	183	183	957	957
Trade Adjustment Assistance.....	---	---	1,150	1,150	760	760	380	380	380	380	380	380	3,050	3,050
Comprehensive Employment and Training (CETA).....	153	635	4,644	3,566	4,236	4,073	4,578	4,408	4,946	4,762	5,341	5,143	23,898	22,587
Young Adult Conservation Corps.....	---	53	250	179	256	248	262	262	269	268	275	274	1,312	1,284
Federal employees injury compensation (FECA)....	---	---	102	102	114	114	126	126	138	138	151	151	631	631
Subtotal.....	613	1,271	7,021	6,403	6,241	6,132	5,627	5,834	6,016	6,287	6,530	6,682	32,046	32,613
Department of Transportation														
Federal Highway Construction.....	---	---	1,390	244	1,964	1,211	2,346	1,700	3,243	2,088	3,437	2,234	12,580	7,477
Urban Mass Transportation-Capital Grants.....	210	31	950	270	1,047	345	1,220	975	1,368	1,284	1,497	1,480	6,292	4,585
Operating Subsidies..	---	---	103	96	581	256	1,059	600	1,528	1,083	1,626	1,356	4,897	3,391
Airport Construction....	272	120	250	140	278	161	305	196	330	219	371	239	1,806	1,075
AMTRAK Subsidies.....	25	25	431	325	606	485	760	688	964	904	1,056	1,050	3,842	3,477
Northeast Corridor Improvement Project...	---	25	288	95	113	114	20	51	15	25	---	---	310	310
Low volume railroad branch lines.....	80	8	88	32	96	62	104	80	112	103	119	110	599	395
Highway Safety Grants..	---	---	167	16	125	112	138	138	162	150	178	163	770	579
Cooperative Automotive Research Program.....	12	6	13	9	14	13	15	14	16	14	17	15	97	71
Subtotal.....	599	215	3,680	1,227	4,698	2,959	6,167	4,642	7,718	5,871	8,101	6,667	31,183	21,160

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
Other Independent Agencies														
EPA Waste Treatment														
Grants.....	1,000	—	3,610	125	1,540	1,045	1,860	1,970	2,170	1,960	2,465	1,950	12,645	7,050
NASA.....	75	60	330	241	248	334	-90	86	-390	-156	-200	-124	-27	441
Civil Aeronautics														
Board-Airline subsidy.	—	—	56	50	64	64	54	54	34	34	2	2	210	204
Corporation for Public														
Broadcasting.....	—	—	43	43	52	52	73	73	98	98	111	111	377	377
Export-Import Bank.....	750	60	1,980	410	2,110	990	2,250	1,380	2,410	1,600	2,560	1,710	12,060	6,150
Foreign Aid (PAP).....	616	85	1,854	402	205	584	2,513	1,063	2,978	1,527	3,187	1,827	11,353	5,488
National Consumer														
Cooperative Bank.....	91	82	136	128	160	152	185	178	185	175	200	190	957	905
National Endowment for														
the Arts/Humanities..	—	—	165	85	186	131	203	193	222	223	239	231	1,015	863
National Science														
Foundation.....	63	26	66	15	90	81	120	109	153	141	183	155	675	527
Office of Personnel Management -														
Institution of annual														
COLA.....	—	—	558	510	472	424	430	389	416	366	417	367	2,293	2,056
Postal Service Subsidies	250	250	632	632	690	690	765	765	779	779	779	779	3,895	3,895
Student Loan Marketing														
Association (off-														
budget).....	—	—	—	(1,923)	—	(2,500)	—	(3,000)	—	(3,500)	—	(4,000)	—	(14,923)
Water Resource Development														
Construction programs.	—	—	95	90	340	337	545	544	515	514	215	217	1,710	1,702
Corps of Engineers...	(—)	(—)	(50)	(50)	(296)	(296)	(485)	(485)	(439)	(439)	(179)	(179)	(1,449)	(1,449)
Water & Power Resources														
Service.....	(—)	(—)	(35)	(35)	(28)	(28)	(43)	(43)	(57)	(57)	(20)	(20)	(183)	(183)
Soil Conservation														
Service.....	(—)	(—)	(10)	(5)	(16)	(13)	(17)	(16)	(19)	(18)	(16)	(18)	(78)	(70)
U.S. Railway Association														
Conrail subsidiary.....	-350.	-250	400	300	550	550	300	300	150	150	100	100	1,150	1,150
Subtotal.....	2,495	313	9,925	3,031	6,707	5,434	9,208	7,104	9,726	7,411	10,258	7,515	48,315	30,408
Federal Personnel														
Reduction not														
related to above														
reductions.....	386	386	1,342	1,342	1,811	1,811	2,264	2,264	2,763	2,763	3,263	3,263	11,829	11,829
Effects on civilian														
agency pay costs of														
revising the Federal														
Pay Comparability														
Standard.....	—	—	2,165	2,079	2,938	2,907	3,463	3,356	3,740	3,698	3,990	3,873	16,296	15,911
Mineral Leasing on														
Outer Continental														
Shelf and Federal														
Lands 6/.....	250	250	800	800	2,000	2,000	3,100	3,100	3,500	3,500	3,500	3,500	13,150	13,150

Summary Table (con't)
(in millions of dollars)

	1981		1982		1983		1984		1985		1986		Item Totals	
	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O	BA	O
TOTAL, On-Budget Authority and Outlay Savings.....	10,661	4,767	54,666	34,757	58,810	50,109	69,082	61,365	76,618	70,232	82,654	77,325	352,491	298,555
Off-budget Items -														
Rural Electrification Administration.....	38	38	1,142	1,142	2,328	2,328	3,603	3,603	4,975	4,975	6,450	6,450	18,536	18,536
(Loan guarantee commitments)....	(187)		(5,495)		(5,935)		(6,405)		(6,925)		(7,480)		(32,427)	
Student Loan Marketing Association.....	---	---	---	1,923	---	2,500	---	3,000	---	3,500	---	4,000	---	14,923
TOTAL, Budget Authority and Outlay Savings.....	10,699	4,805	55,808	37,822	61,138	54,937	72,685	67,968	81,593	78,707	89,104	87,775	371,027	332,014

* Less than \$500 thousand

** Deferral

- 1/ The appropriations for the Alcohol Fuels and Biomass programs are in the Department of the Treasury.
- 2/ Funds for the Appalachian Regional Commission are appropriated to the President.
- 3/ Some of these savings are to be derived from agencies other than the Department of Health and Human Services.
- 4/ Elimination of National Research Service Awards is also included in National Institutes of Health reduction.
- 5/ These savings to the Public Health Service will be partially offset by additional costs to the U.S. Coast Guard, the Merchant Marine and several other agencies.
- 6/ Offset included for Department of Interior operating costs and payments to states.

II. Other Reductions to the Deficit

	1981	1982	(in millions of dollars)		1985	1986
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Black Lung Trust Fund reform.....	30	378	354	353	382	469
Smaller reductions (for agencies listed above and for other agencies) that have been identified (outlays).....	—	6,300	8,000	12,000	16,000	18,000
Total, Other reductions to the budget deficit.....	<u>30</u>	<u>6,678</u>	<u>8,354</u>	<u>12,353</u>	<u>16,382</u>	<u>18,469</u>
Off-budget items:						
Smaller reductions that have been identified.	706	2,617	2,565	2,603	2,637	2,615
Total, Other reductions to the deficit, including off-budget items.....	<u>736</u>	<u>9,295</u>	<u>10,919</u>	<u>14,956</u>	<u>19,019</u>	<u>21,084</u>

III. Increases to Governmental Receipts

	1981	1982	(in millions of dollars)		1985	1986
			1983	1984		
Corps of Engineers						
Inland Waterway User Charges						
Increase fuel tax to recover operation, maintenance, and replacement costs and capital costs on new waterways.....	---	---	258	275	300	315
Transportation						
Coast Guard						
Phase-in fees for Coast Guard Services.....	---	100	200	300	400	500
17 Federal Aviation Administration						
Increase trust fund taxes to cover all operating expenses.....	---	1,882	2,159	2,442	2,753	3,104
Subtotal.....	---	1,982	2,359	2,742	3,153	3,604
Total, increases to governmental receipts.....	---	1,982	2,617	3,017	3,453	3,919

IV. Summary effects on the deficit

		(in millions of dollars)					
		1981	1982	1983	1984	1985	1986
Listed outlay savings (Table I).....		4,767	34,757	50,109	61,365	70,232	77,325
Other outlay reductions (Table II).....		30	6,678	8,354	12,353	16,382	18,469
Total, effect on outlays.....		<u>4,797</u>	<u>41,435</u>	<u>58,463</u>	<u>73,718</u>	<u>86,614</u>	<u>95,794</u>
Increases to governmental receipts (Table III).		---	1,982	2,617	3,017	3,453	3,919
Total, effect on the budget deficit....		<u>4,797</u>	<u>43,417</u>	<u>61,080</u>	<u>76,735</u>	<u>90,067</u>	<u>99,713</u>
Off-budget outlays listed above (Table I).....		38	3,065	4,828	6,603	8,475	10,450
Other changes in off-budget entities that have been identified (Table II).....		706	2,617	2,565	2,603	2,637	2,615
Total, off-budget changes.....		<u>744</u>	<u>5,682</u>	<u>7,393</u>	<u>9,206</u>	<u>11,112</u>	<u>13,065</u>
Effect on the deficit, including effects on off-budget entities.....		5,541	49,099	68,473	85,941	101,179	112,778

Q. Do you agree that there is no "entitlement" for legal services?
How will the disadvantaged be helped with legal problems when
legal services are eliminated?

A. I am proposing an end to Federal funding for the Legal Services Corporation. This action, if approved by Congress, will not affect the constitutional guarantee of free legal counsel to all Americans accused of a crime. The Legal Services Corporation program does not provide any criminal case assistance anyway.

The Constitution, however, does not entitle Americans to other legal services upon demand. Many states and localities already have the capacity to furnish such services, and will be able to continue to do so with assistance provided under the Administration's proposed Social Services block grant. In addition, a tradition of providing free, or so-called pro bono legal services is still alive and well within the legal profession. If every American attorney provided one week per year of pro bono services to low-income families, the total amount of legal manhours provided in assistance to the poor would be greater than the total level of services currently funded by the Legal Services Corporation.

I have proposed this change for two reasons. First, this country is in a period of fiscal crisis; we can and must reduce Federal spending that, while desirable in other periods, is not essential. Funding for the Legal Services Corporation increased from \$72 million in 1975 to \$321 million in 1981. Second, my Administration will seek to increase the states' role in setting funding priorities. The block grant approach to funding legal services allows the states to do just this. The Legal Services Corporation, on the other hand, funds one attorney per 10,000 poor people regardless of the need for legal services.

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Q. How can cutting mass transit funds be justified when the nation is trying to save energy?

A. Non-fixed rail transit system energy savings are nonexistent or small in the short run and too speculative in the long run to justify major Federal investments on energy efficiency grounds. It has been estimated that BART, the San Francisco Bay Area rapid rail system, required so much energy during its construction that this initial energy investment may never be repaid. Traffic for new rail systems is primarily generated from ex-transit bus users. No real energy, pollution or congestion benefits are achieved from switching riders between transit modes.

- We are continuing funds for bus purchases and older transit systems where both sound economics and energy savings warrant continued Federal support.
- We are phasing our operating subsidies over 4 years because this should be a local responsibility and because Federal operating subsidies contain no incentives to control costs, hold down wages or improve managerial efficiency.

Q. How will "workfare" work in practice. Who will supply the jobs? Are you asking single parents to leave their children alone?

A. Under the Administration proposals, we are leaving the design of workfare program requirements to the states, who can set them in ways that match their own circumstances. In most cases, the jobs will be provided in public or community services, and may well provide welfare recipients with training they can use to get a job in the private sector. As far as child care is concerned, the states could decide to put many of the welfare recipients to work providing child care for each others' children, freeing up many mothers to work in lasting private sector jobs. Mothers with very young children, however, would not be required to work, nor would mothers with young children if child care services were unavailable.

Q. Won't your proposed changes in welfare (AFDC) further reduce the incentive to work?

A. On the contrary. Under the Administration's proposed workfare requirement, the incentive to work will be strengthened for all those who are able to work. By requiring all abled-bodied recipients to work in exchange for their welfare grants, we will be enhancing the incentive for recipients to find better-paying private sector jobs and get off welfare altogether. Welfare was never intended to be a bonus payment to those families who are able to support themselves. It is a safety net designed for those who can't.

Q. What is happening to the Urban Enterprise Zone program?

A. I am very interested in this program, and members of my staff are working on it. I expect to meet with them and the Cabinet on this soon, and we will be working with Congressman Kemp and Congressman Garcia on the legislation.

Q. Is it really honest to say that state and local governments can take over many present categorical programs when you are cutting the total amount going to them and most of them are already experiencing very strained budgets?

A. One of the biggest sources of strain on state and local budgets is the heavy burden of federal requirements, regulations and reports that must flow in a never-ending stream back to Washington. If states could eliminate this burden, and the rake-off in these programs at the Federal level needed to monitor those regulations and process those endless reports, they could make up a large share of the difference between the total amount that the Congress appropriates now and the amount we are proposing to send them. That is what the Administration's proposal is designed to allow them to do. Our social and health service block grants, for example, would eliminate nearly 1300 pages of Federal regulations and seven million manhours of local reporting and paperwork.

Q. Isn't the Northeast (and Midwest) being hit hardest by the budget cuts?

A. First, focusing on just the regional distribution of budget cuts misses the point. The total program will increase jobs, incomes, and economic growth in all regions. In 1983, for example, it will have reduced Federal income tax rates by 30%, thus increasing personal income by more than \$66 billion. The anticipated gains in personal, after-tax income, and business income will vastly exceed losses of Federal program dollars.

Second, because incomes--and taxes--in the northern part of the country are higher, they will benefit most from the tax reduction program, not only in increased after-tax income, but also probably in job creation and economic growth. We have figured out that 51.7% of the tax reduction will go to the Northeast and Midwest region and 48.3% to the South and West. The spending side is literally impossible to break down regionally. There are too many qualitative problems involved. Take AMTRAK, for example: We preserve it in the Northeast, but the fare goes up. How do you count that? Or take extended unemployment benefits: We proposed to eliminate them in states with low unemployment, like Texas, but preserve them where unemployment is high, like Michigan. There is a cut, but it may actually favor the Northeast. Or consider defense: The prime contractors may be mostly in West and South (but not all--there are shipyards in the East, for example), but who can say where all the subcontracts go? They are all over the country, and not precisely predictable. And then there are the block grants. The cuts there are roughly proportional across the country, though we think there won't be much real cut at all because we will be eliminating so much overhead. If you consider something like EDA, that has been mostly rural or small-town until very recently, when there was the beginning of an effort in the larger cities, it would be wrong to count elimination of that rather ineffective program as a cut that will hit the frostbelt, which has not been getting much of it, at least in cities. And so it goes. No meaningful regional breakdown is possible.

Q. Can you really get the budget under control if you don't modify "indexing" of Social Security and other entitlement problems?

A. Certainly. The biggest problems plaguing the federal budget are soaring inflation and lagging economic growth, which drive up outlays while holding down revenues. Under our Program for Economic Recovery, both of these problems are addressed directly. Indexing is only a problem to the extent that inflation is a problem. Once inflation starts coming down and economic growth revives, the cost of holding Social Security and other government beneficiaries level with the cost-of-living will ease substantially.