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Series:	Sununu, John, Files
Subseries:	Issues Files

OA/ID Number:	29137
Folder ID Number:	29137-007

Folder Title:
Budget [1990] (2 of 2) [3]

Stack:	Row:	Section:	Shelf:	Position:
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May 11, 1990

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: LARRY LINDSEY

SUBJECT: Tax Data

Please find attached 2 tables. One describes the revenue effect of not indexing during 1991. The other describes the effect of adding 1 percentage point to the top 28 percent tax bracket, the "over the bubble" bracket. The "average" figures are in dollars and reflect the average level of taxes and tax change for taxpayers in that income class. The "total" figures are in billions of dollars and represent the totals for all taxpayers in each class.

Although caveats are noted at the bottom of each page, I would like to stress that these are CALENDAR year changes in liabilities -- i.e. how much taxes are changed when the taxpayer figures out his taxes for 1991 on April 15, 1992. Only a portion of that is collected during FISCAL 1991. That portion is withholding taxes through September plus the first three quarters of estimated taxes. Typically this total amounts to about 60 percent of the taxes collected for the year in upper income groups and about 70 percent in lower income groups.

Also attached is a description of some of the problems Congress has had in passing budgets on time.

If you have any questions on these or other matters, please feel free to contact me through the White House Operator.

No Indexing for 1991

Effect on CY91 Income Tax Liabilities

Income Class	Old Tax Average	Old Tax Total	Additional Tax Average	Additional Tax Total
under $10k	$ 34	$ 0.9 b.	$ 15	$ 0.4 b.
$10k - $20k	850	20.8	73	1.8
$20k - $30k	2318	42.1	88	1.6
$30k - $40k	3861	48.7	114	1.4
$40k - $50k	5317	53.1	170	1.7
$50k - $75k	8521	120.7	301	4.3
$75k - $100k	14460	66.0	318	1.4
$100k - $200k	26130	80.8	462	1.4
$200k - $500k	70560	48.7	190	1.3
$500k - $1000k	163900	22.8	2	*
over $1000k	654300	32.0	3	*
All Taxpayers	4710	536.7	124	14.2

Estimates are not official Treasury numbers. Should be used as guidance only.

Tax changes are for calendar 1991. Not all of this revenue is collected during FISCAL 1991. In fact, only about 60% will score in FY91.

A 5% inflation rate is assumed for FY90/FY89, the rate at which 1991 tax brackets will be indexed. This reflects current experience to date with a 4 percent average rate for the rest of the current fiscal year.

Additioonal revenue figure will rise by roughly $1 billion per year each year after 1991.

May 11, 1990

Raising Top 28% Bracket to 29%

Effect on CY91 Income Tax Liabilities

Income Class	Old Tax Average	Old Tax Total	Additional Tax Average	Additional Tax Total
under $10k	$ 34	$ 0.9 b.	$ 0	$ 0.0 b.
$10k - $20k	850	20.8	0	0
$20k - $30k	2318	42.1	0	0
$30k - $40k	3861	48.7	0	0
$40k - $50k	5317	53.1	0	0
$50k - $75k	8521	120.7	0	0
$75k - $100k	14460	66.0	0	0
$100k - $200k	26130	80.8	4	0.01
$200k - $500k	70560	48.7	304	0.21
$500k - $1000k	163900	22.8	2460	0.34
over $1000k	654300	32.0	8551	0.42
All Taxpayers	4710	536.7	9	0.98

Estimates are not official Treasury numbers. Should be used as guidance only.

Tax changes are for calendar 1991. Not all of this revenue is collected during FISCAL 1991. In fact, only about 60% will score in FY91.

May 11, 1990

FISCAL YEAR APPROPRIATIONS BILLS

Historical Notes

- The last time all regular appropriations bills were enacted on or before the end of the fiscal year (June 30 up until 1976, September 30 thereafter) was in 1988, (action on FY 1989 bills). The last time before that year was in 1948, (action on FY 1949 bills).

- Fiscal years 1987 and 1988 appropriations were enacted as omnibus continuing resolutions. Other than the bills received for FY 1989 and FY 1990, no regular appropriations bills have been sent to the President since December 12, 1985.

- Other than action on FY 1989 and FY 1990 appropriations bills:

  -- The last time all regular appropriations bills passed the House and Senate before the end of the fiscal year was in 1976, (action on FY 1977 appropriations). Energy Water, Legislative, and Interior were the only bills for FY 1990 that passed both the House and the Senate before the end of the fiscal year.

  -- The last time the Labor/HHS Appropriations bill passed the House and Senate before the end of the fiscal year was in 1979, (action on 1980 appropriations).

  -- The last time the Defense Appropriations bill passed both the House and Senate before the end of the fiscal year was 1977 (action on FY 1978 appropriations).

  -- The last time the Labor/HHS bill was enacted before the end of the fiscal year was 1976 (action on FY 1977 appropriations). The bill was vetoed by President Ford and overridden by the Congress.

  -- The last time the Defense Appropriations bill was enacted before the end of the fiscal year was 1977, (action on FY 1978 appropriations).

6/4/90

SELECTED BUDGET PROCESS REFORM MEASURES

Constitutional Amendments:

(1) Balanced budget

(2) Line-item veto

Legislative Measures to Strengthen Fail-safe Discipline:

(3) Second snapshot/sequester (to close G-R-H post-October loophole)

(4) Extension of G-R-H beyond 1993

Legislative Measures to Limit Extraneous or Excessive Appropriations and Non-Emergency Supplementals:

(5) Enhanced rescission

(6) Automatic across-the-board offsets (from sub-committee of originating jurisdiction) for all discretionary supplementals

(7) Emergency reserve accounts (to reduce the need for supplementals)

Measures to Improve Planning, Management, and Executive-Legislative Cooperation:

(8) Joint (not concurrent) Budget Resolution

(9) Binding, multi-year Budget Resolution (with special-majority points of order that apply to deviations from particular budget function totals)

Measures to Bring Hidden Liabilities Under Better Budgetary Control:

(10) "Credit Reform" accounting for subsidies (tied to G-R-H deficit limits)

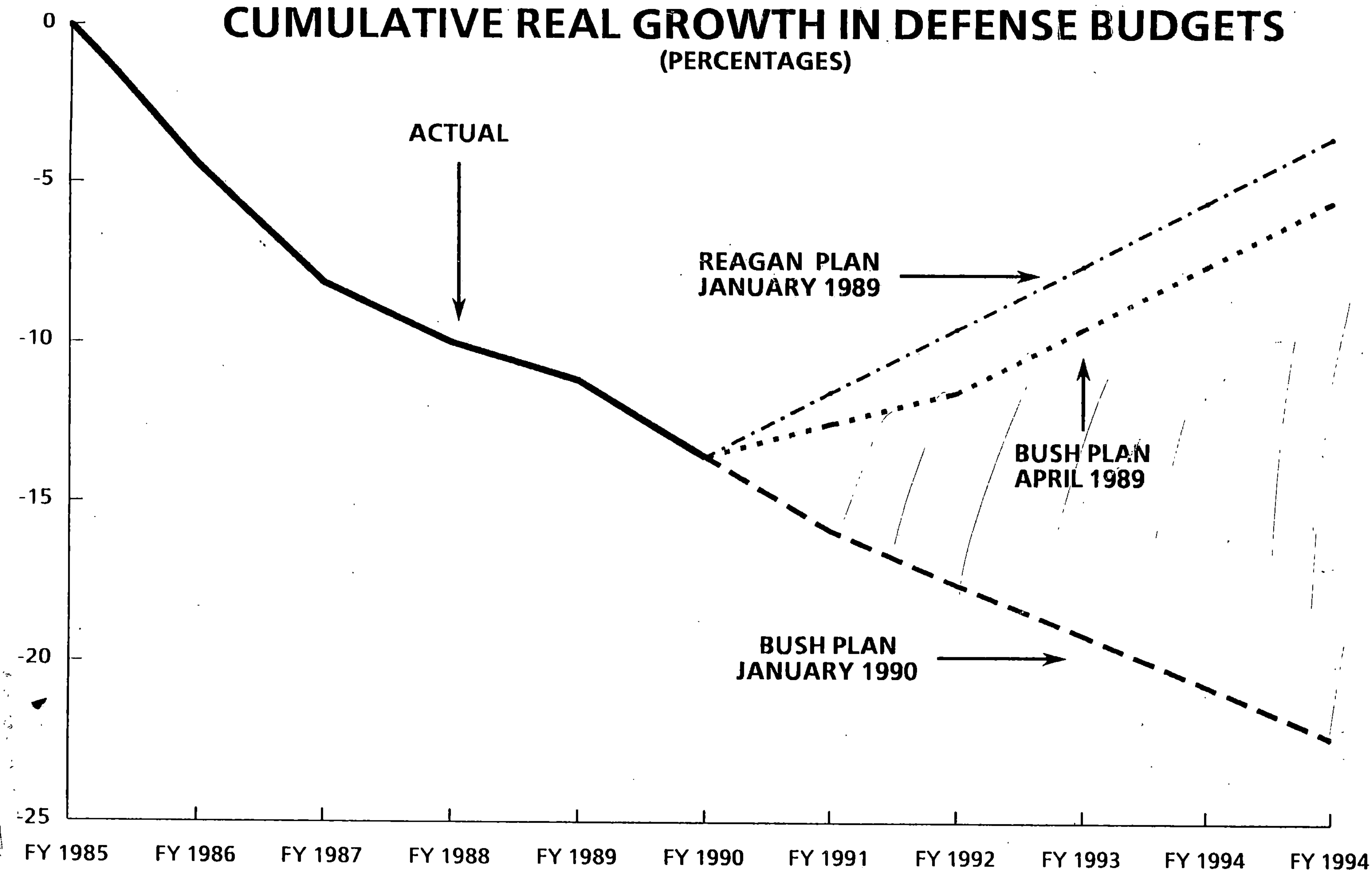
(11) "Credit Reform" caps (tied to a separate credit program sequester system)

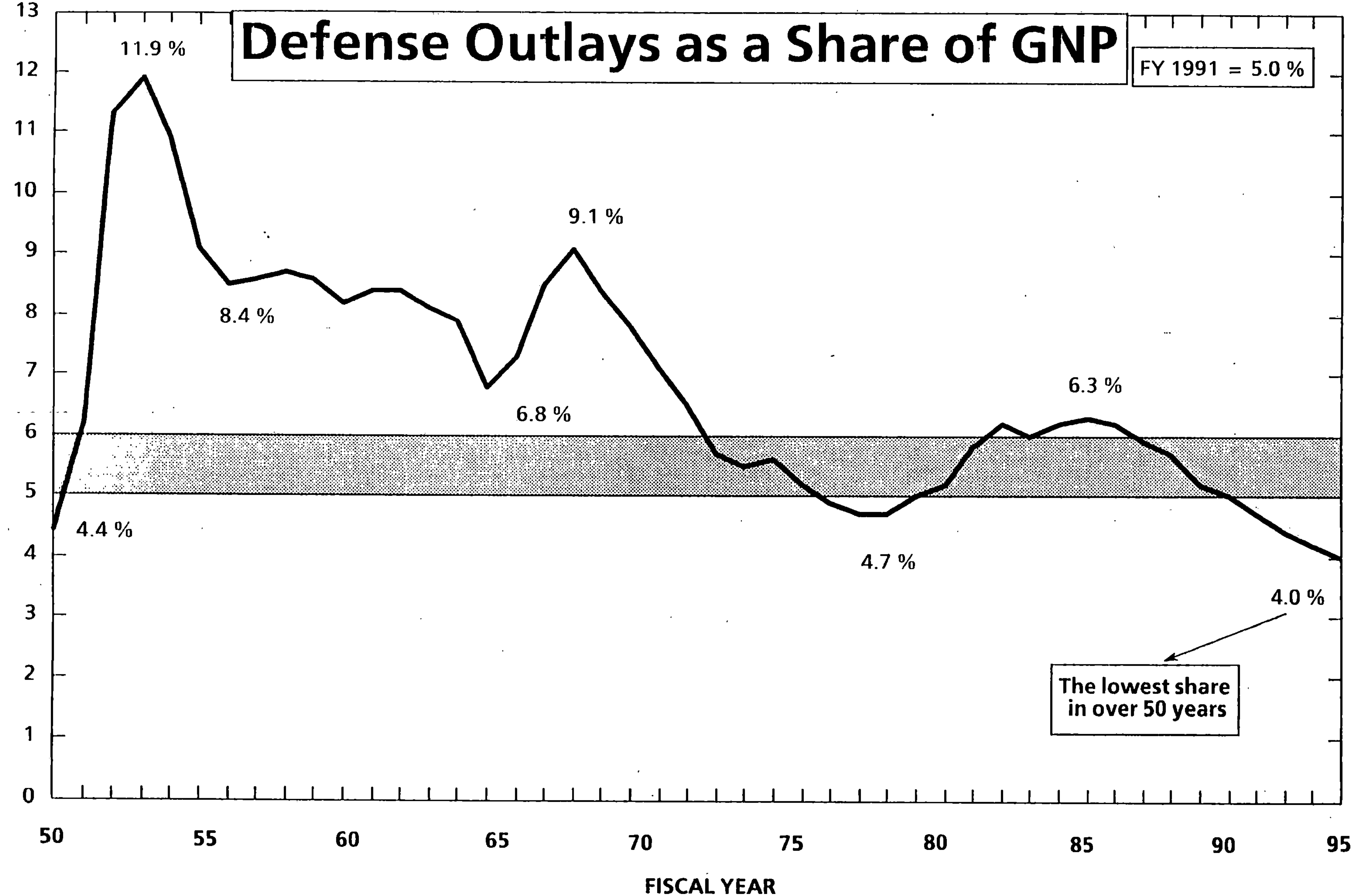
(12) Tougher capital, risk-sharing, fee, and premium requirements for credit and insurance programs (to help prevent future S&L-type problems)

Measures to Make Budget Accounting More Accurate and Informative (in addition to the current system):

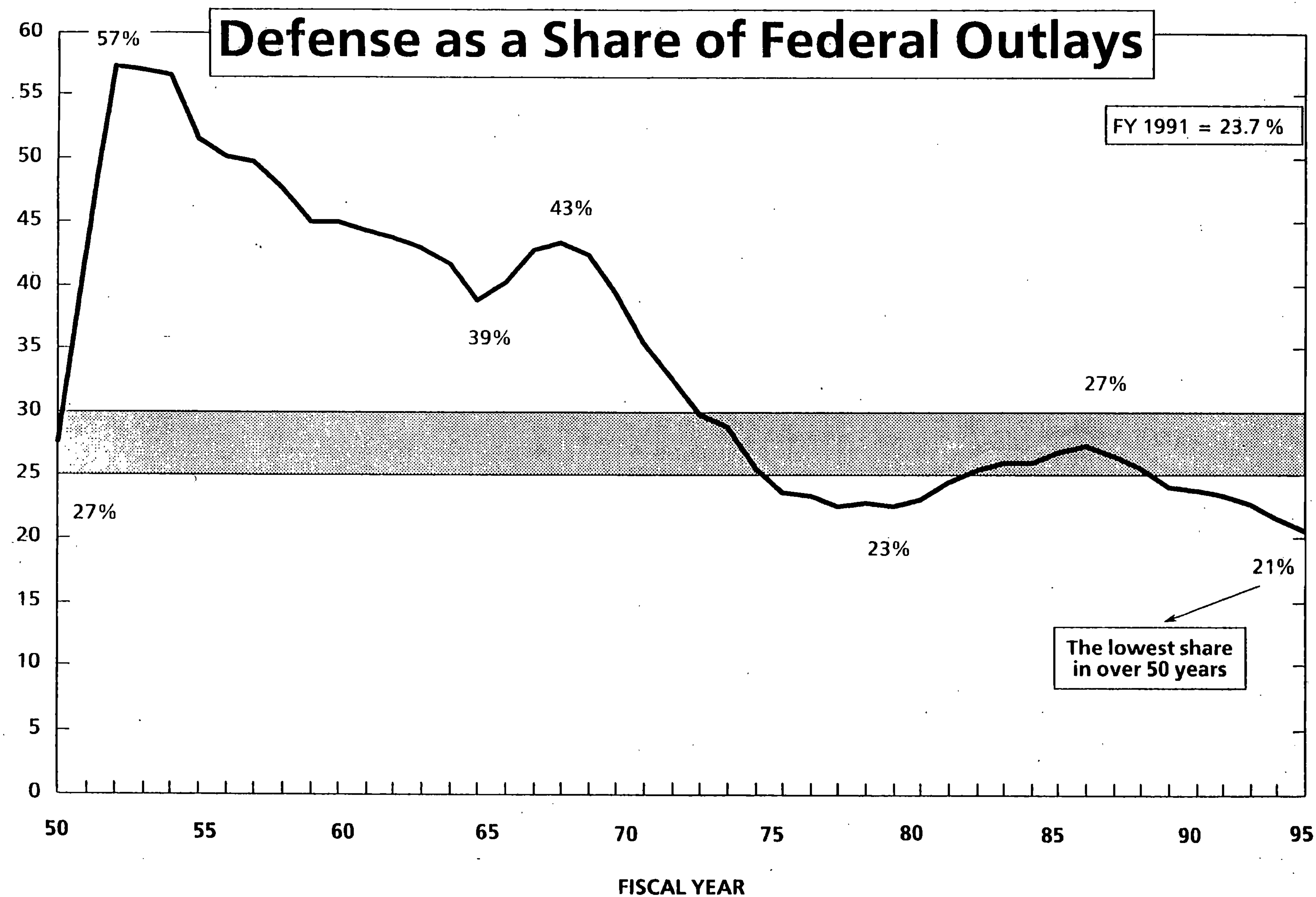
(13) GAO system of presentation for trust funds, operating budgets, and capital accounts

(14) Increased resources for agency audits and financial system improvements


CUMULATIVE REAL GROWTH IN DEFENSE BUDGETS
(PERCENTAGES)
0
-5
-10
-15
-20
-25
ACTUAL
REAGAN PLAN
JANUARY 1989
BUSH PLAN
APRIL 1989
BUSH PLAN
JANUARY 1990
FY 1985
FY 1986
FY 1987
FY 1988
FY 1989
FY 1990
FY 1991
FY 1992
FY 1993
FY 1994
FY 1994

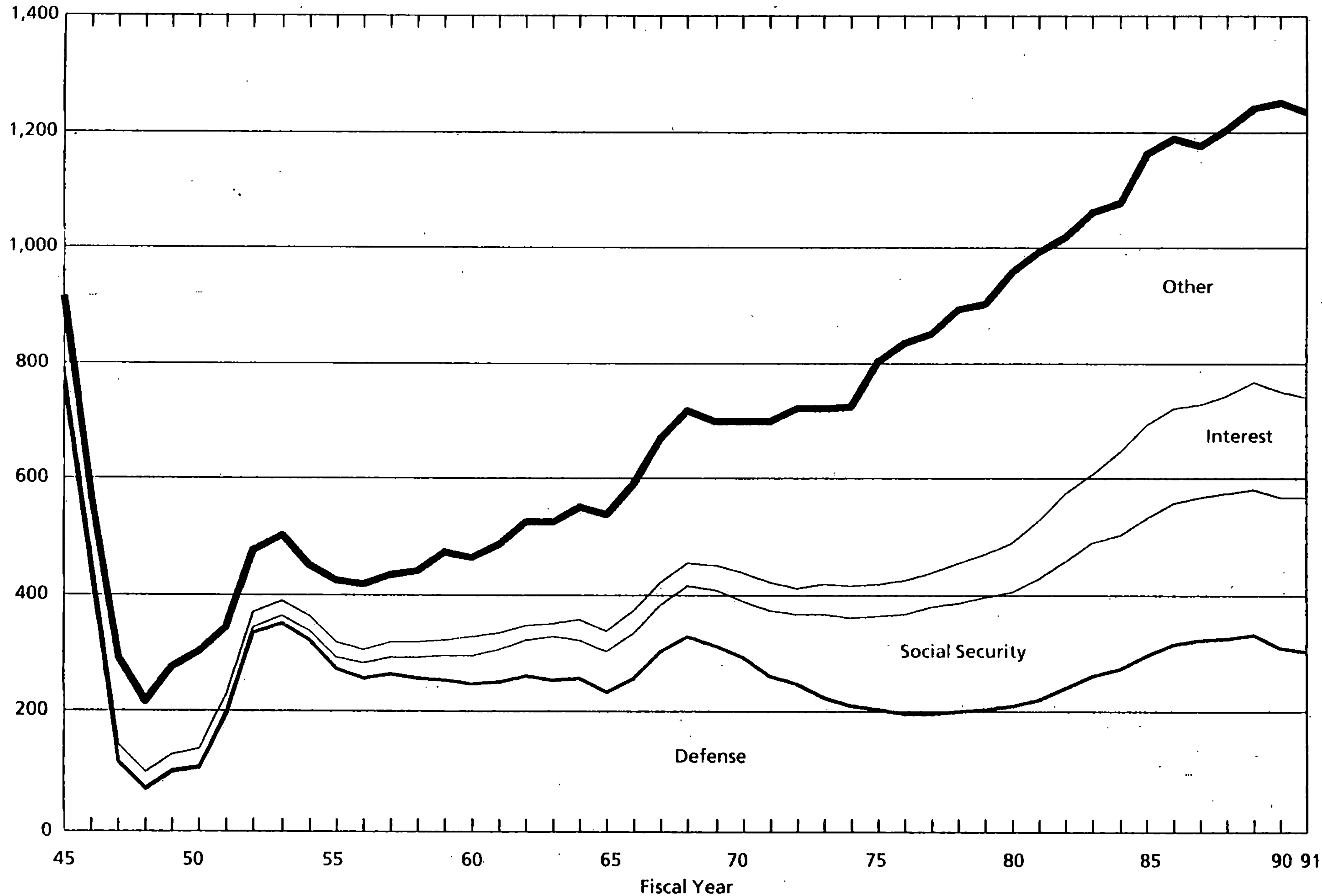


Defense Outlays as a Share of GNP
FY 1991 = 5.0 %
11.9 %
8.4 %
9.1 %
6.8 %
6.3 %
4.4 %
4.7 %
4.0 %
The lowest share in over 50 years
13
12
11
10
9
8
7
6
5
4
3
2
1
0
50
55
60
65
70
75
80
85
90
95
FISCAL YEAR

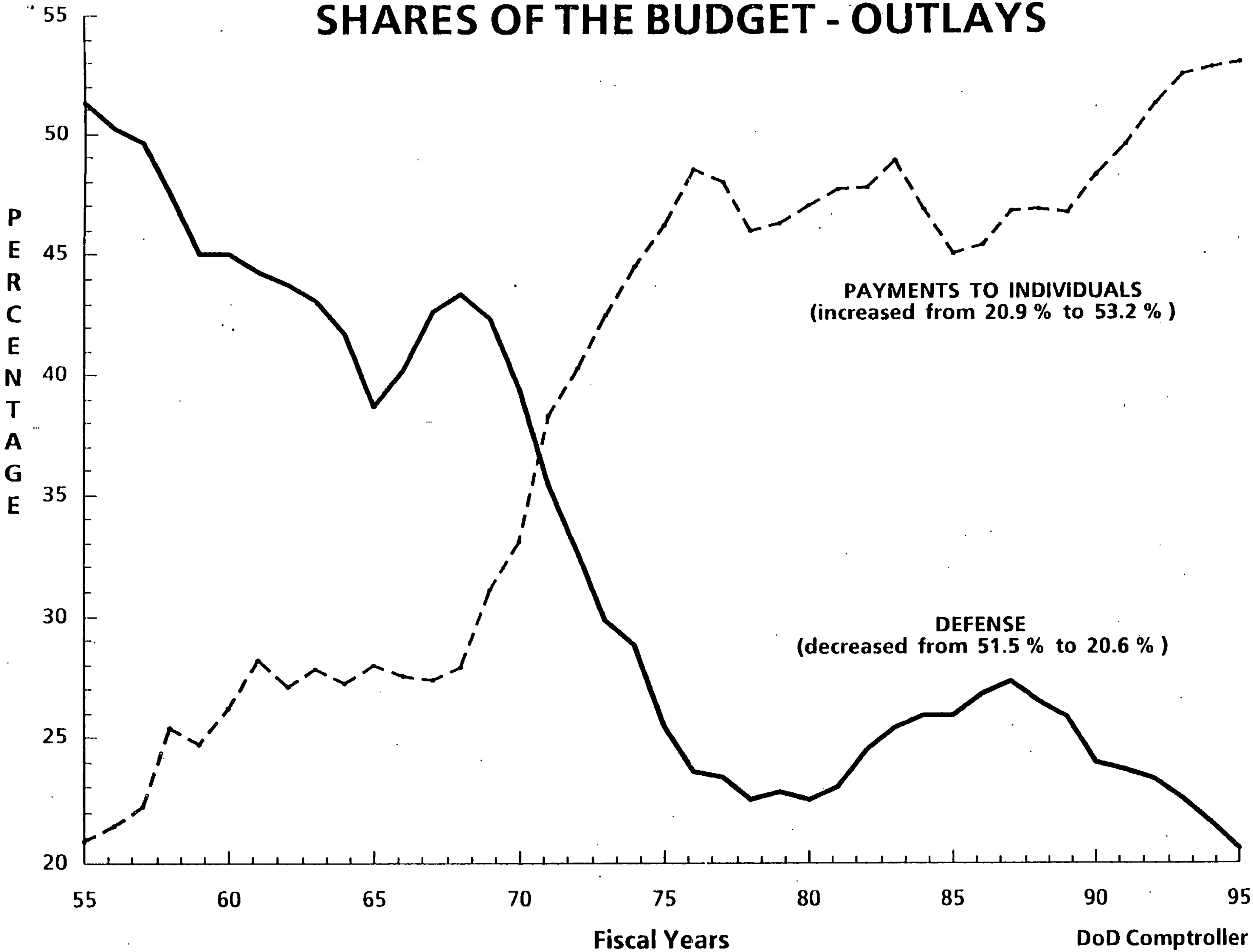

Defense as a Share of Federal Outlays
FY 1991 = 23.7 %
57%
43%
39%
27%
27%
23%
21%
The lowest share in over 50 years
0
5
10
15
20
25
30
35
40
45
50
55
60
50
55
60
65
70
75
80
85
90
95
FISCAL YEAR

Total Federal Outlays

(Billions of FY 91 Dollars)



SHARES OF THE BUDGET - OUTLAYS



DoD Comptroller

DOD BUDGET AUTHORITY
(Dollars in Billions)

FISCAL YEAR	0 % REAL GROWTH	ACTUAL / PLANNED	ANNUAL DELTA	CUM DELTA
1985	287	287	0	0
1986	295	281	- 13	- 13
1987	304	279	- 25	- 38
1988	315	284	- 32	- 69
1989	328	291	- 37	-106
1990	337	291	- 46	-152
1991	351	295	- 56	**-208**
			FY 85-91 Total =	**-208**
PROJECTION				
1992	364	300	- 64	-272
1993	377	304	- 72	-344
1994	389	308	- 81	-425
1995	402	312	- 90	**-515**
		FY 92-95 Total =	**-307**	
			FY 85-95 Total =	**-515**

DOD BUDGET AUTHORITY
(Dollars in Billions)

FISCAL YEAR	ACTUAL /PLANNED		REAL GROWTH	
	CURRENT $	FY 1985 $	ANNUAL	CUMULATIVE
1985	287	287	-	-
1986	281	274	-4.4%	-4.4%
1987	279	263	-3.8%	-8.1%
1988	284	258	-2.1%	-10.0%
1989	291	255	-1.3%	-11.2%
1990	291	247	-2.7%	-13.6%
1991	295	241	-2.6%	-15.9%
1992	300	236	-2.0%	-17.6%
1993	304	232	-2.0%	-19.2%
1994	308	227	-2.0%	-20.8%
1995	312	223	-2.0%	-22.4%

THE PRESIDENT'S REFORM PROPOSALS:
MANDATORY PROGRAMS—CHANGE FROM BASELINE

(Outlays in millions of dollars)

	1991	1992	1993	1994	1995
Agriculture:					
Federal Crop Insurance Corporation fund	–251	–507	–539	–558	–576
Commodity Credit Corporation	–1,523	–3,133	–4,441	–4,849	–5,457
Other	–7	–7	–4	–4	–4
Child Care:					
Child tax credit (refunded portion)	128	1,286	1,436	1,568	1,742
Refundable DCTC (refunded portion)	29	554	553	538	505
Child Nutrition:					
Increased school lunch subsidy for children 130–185 percent of poverty	48	55	55	56	56
Reduced school lunch subsidy for children above 350 percent of poverty	–220	–244	–259	–270	–283
Means-test day care center meal subsidies	–242	–310	–353	–392	–433
Family Support Payments:					
Child support enforcement:					
Increased paternity establishment and child support enforcement	30	30	30	30	30
Partial recovery of costs from cases middle and upper income cases	–30	–35	–40	–45	–50
Reimbursements capped at level of AFDC collections	–10	–15	–20	–25	–30
AFDC:					
Concurrent collection of quality control penalties	–23	–23	–17	–5	1
Federal Employees Health Benefit Program:					
Postal Service annuitants	–726	–803	–881	–975	–1,046
Other reforms	–850	–901	–955	–1,012	–1,073
Federal Employee Retirement:					
Civilian retirement lump sum reform	–1,489	–1,981	–1,973	–1,961	–1,946
Civilian and military retirement COLA freeze and CPI–1 percent	–1,449	–2,345	–3,008	–3,724	–4,490
Other	–13	–6	–9	–13	–16
Federal Housing Administration	–307	–626	–430	–405	–318
Food Stamp Program:					
Reauthorization	15,281	16,083	16,803	17,682	18,556
Effects of increased child support enforcement	–50	–70	–70	–70	–70
Employment and training	–18	–21	–21	–22	–22
Foster Care:					
Limit growth of administative costs	–121	–290	–478	–659	–807
Prior year claims	544	—	—	—	—
Guaranteed Student Loans:					
Guarantee agency reinsurance at 90 percent	–1	–4	–19	–53	–96
Reinsurance fee at 0.5 percent	–18	–25	–26	–27	–26
Delay disbursements to first-time student borrowers	–16	–64	–80	–74	–73
No commissioned sales people	—	–1	–4	–7	–8
Credit checks on borrowers age 21 and older	–4	–11	–23	–38	–44
Graduated repayment options	—	—	–1	–6	–12
Allow States to garnish defaulter wages	—	–2	–6	–10	–14
Restrict "ability to benefit" eligibility	–1	–7	–20	–33	–37

THE PRESIDENT'S REFORM PROPOSALS: MANDATORY PROGRAMS—CHANGE FROM BASELINE—Continued

(Outlays in millions of dollars)

	1991	1992	1993	1994	1995
Medicaid:					
Expand managed care	25	95	25	0	0
Effect of floor on SMI premium	0	65	150	255	380
Medicare:					
Increase HMO payments to 100 percent of AAPCC.	180	255	275	300	325
Reform Direct Medical Education payments	−205	−215	−240	−250	−270
Hospital Insurance (HI):					
Set rural hospital capital reimbursements at 85 percent	−170	−210	−230	−250	−270
Set urban hospital capital reimbursements at 75 percent	−1,360	−1,720	−1 880	−2,050	−2,220
PPS update at 4.1 percent	−640	−820	−890	−920	−1,020
Set indirect Medical Education factor at 4.05 percent	−1,030	−1,300	−1,420	−1,540	−1,680
Cap intern/resident-to-bed ratio at FY 1989 level	−10	−10	−10	−10	−10
Eliminate return on equity payments to skilled nursing facilities	−70	−80	−80	−80	−90
HI premium	2	2	3	3	3
Supplementary Medical Insurance (SMI):					
Extend prior authorization authority to carriers	−64	−66	−68	−70	−71
Physicians:					
Reduce payments for overpriced procedures	−110	−180	−210	−240	−260
Update primary care services only	−325	−500	−600	−700	−775
Reduce payments for overpriced localities	−50	−80	−100	−110	−120
Cap payments for technical component of diagnostic tests	−20	−30	−30	−40	−50
Extend and make permanent payment limits on new physicians	−50	−80	−100	−110	−120
Eliminate duplicate payments for physician assistants	−5	−10	−10	−10	−10
Limit radiology fee schedule to 90 percent of national average	−110	−205	−235	−265	−295
Limit payments for technical radiology component	−40	−70	−70	−80	−90
Limit anesthesia payments to 90 percent of national average	−50	−100	−110	−120	−140
Limit payments for supervised anesthesia	−70	−120	−130	−150	−170
Reform payments for assistants-at-surgery	−120	−160	−180	−200	−220
Limit payments for surgical global fees	−50	−90	−100	−110	−120
Outpatient Departments:					
Set urban/rural outpatient capital rates at 75/85 percent, respectively	−100	−130	−150	−170	−200
Reduce outpatient payments by 13 percent	−695	−1,070	−1,350	−1,525	−1,735
Durable Medical Equipment:					
Establish enteral-parental fee schedules	−10	−15	−20	−20	−20
Update for fee schedules below caps only	−20	−30	−30	−40	−40
Limit oxygen payments to 95 percent of fee schedule	−20	−30	−40	−40	−40
Pay rental items at 120 percent of allowed charges	−90	−140	−160	−170	−190
Set national payment limit at 100 percent of median	−110	−200	−220	−250	−270

THE PRESIDENT'S REFORM PROPOSALS: MANDATORY PROGRAMS—CHANGE FROM BASELINE—Continued

(Outlays in millions of dollars)

	1991	1992	1993	1994	1995
Lower national limit on lab payments/update for labs below caps only	−60	−110	−130	−150	−170
Extend ESRD Medicare secondary payer	−30	−40	−40	−50	−50
Set floor on SMI premium at 25 percent of program costs	—	−673	−1,751	−3,129	−4,808
Subtotal, Medicare	-5,502	−8,227	−10,306	−12,546	−15,196
PMA—debt repayment reforms	−966	−942	−942	−899	−867
Public Health Service Commissioned Officers Accrual to the commissioned corps retirement fund	183	190	198	205	211
Railroad Retirement:					
Return pension program to private sector	—	—	—	—	—
COLA proposal	−37	−70	−95	−121	−145
Finance 25 percent of windfall benefits from rail pension fund	80	78	75	71	68
Rural Housing Insurance Fund	−5	−107	−213	−335	−467
Social Security:					
Tax refund offset	−79	−97	−27	−18	−18
Eliminate advance tax transfers	—	—	—	—	—
Pre-effectuation review requirements	−2	−5	−5	−6	−8
Coverage of adopted children	—	1	1	2	2
Conform Railroad SSEB with OASDI	62	64	66	68	69
Special Assistance to Puerto Rico:					
Reauthorization	937	937	937	937	937
Reform	−114	−112	−112	−112	−112
SSI—fee for Federal administration of State supplement	−55	−110	−165	−165	−165
Trade Adjustment Assistance:					
Cash benefits	−119	−163	−163	−162	−166
Training	−21	−58	−74	−75	−76
Veterans:					
Limit inheritance of benefits by remote heirs	−157	−175	−180	−184	−187
Pensions for hospitalized veterans	14	14	14	15	15
Eligibility verification	−61	−149	−207	−215	−215
Third party medical reimbursement	−392	−537	−676	−764	−775
Require housing downpayment	—	−6	−22	−32	−44
Include housing resale losses in net-value	−81	−46	−74	−123	−122
Eliminate Manufactured Home Loan Program	—	−2	−4	−6	−8
File MHLP claims upon receipt of resale price	−5	−4	−3	−2	−1
Other Mandatory Changes	−58	−47	—	−32	−67
Total changes from baseline*	2,287	−2,881	−6,668	−9,695	−13,091
Adjustments for:					
Food Stamps and Assistance to Puerto Rico	−16,218	−17,020	−17,740	−18,619	−19,493
Total mandatory program savings	−13,931	−19,901	−24,408	−28,314	−32,584

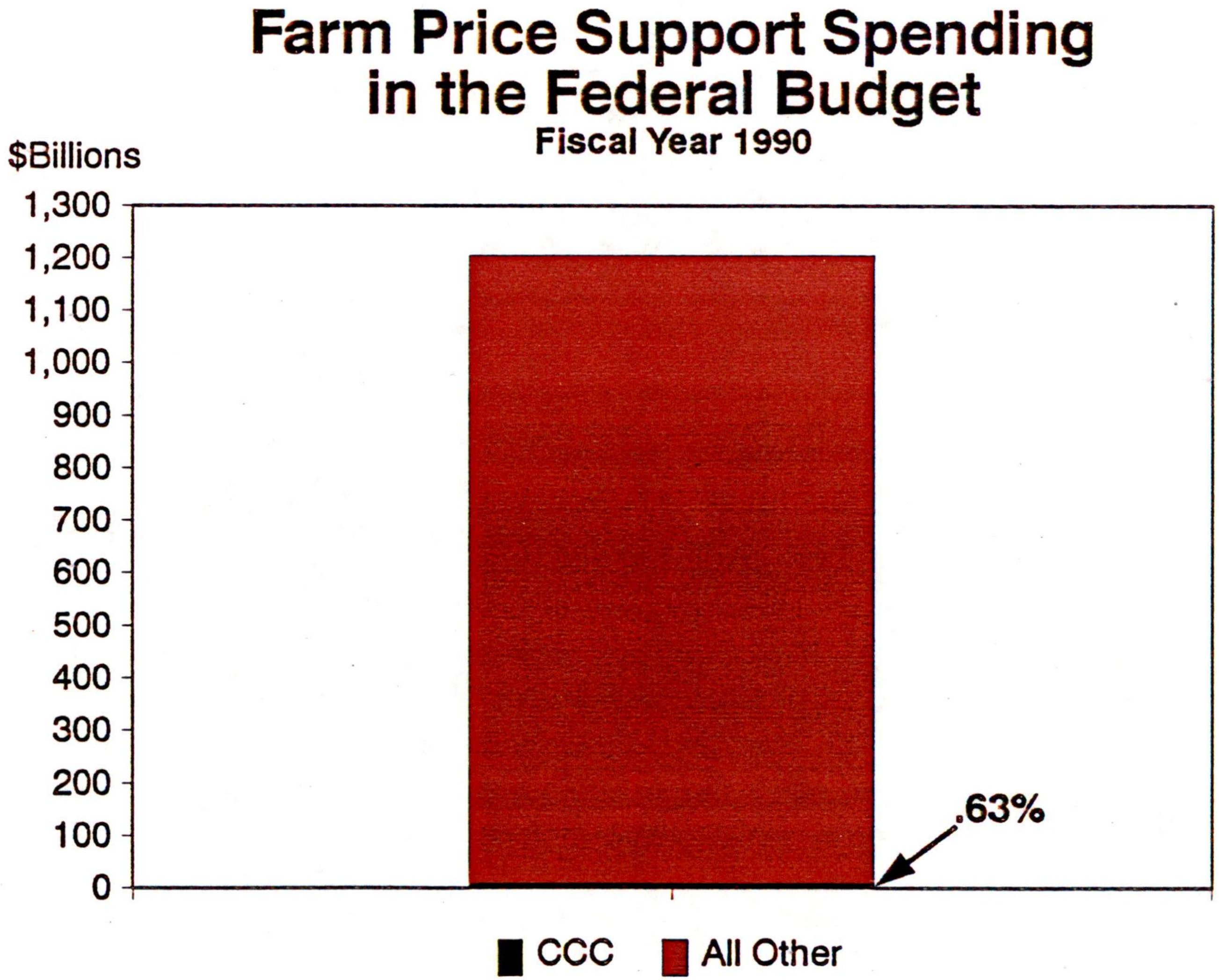
* Does not include the following amounts for the Postal Service fund, which are not included in the baseline (in millions of dollars): 1991, $1,721; 1992, $692; 1993, $126; 1994, −$92; 1995, −$376.

THE PRESIDENT'S REFORM PROPOSALS:
MANDATORY PROGRAM SPENDING

(Outlays in billions of dollars)

	1990	1991	1992	1993	1994	1995
Agriculture:						
Federal crop insurance corporation fund	1.0	0.3	—	—	—	—
Commodity Credit Corporation	7.4	8.4	11.2	10.0	8.5	7.4
Other	2.7	2.5	2.6	1.7	1.3	0.9
Commerce and Housing Credit:						
Deposit insurance	48.6	62.5	44.4	17.4	−28.7	−10.7
Mortgage credit	4.7	3.9	3.3	3.4	3.7	3.7
Other	2.6	2.0	0.9	0.4	0.1	−0.1
Education, Training, Employment and Social Services:						
Guaranteed student loans	4.0	3.8	3.1	2.6	2.4	2.3
Social services block grant	2.8	2.8	2.8	2.8	2.8	2.8
Foster care and adoption	1.4	2.3	2.1	2.4	2.7	3.0
Other	2.5	2.9	4.3	4.3	4.3	4.4
Medicare and Health:						
Medicare	95.0	97.2	108.8	120.7	133.8	148.0
Medicaid	40.8	46.0	50.9	55.8	61.0	66.3
Other	2.8	2.8	3.8	4.6	5.3	6.0
Social Security and Income Security:						
Social security	246.0	263.7	280.8	297.9	314.8	331.9
Family support payments—AFDC and child support enforcement	12.1	13.0	13.8	14.2	14.5	14.9
Job opportunities and basic skills training	0.3	0.9	1.0	1.0	1.1	1.3
Supplemental security income	11.4	15.3	16.2	15.7	17.7	17.6
Child nutrition	5.0	4.8	5.1	5.4	5.8	6.1
Food stamp program	16.0	16.8	17.4	18.1	19.2	20.2
Other nutrition assistance	0.5	0.4	0.4	0.4	0.4	0.4
Federal employee retirement	52.5	53.8	55.1	57.9	60.8	63.6
Other retirement and disability	4.8	5.1	5.3	5.4	5.4	5.5
Unemployment compensation	16.4	18.6	18.6	19.5	20.2	20.8
Other	4.7	5.5	5.6	5.6	5.7	5.8
Veterans Benefits and Services:						
Compensation	10.8	12.0	12.4	14.0	12.9	11.8
Pensions	3.5	3.7	3.6	3.8	3.6	3.5
Other	1.9	1.3	1.4	1.3	1.3	1.4
Other Mandatory Spending	0.4	−0.8	−0.5	−0.9	−1.6	−1.4
Total Mandatory Outlays	602.6	651.5	674.4	685.4	679.0	737.4

Notes: Negative entries result from offsetting collections.

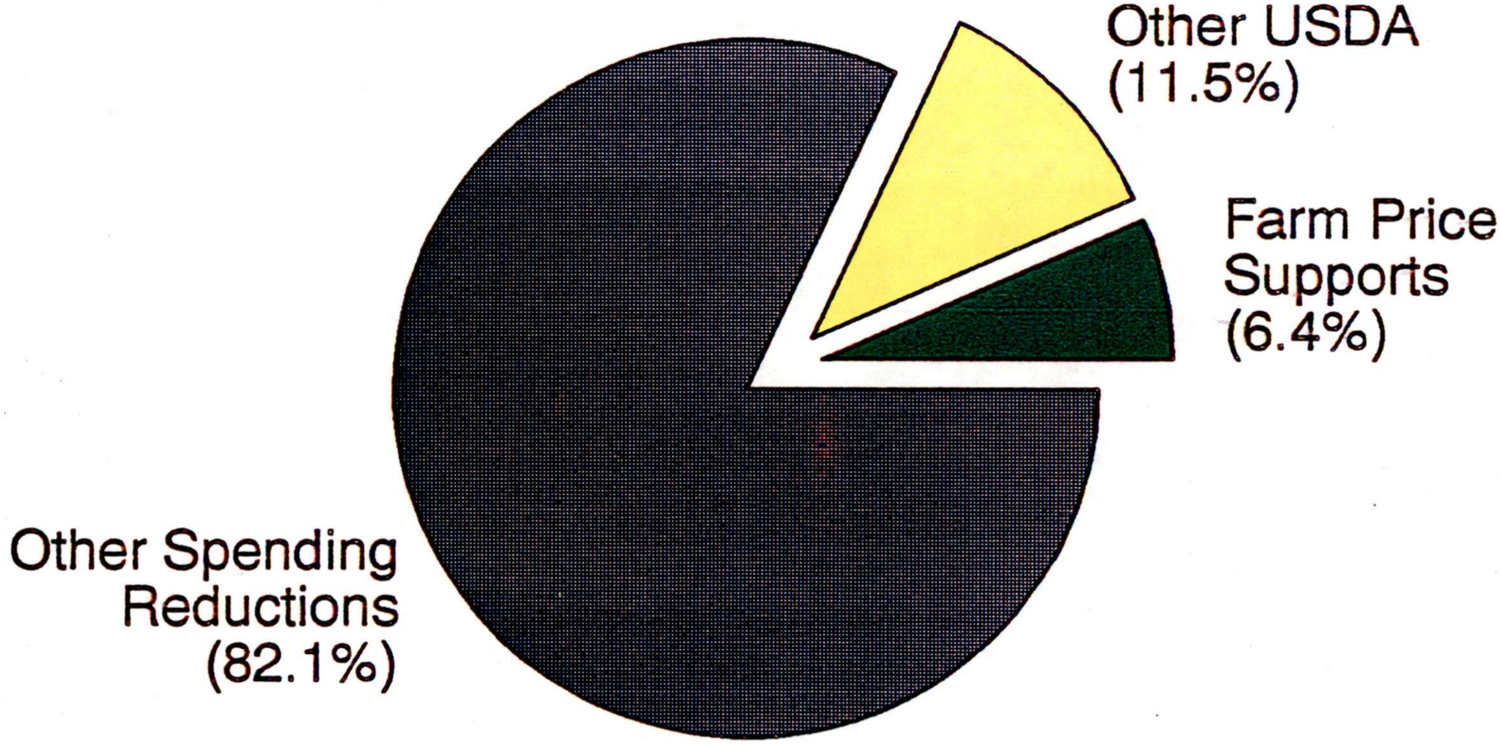


Source: CBO.

Kika de la Garza

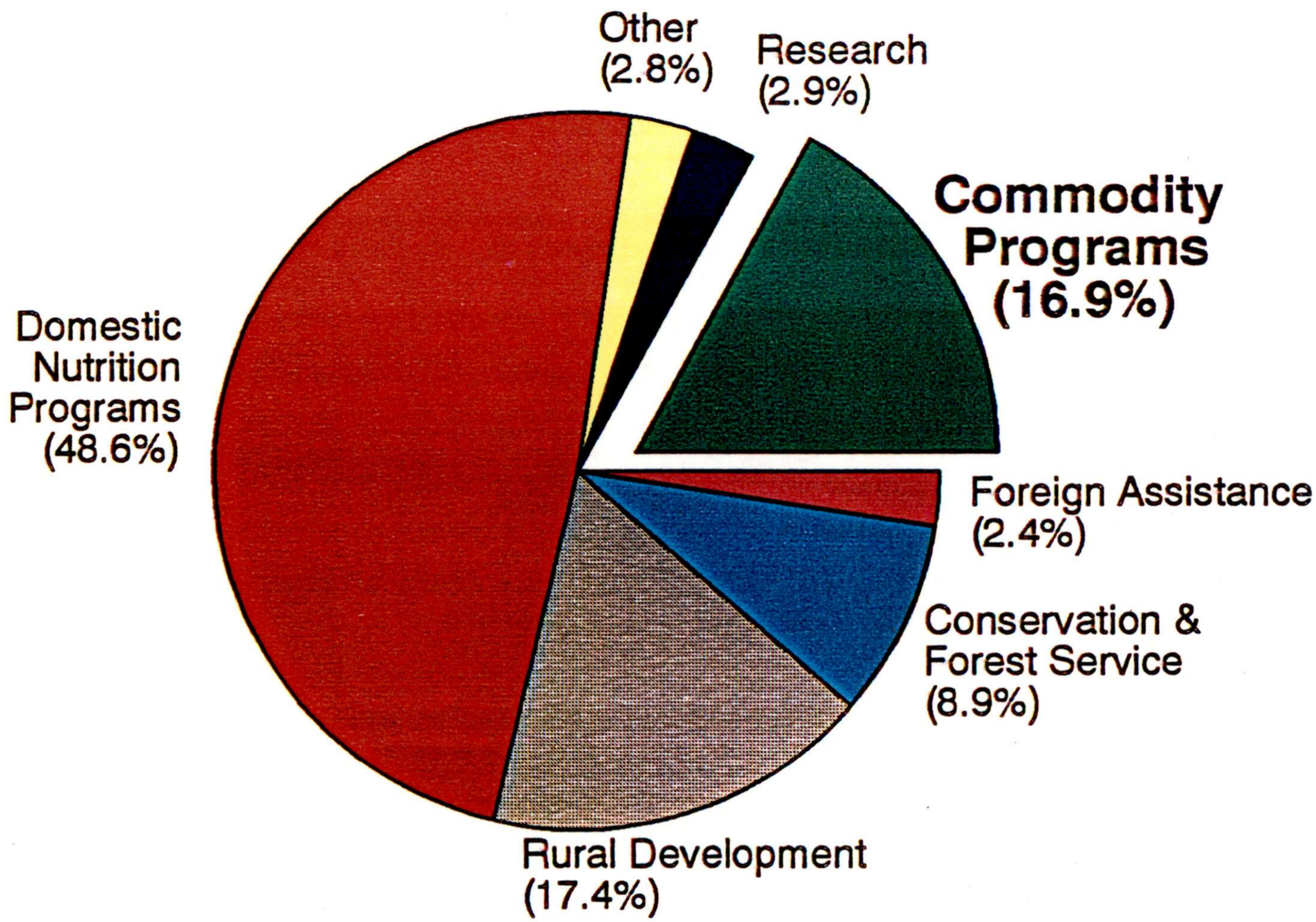
Agriculture is 18% of Bush Spending Reduction Proposals

Fiscal Year 1991



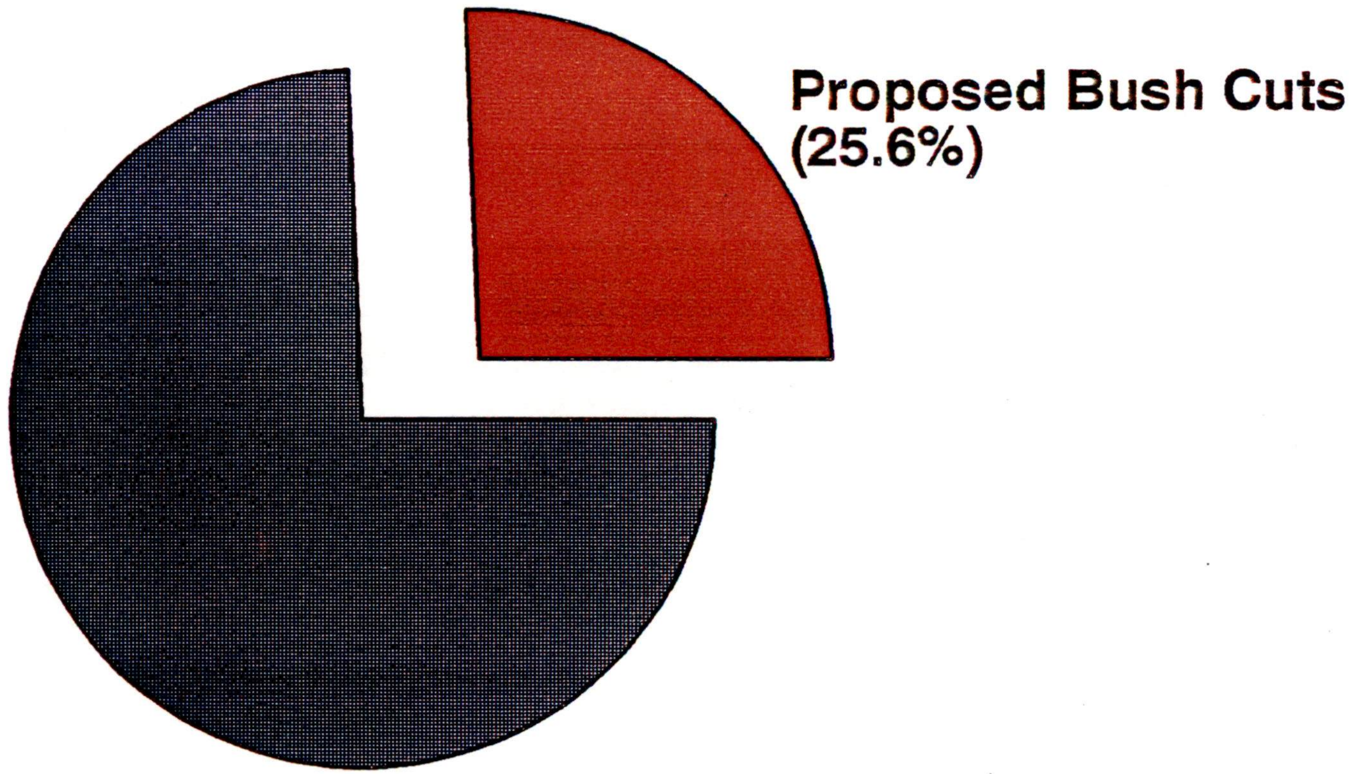
Shame - Shame -

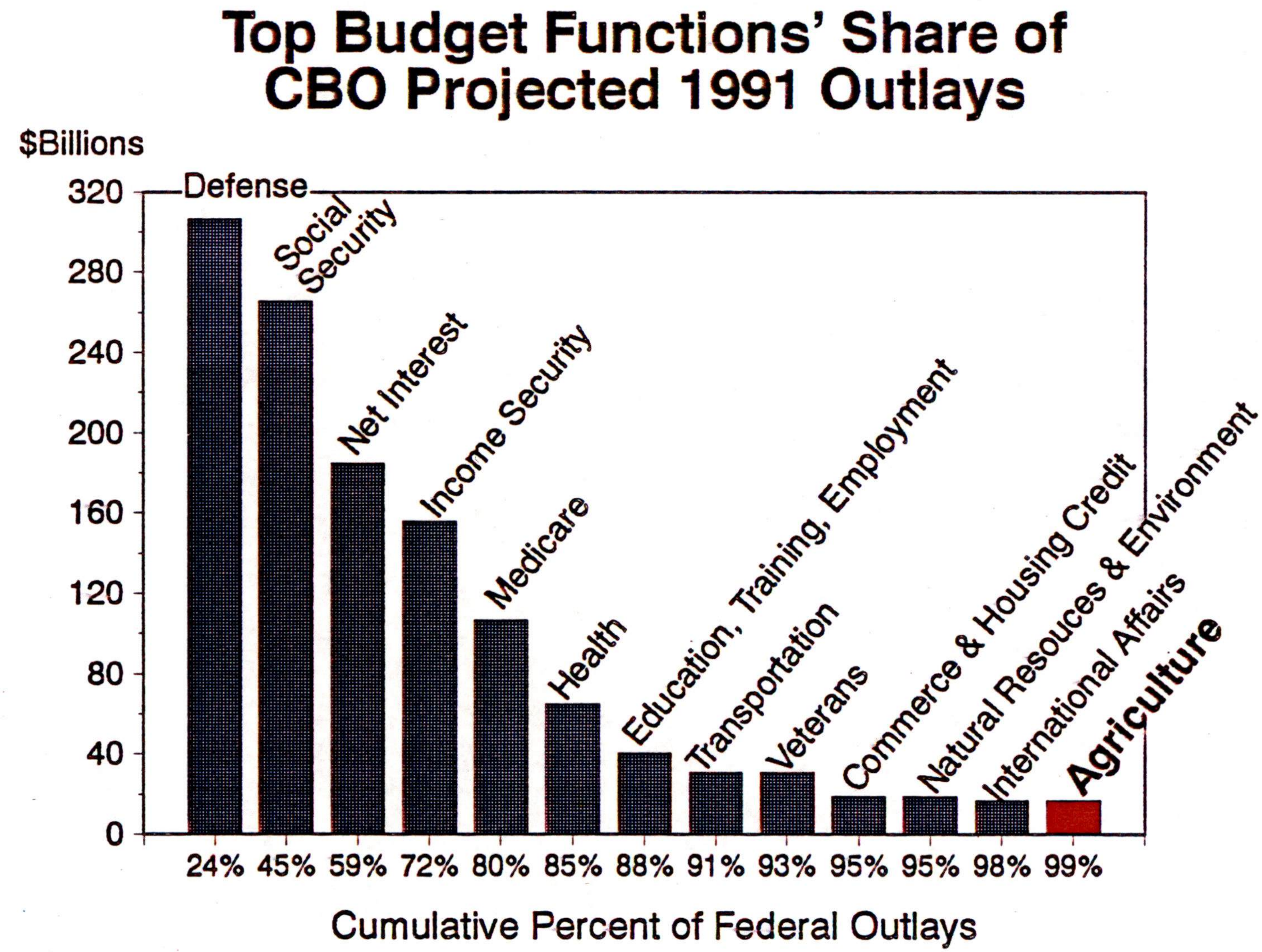
USDA FY 1990 Outlays by Program



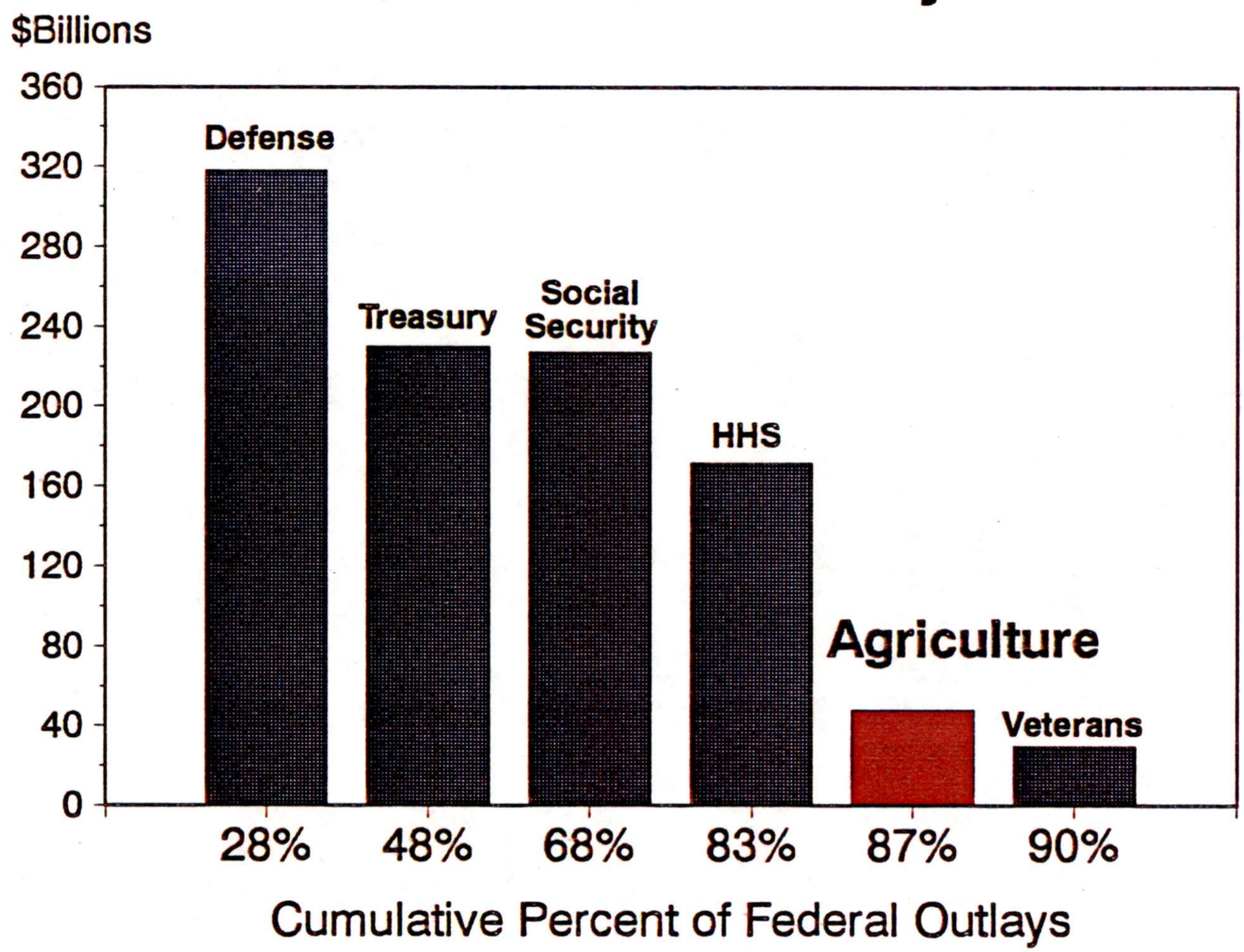
Total Projected Farm Price Supports Spending

FY 1991 - 1995




Top Budget Functions' Share of
CBO Projected 1991 Outlays
$Billions
320
280
240
200
160
120
80
40
0
Defense
Social Security
Net Interest
Income Security
Medicare
Health
Education, Training, Employment
Transportation
Veterans
Commerce & Housing Credit
Natural Resouces & Environment
International Affairs
Agriculture
24% 45% 59% 72% 80% 85% 88% 91% 93% 95% 95% 98% 99%
Cumulative Percent of Federal Outlays

Top Six Agencies' Share of Federal 1989 Outlays



ROBERT H. MICHEL
18TH DISTRICT, ILLINOIS

H-232, THE CAPITOL
WASHINGTON, DC 20515
225-0600

Office of the Republican Leader

United States House of Representatives
Washington, DC 20515

June 6, 1990

Hon. John Joseph Moakley
Chairman
Committee on Rules
U.S. House of Representatives

Dear Joe:

We are concerned that the Rules Committee is moving a resolution to put into effect the discretionary appropriations levels contained in the House-passed Budget Resolution at the very time when the budget summit negotiations are moving into high gear.

These discretionary appropriations levels for FY 1991 are considerably higher than current spending levels. For example, non-defense budget authority would be "limited" to an amount more than $30 billion higher than the comparable amount in the FY 1990 budget resolution.

We are also concerned that the proposed resolution completely overlooks the budget resolution instructions to committees to produce entitlement savings. If we proceed on the appropriations track, we should also proceed on the reconciliation track.

We think it is the wrong signal to give the go-ahead to these kind of spending increases without waiting to see what the budget summit can produce.

Therefore, we are requesting that you report a rule that makes the enclosed resolution in order. This resolution provides, in essence, that it is the sense of the House that the budget summit should report back their recommendations to the House and Senate not later than June 28, 1990.

We believe that the participants in the budget summit should be given at least until that date to complete the difficult task of putting together a substantial deficit reduction package.

There is plenty of work to be done at the subcommittee and committee level by the Appropriations Committee. If the summit negotiators can agree on a five-year deficit reduction plan by the end of this month, the Appropriations Committee could make final adjustments to conform their bills to the summit agreement and then quickly move the bills to the Floor.

It will be harder to cut back spending at a later date, rather than add it back. Therefore, prudence is the wisest course at this time.

If you want to insist on having the House express itself about the budget discussions, we urge you to make our resolution in order.

Sincerely,

Robert H. Michel
Republican Leader

Newt Gingrich
Republican Whip

Silvio O. Conte
Appropriations Committee
Vice Chairman

Bill Frenzel
Budget Committee
Vice Chairman

BUDGET SUMMIT REPORTING DEADLINE

RESOLVED, That it is the sense of the House that the members of the joint leadership of the House and the Senate, and their designated appointees at the budget discussions with representatives of the President, shall report to their respective Houses not later than June 28, 1990 their recommendations with respect to a budget for the United States Government for the fiscal years 1991, 1992, 1993, 1994, and 1995.

TABLE E-6. OUTLAYS FOR MAJOR SPENDING CATEGORIES, FISCAL YEARS 1962-1989 (As a percentage of GNP)

Fiscal Year	National Defense	Entitlements and Other Mandatory Spending	Nondefense Discretionary Spending	Net Interest	Offsetting Receipts	Total Outlays
1962	9.4	5.5	4.3	1.2	-1.3	19.2
1963	9.1	5.7	4.3	1.3	-1.4	18.9
1964	8.7	5.5	4.6	1.3	-1.2	18.8
1965	7.5	5.2	4.8	1.3	-1.2	17.6
1966	7.9	5.1	5.2	1.3	-1.2	18.2
1967	9.0	5.7	5.1	1.3	-1.3	19.8
1968	9.6	6.2	5.1	1.3	-1.3	21.0
1969	8.9	6.3	4.4	1.4	-1.2	19.8
1970	8.2	6.7	4.5	1.5	-1.2	19.8
1971	7.5	7.6	4.7	1.4	-1.3	19.9
1972	6.9	8.2	4.9	1.3	-1.2	20.0
1973	6.0	8.6	4.7	1.4	-1.4	19.2
1974	5.6	8.8	4.6	1.5	-1.5	19.0
1975	5.7	10.3	5.6	1.5	-1.2	21.8
1976	5.3	10.8	5.4	1.6	-1.2	21.9
1977	5.0	10.2	5.5	1.5	-1.1	21.2
1978	4.8	10.0	5.8	1.6	-1.1	21.1
1979	4.8	9.6	5.6	1.7	-1.1	20.6
1980	5.0	10.4	5.9	2.0	-1.1	22.1
1981	5.3	10.7	5.7	2.3	-1.3	22.7
1982	5.9	11.3	5.0	2.7	-1.2	23.8
1983	6.3	12.0	4.7	2.7	-1.4	24.3
1984	6.2	10.7	4.4	3.0	-1.2	23.1
1985	6.4	11.1	4.4	3.3	-1.2	23.9
1986	6.5	10.9	4.1	3.3	-1.1	23.7
1987	6.4	10.7	3.7	3.1	-1.2	22.7
1988	6.1	10.5	3.7	3.2	-1.2	22.2
1989	5.9	10.6	3.7	3.3	-1.2	22.2

SOURCE: Congressional Budget Office.

393-5588

DRAFT

MEMORANDUM

DATE: MAY 24, 1990

SUBJECT: DIRE EMERGENCY SUPPLEMENTAL APPROPRIATIONS BILL

The Administration's request for $800 million dollars in emergency aid to Nicaragua and Panama has become a "christmas tree" on which members of Congress have hung all kinds of ornaments which are neither related to Nicaragua and Panama or are of an urgent nature. The House and Senate bills were not identical, with the Senate bill containing more "special items" than the House version. Some of the projects included in the conference report are listed below. Where there is adequate information, the relevant Members are included in parentheses.

$500,000 earmarked for Battery Storage/Recycling Facility in New Jersey (Bradley)

$750,000 for a ferry vessel to be given to Samoa (Inouye)

$6 million for Iowa Fish and Wildlife Park (Neal Smith)

$1.8 million for a Great Lakes Research vessel (Traxler & Boggs)

$900,000 earmarked for a household waste-treatment demonstration project (Traxler)

$2.5 million reappropriated for the Beechwood Housing Project (Heinz?)

$5 million for an environmental research center in Johnstown, Penns. (Murtha)

Directs obligation of funds for a fish farm in Arkansas (Bumpers & Alexander)

$6.8 million to fight grasshoppers in the Dakotas and Minnesota (Burdick)

~~Up to $25 million for Franked Mass Mailings for Members of Congress~~

$13.5 million to assess oil spill damage and volcanic eruptions in Alaska (Stevens)

$19.9 million for school programs, including $500,000 for a Chicago project

$1 million for the Javits Gifted & Talented Education program

$1.2 million for pseudorabies eradication efforts

$10 million for Military Construction, Army National Guard Program & Military Construction, Army Reserve

$5 million for disaster assistance for tornados in Nebraska and Kansas

$11 million for 1990 crops damaged by a natural disaster in 1989

$50 million for FEMA

$6 million for an unrelated bone marrow donor program (Young)

$5 million earmarked for FDR Memorial (Hatfield)

$371,000 earmarked for addition to Starksville, Mississippi research office for the Forest Service

$700,000 for the Black Lung program (Byrd)

$400,000 for the National Commission on Children

$4.4 million for the Food Safety and Inspection Service (Bumpers)

$3.1 million for Food and Nutrition Service's commodity supplemental food program

$1.3 million for miscellaneous operating expenses and medical administration at Department of Veterans Affairs

Transfers $500,000 for the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing (Inouye)

Transfers $2 million for the National Commission on Severely Distressed Public Housing

$5 million earmarked for Highway Traffic Safety Grants (Lautenberg)

$827,000 for "appropriate technology for rural areas" (Bumpers)

$238 million for a munitions facility in Louisiana (Johnston)

$5 million for a U.N. Environmental Fund

Directs obligation of an additional $1.5 billion in loans to Rural Electric Cooperatives

40 HUD Community Development Grants in the Supplemental totaling 28.4 million. Kemp has called these projects "disgraceful". Steve Bartlett has vowed "To shine a light on these projects". Christopher Shays calls them, "hypocritical" and says, "It's just an outrage". Gonzalez says, funding these projects is "morally indefensible". They include:

$510,000 - downtown revitalization in Dayton, Washington (Foley)

$400,000 - fill in a collapsing utility tunnel in Salisbury, N.C. (Hefner)

$3 million for a ground subsidence program in Philadelphia where townhouses are sinking (Foglietta & Coughlin)

$186,000 - Construction of Handicapped Access to Newport, Washington courthouse (Foley)

$390,000 - to build a library/recreation center on Mackinaw Island, Michigan (Bob Davis)

$270,000 - renovation of the Alpine Regional Education Center in Otsego County - (Bob Davis)

$2 million to clear a meatpacking site in Ottumwa, Iowa (Grassley/Harkin)

$500,000 - to expand New Orleans Covenant House (Breaux/Johnston)

$1.2 million - to plan a build a performing arts complex in Newark, N.J. (Bradley/Lautenberg)

$1 million for revolving fund demonstration for Provo and Orem, Utah (Garn/Hatch)

$320,000 - to renovate/furnish 8 units of public housing for an infant mortality project (Exon/Kerrey)

$225,000 to buy and renovate a building for a homeless shelter (Sasser/Gore)

$800,000 - Low income housing project in Chattanooga (Sasser/Gore)

$1.2 million for downtown revitalization in Charleston S.C. (Hollings/Thurmond)

$1.2 million to buy and renovate Northgate apartments in Burlington, Vt. (Leahy/Jeffords)

$180,000 for a bridge in Leake County, Miss. (Cochran/Lott)

$1.3 million for Hawaiian sugar mills job retention - (Inouye & Matsunaga/Akaka)

$249,000 to upgrade a community hospital in Rolling Fork, Miss. (Cochran & Lott)

$1.25 million a center for the disabled in Omaha, Nebraska (Exon/Kerrey)

$350,000 - to fight drugs in a Seattle, Washington housing authority (Adams/Gorton)

$440,000 for downtown economic revitalization in Holyoke, Mass. (Conte)

$600,000 for a neighborhood challenge grant revolving fund for Toledo, Ohio (Kaptur)

$1,025,000 to buy a private residential building in New York City for the New York City Mutual Housing Association (Green)

$600,000 for a low and moderate-income housing development program in Saginaw, Michigan (Traxler)

$800,000 to fight drugs and improve maintenance in an area on the East Side of Cleveland (Oakar/Stokes)

$800,000 Economic revitalization in Marshall, Texas (Chapman)

$990,000 - park and waterfront improvements, bridge lighting and property acquisition in Bay City Michigan (Traxler)

$500,000 - to buy land & plan a site for a shelter for Battered Women in Highland, Calif. (Jerry Lewis/George Brown)

$250,000 - to renovate transitional housing facilities in Lawrence, Mass. (Atkins)

$970,000 - to build, furnish and equip a job training center in Saginaw, Mich. (Traxler)

$500,000 - acquisition, clearance, & relocation activities for a redevelopment area in Norristown, PA (Coughlin)

$550,000 - for equipment and landscaping at a Park in Mount Clemens, Michigan (Bonior)

$529,000 - for a facility housing homeless families and assisting drug abusers in Fort Worth, Texas (Armey, Barton, & Geren)

$200,000 - for technical assistance for an urban affairs community development program in East Lansing (Carr)

U.S. Senate Republican Policy Committee
William L. Armstrong, *Chairman* May 25, 1990

On the Budget Summit: Beware the Abominable Taxman

For two weeks, official Washington has been astir with the prospects for and consequences of "dealing with the deficit." The initial conciliatory overture by President Bush was immediately met by Republican revolt and Democratic dread. Both parties ran for political cover to avoid being blamed for *raising* the tax *issue*, let alone being responsible for *raising taxes*. This and other misguided issues deserve reaction before the summit gets out of hand.

Tax Increases: Who wants them?

"We have a message to the whole White House. Don't worry. Democrats will not put taxes on the table." — Rep. Charles Schumer (D-NY), *The Washington Times*, May 11, 1990, p. A1.

"[President Bush] would have to propose revenues," — Senate Budget Committee Chairman Jim Sasser (D-TN), *The Washington Post*, May 14, 1990, p. A8.

"I can assure you that the issue of taxes is not going to be raised or discussed or approved unless the President thinks that they're necessary for deficit reduction." — House Budget Committee Chairman Leon Panetta (D-CA), *The Washington Times*, May 14, 1990, p. A3.

"John Sununu, the [White House] chief of staff, told reporters that if the Democrats wanted to propose higher taxes, that was fine, but the President would veto them." — *The New York Times*, May 13, 1990, p. E13.

"Trying to bring down the deficit by raising taxes is like giving a drunk another drink to sober him up." — Senator William V. Roth, Jr. (R-DE), Capitol press conference, May 10, 1990.

Tax Increases: Who needs them?

The deficit issue inevitably urges some policymakers to call for tax increases. Lately, the calls have gotten louder as media reports have pointed to a kind of "bidding war" on just how big the FY90 budget deficit is. Here's how it's grown:

FY90 Deficit	Source
$100 billion	The Gramm-Rudman target
"under $110 billion"	Reconciliation agreement, November 1989
$124 billion	OMB estimate, January 1990
$138 billion	CBO estimate, February 1990
"$6-15 billion higher than expected"	OMB Director Darman, March 1990
"$8-20 billion higher than expected"	OMB Director Darman, April 1990
$160+billion	CBO analysis, unofficial, May 1990

The FY90 deficit is going to be larger than expected for two reasons. First, revenues will be about $10 billion lower than projected due to a slower-growing economy. Second, the projected outlays for RTC working capital have risen. Lately, CBO has been suggesting that an *additional* $30 billion may be needed on top of their original estimate of $20-30 billion.

No one likes to see a higher deficit, but that doesn't mean tax increases are the answer. The issue must be put into a broader perspective:

- Keep in mind that RTC working capital funding is not a "deadweight loss" to the Treasury — asset sales will recoup the lion's share of these outlays in later years.
- Last year's deficit was $152 billion, and FY88's was $155 billion. As a percent of GNP, an FY90 $160 billion deficit actually would be lower than the two previous years.
- Federal receipts as a share of GNP, now at 19.6% for the current fiscal year, are at their third highest level since the end of World War II. The highest level in the postwar period was 20.1%, attained in 1969 and 1981. **Those high levels of taxation resulted in recessions both times.** A tax increase of $26 billion would increase the current percentage of GNP to that level! (One percent of GNP is approximately $53 billion.)
- From 1960 to 1989, Federal receipts averaged about 18.5% of GNP. Receipts were over 19% of GNP for the decade of the 1980s.
- Tax increases aren't necessary because Federal revenues are growing due to an expanding economy. Even including the effects of recession, revenues grew an average of $56 billion per year in the 1980s.
- According to CBO, Federal receipts are projected to grow $76 billion in FY90 and another $70 billion next year — on economic growth alone. [Each of these figures likely will be revised downward $10 billion or so in CBO's next budget update. Even with the revision, this revenue growth remains sizeable.]

Do budget summits even work?

The maxim "talk is cheap" does not apply to budget talk. The summits of the 1980s took a big chunk out of your wallet! Furthermore, spending restraint never lived up to promises.

- In 1985, the first year of Gramm-Rudman, summit negotiators on the FY86 budget claimed spending restraint of $52 billion to achieve the deficit target of $150 billion. The result? Runaway spending gave us the biggest deficit in history — $221 billion.
- In 1987, another summit was convened in the wake of the October stock market crash. The two year plan for FY88 and FY89 called for $28 billion in tax increases and $49 billion in spending reductions. The deficit targets of $150 billion and $141 billion still weren't hit — the FY88 deficit was $155 billion, and FY89's was $152 billion.
- In 1989, the summit agreed to another $14.2 billion in tax increases and spending cuts of $13.8 billion for FY90. But, as we know now, the deficit projections are growing daily. The target of $100 billion will be missed by a mile.
- Ironically, non-summit years produced better results! FY87 achieved the largest single-year deficit reduction in history without a summit. The deficit plunged $71 billion, from $221 billion to $150 billion. FY84 had no summit agreement, and the deficit fell $23 billion, from $208 billion to $185 billion.

Budget process reform by itself does not assure deficit reduction.

- Reforming the budget process has great merit in restoring fiscal discipline and accountability. But don't underestimate the ingenuity of spenders: new rules may just beget new "gimmickry."
- In the absence of a constitutional balanced budget and tax limitation amendment, reform may only produce modest progress toward fiscal sanity.

Contact: Dale Jahr, 224-2946

Since when have tax increases resulted in deficit reduction?

- Tax increases, plain and simple, lead to spending increases. The experience of the 1980s provides ample evidence. In 1982, the TEFRA "deal" was supposed to result in $3 of spending reductions for every $1 in increased taxes. But spenders reneged on the promise, and *increased* spending instead!
- Sitting at the summit table are members who already are seeking guarantees that some of the additional revenues be earmarked for increased discretionary and social spending.
- For every $1 in tax increases in the 1980s, spending grew by $1.58, according to econometric studies on fiscal trends.

If a "peace dividend" is declared, it belongs to the taxpayer.

- Senator Roth has proposed rolling back income tax rates on lower and middle income taxpayers by 3 percentage points over several years. That tax rate cut would lower Federal revenues by the same amount Senator Sam Nunn would reduce defense outlays over the same time period. A family with taxable income of $30,000 would save $900 a year by this proposal (S. 2530, the Defense Tax Rebate Act).
- Look at the post-Vietnam fiscal experience. Defense as a percent of GNP fell from 8.3% in 1970 to 5.7% in 1975 — a 2.6-point drop. But all of that gain and more was gobbled up by big increases in discretionary spending and entitlements and mandatory programs, causing total outlays to climb from 19.8% to 21.8% of GNP. Defense spending as a share of GNP fell further in the late 1970s as other spending soared. This runaway spending is at the roots of the inflation and stagnation that followed. We can't afford to squander a peace dividend again.

Using the threat of recession as an excuse for tax increases is reverse logic.

- Raising taxes when the economy is flagging only compounds the problem. Raising corporate taxes stifles investment which in turn lowers output, employment, and productivity.
- Raising taxes on individuals means less economic freedom and more hardship, as well as more government control.
- The tax-to-avoid-recession crowd argues that now, a time of slow growth, is a better time to go on a fiscal diet than waiting until a fullblown recession is under way. They seem to think that the next recession is at hand. Ironically, an ill-timed and unnecessary tax increase would dramatically increase the odds for recession.

ROBERT W. KASTEN, JR.
WISCONSIN

CC

(letter to Treasury Sec.
Nicholas Brady)

United States Senate
WASHINGTON, D.C. 20510-4902

June 4, 1990

Dear Nick:

This is just a note informing you that Connie Mack and I will be introducing a fair, effective, and broad-based capital gains tax cut designed to maximize economic growth. This measure, the Economic Growth and Venture Capital Act of 1990, will pare the top rate down to 15%, and will further reduce the rate to 7.5 percent for those in the lowest income brackets (see the enclosure).

As you know, the current burdensome capital gains tax rate is a major roadblock to economic growth and opportunity. This is why nineteen Senators signed a letter dated May 9 urging President Bush to stand strong on his "no new taxes" pledge -- and to continue his efforts to achieve a significant cut in the capital gains tax rate. The letter also urged the President to put the capital gains issue at the top of the budget summit agenda.

The current budget summit provides the administration with a golden opportunity to achieve a truly pro-growth and fiscally responsible capital gains tax proposal. The 15% capgains rate in our bill is precisely what President Bush asked for in the 1988 campaign. This measure, when enacted, will help the continuation and strengthening of this nation's longest economic expansion.

Sincerely,

Bob

enclosure
cc: Secretary Robert Mosbacher
Secretary Jack Kemp
Director Richard Darman
Chairman Michael Boskin
Chief of Staff John Sununu

ROBERT W. KASTEN, JR.
WISCONSIN

United States Senate

WASHINGTON, D.C. 20510

May 24, 1990

Dear Colleague:

With a strong majority of the members in each House of Congress supporting a reduction in the capital gains tax rate, the problem is not one of ultimately getting such a cut, but to make certain that the reduction is the best possible under the circumstances.

To this end, we are introducing the Economic Growth and Venture Capital Act of 1990. This measure would reduce the cost of capital in general -- and on venture capital in particular -- by establishing a maximum 15 percent capital gains tax rate on the sale of all capital assets by all taxpayers, both individuals and corporations. The bill would cut the capital gains tax for low- and middle-income taxpayers to 7.5 percent. This measure would also provide for capital gains indexing in order to prevent the unfair taxation of inflationary gains.

The Economic Growth and Venture Capital Act of 1990 is a simple, fair, broad-based and fiscally responsible capital gains tax cut designed to maximize economic growth.

o It is simple in that it avoids the complicated holding periods, carve-outs, and limited coverage of other measures that have been introduced.

o It is fair because it would reduce the tax penalty on saving and it would eliminate the grossly inequitable taxation of phantom gains caused by inflation.

o By providing broad-based coverage for the assets and taxpayers qualifying for capital gains treatment, it would maximize the mobility and efficiency of capital.

o It is fiscally responsible because the dynamic revenue feedback from higher economic growth would more than pay for the static loss of the tax cut in the years ahead.

This bill, when enacted, will help the continuation and strengthening of this Nation's longest economic expansion. If you would like to become an original cosponsor, please call Cesar Conda (x45323) or Buz Gorman (x45274).

Sincerely,

Connie Mack

Connie Mack

Bob Kasten

Robert W. Kasten, Jr.

Side-by-side Comparison
Administration vs. Kasten-Mack Capital Gains Bills

	Administration	Kasten-Mack
Holding Periods:	Maximum capgains tax cut for assets held over 3 years	1 year
Capgains rates:	Sliding scale tax schedule based on holding period: 30% exclusion - 3 yrs 20% exclusion - 2 yrs 10% exclusion - 1 yr (or) Maximum tax rates: 19.6% tax - 3 yrs 22.4% tax - 2 yrs 25.2 tax - 1 yr	Maximum 15% tax
	Lower bracket rates: 10.5% tax - 3 yrs 12.5% tax - 2 yrs 13.5% tax - 1 yr	7.5% tax for lower bracket
Qualified assets:	All capital assets except collectibles	All capital assets
Corporations:	No	Yes. 15% corporate capgains rate
Indexing:	No	Yes
Capital Losses:	No provision	Indexing $3000 caploss cap
Minimum Tax:	Yes	No
Depreciation recapture for real property:	Yes	No
Effective dates:	Phase-in Rules For the balance of 1990, the full 30% exclusion would apply to assets held for 1 year. For dispositions of assets in 1991, assets would be required to have been held for 2 years or more to be eligible for the 30% exclusion, and at least 1 year but less than 2 years to be eligible for 20% exclusion.	June _, 1990

DRAFT

6/13 #3

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 13, 1990

FACT SHEET
Fighting Financial Institution Fraud

The President today announced his support for measures that will substantially enhance the Administration's ability to investigate and prosecute financial institution fraud. The President endorsed an amendment to the crime bill pending in the Senate that is sponsored by Senators Robert Dole and John Heinz and was developed in conjunction with the Departments of Justice and Treasury.

The Dole/Heinz proposal would:

- o Make aggressive use of federal resources for investigation and prosecution of financial institution crimes by allowing the Justice Department to accept without reimbursement the services of federal attorneys, law enforcement personnel and other employees.

- o Give law enforcement authorities a needed tool: the ability to request the use of wiretaps to investigate ongoing bank fraud, false statements to financial institutions, bribery of bank officials and related offenses for which wiretap authority is not presently available.

- o Encourage the swift administration of justice by directing U.S. courts to give cases brought by the Federal Deposit Insurance Corporation (FDIC) and the Resolution Trust Corporation (RTC) priority consideration and to establish procedures for expedited appeals.

- o Protect taxpayers by (a) authorizing the Department of Justice, the FDIC, the RTC (RTC) and the Office of Thrift Supervision (OTS) to seek court orders to freeze the corporate and personal assets of defendants in civil cases; and (b) providing that claims of the federal government have priority over those of other creditors in actions against parties responsible for losses at financial institutions where fraud is alleged.

- o Protect victims of fraud by authorizing courts to order payment of restitution to victims of financial institution fraud even in cases where all victims were not identified in the count of conviction.

- o Protect victims of fraud by prohibiting the use of bankruptcy as a strategy to avoid damages, penalties and forfeitures. This would apply to any debtor who committed fraud while acting in a fiduciary capacity to an insured financial institution.

- o Authorize an additional $25 million for the Internal Revenue Service and the Department of Justice for investigation of financial institutions fraud.

- o Improve the collection of fines, penalties, and restitution owed U.S. taxpayers and other victims of financial institution fraud. The legislation would provide one uniform, fair and effective national procedure for the collection of federal debts. It would enable the federal government to collect criminal and civil judgements through such means as attachments and garnishments and draw on the best features of debt collection laws found in the states.

These measures are supported by the President to augment vigorous Administration efforts to root out fraud at financial institutions, protect victims and bring to justice those who have violated the law. Enforcement activities by the Departments of Justice and Treasury, the FDIC, RTC and OTS have yielded substantial progress:

- o The Department of Justice has hired 760 new attorneys, investigators, financial accountants and support staff -- the number of federal investigators has increased by 50 percent since 1989. Convictions in major cases of fraud are projected to exceed 460 cases this year, a one-year increase of almost 20 percent. Based upon the highly successful example of the Dallas Bank Fraud Task Force, the Department of Justice has established 26 additional Bank Fraud Task Forces nationwide.

- o The RTC has established an Office of Investigations and a national network of investigative teams. Approximately 300 new investigative staff will have been added by the end of this year.

- o Over the last three years, the OTS and its predecessor have required 664 institutions to agree to terminate unsafe and unsound practices, removed over 150 senior thrift officers and directors and issued 111 cease and desist orders to stop unsafe and unsound practices.

- o Currently the federal government is prosecuting over 1,000 civil law suits seeking to recover billions of dollars from former thrift directors officers and other employees.

# # #

Revenues in the President's Budget

	1991		1991-1995	
	Administration	CBO	Administration	CBO
Capital gains	4.9	3.2	12.0	-12.0
Social Security items	4.7	4.6	20.2	20.1
IRS management reforms/ staff increase	3.0	0.3	9.3	4.3
Telephone excise tax extension	1.6	1.6	12.8	13.0
Airport and Airway Trust Fund extension and increase	0.5	1.3	4.1	11.8
Other revenue increases	1.1	1.2	6.3	6.2
Subtotal increases	15.8	12.2	64.7	43.4
Extend four expiring provisions	-1.2	-1.8	-12.8	-15.0
Other revenue decreases	-0.7	-1.0	-10.2	-11.5
Subtotal decreases	-1.9	-2.8	-23.0	-26.5
TOTAL	13.9	9.4	41.7	16.9

Revenue Effects of Policy Changes

FY 1991 ($billions)

	Deficit Reduction Program		
Revenue Source	Administration	House	Senate Budget
Unspecified Revenues		13.9	13.9
Capital Gains	4.9		
Social Security Items	3.8		
IRS Compliance	3.0	3.0	1.1
Telephone Excise Tax	1.6	1.5	
Payroll Tax Speedup	0.9	0.9	
Penalty Waiver Amnesty			10.0
Other	0.9	0.9	0.2
Extend Expiring Provisions	-1.2		
TOTAL	13.9	20.2	25.2

FY 1991 REVENUE ESTIMATES

		(billions of dollars)
I.	Individual Income Tax	TAX BRACKETS ONLY
	1. Indexing	2.0-6.8 ALL = 10 to 11/YR =
	2. Itemized deductions MEDICAL CASUALTY MISC.	2.6-4.3
	3. Bubble	1.6-3.2
II.	Energy Excise Taxes	10-15
III.	Other Environmental	2.0
IV.	Telephone Excise Taxes	1.6-3.5
V.	Alcohol/Tobacco Excise Taxes	1.4-7.7
VI.	Other Excise Taxes	1.4-3.8
VII.	Securities	1.9-12.5 INCLUDES T'S.
VIII.	Employer-Provided Health Insurance	1.5-5.4
IX.	Credit Unions	0.3
X.	LUST	0.1
XI.	Life Insurance	0.1-2.5

PERMANENT EXTENSION OF EXPIRING PROVISIONS

06/12/90
11:14 AM

Provision (1)	Expiration date	JCT 1991	JCT 1992	JCT 1993	JCT 1994	JCT 1995	JCT 1991-95	OTA 1991	OTA 1992	OTA 1993	OTA 1994	OTA 1995	OTA 1991-95	
		($ millions) JCT estimates						($ millions) OTA estimates						
1. Employer-provided education assistance	9/30/90	-225	-331	-345	-358	-372	-1631	-258	-335	-350	-364	-378	-1685	SC
2. Group legal services	9/30/90	-80	-108	-113	-120	-125	-546	-70	-100	-105	-100	-115	-490	SC
3. Health insurance for self-employed	12/31/90 (2)(5)	-374	-473	-544	-626	-720	-2737	-197	-399	-455	-518	-583	-2152	SC
4. Mortgage revenue bonds	9/30/90	-10	-50	-140	-240	-330	-770	-12	-55	-123	-211	-321	-722	CL
5. Small-issue manufacturing bonds	9/30/90	-10	-50	-120	-190	-260	-630	-12	-52	-108	-167	-224	-563	CL
6. R&E allocation rules	8/1/90 (3)(5)	-503	-708	-772	-837	-903	-3723	-380	-708	-772	-837	-903	-3600	MF
7. R&E tax credit	12/31/90 (2)(5)	-922	-1175	-1299	-1443	-1575	-6414	-543	-988	-1101	-1288	-1591	-5511	GG
8. Low-income housing credit	12/31/90 (2)(6)	-173	-454	-827	-1299	-1613	-4366	-111	-357	-677	-1023	-1371	-3539	JP
9. Targeted jobs tax credit	9/30/90	-81	-154	-211	-242	-266	-954	-85	-208	-279	-342	-422	-1336	MK
10. Business energy credits (solar, geothermal, ocean thermal)	9/30/90	-55	-54	-41	-42	-45	-237	-55	-54	-41	-42	-45	-237	SC
11. Placed-in-service date for nonconventional fuels (Section 29)	12/31/90	-6	-14	-20	-26	-33	-99	-7	-14	-20	-28	-35	-104	CB
12. Orphan drug testing credit	12/31/90	-4	-7	-7	-7	-7	-32	-4	-6	-6	-6	-6	-28	SW
TOTAL:		-2443	-3578	-4439	-5430	-6249	-22139	-1734	-3276	-4037	-4926	-5994	-19967	

vs -1.2 ON OTHER CHARTS

Department of the Treasury
Office of Tax Policy

Notes: 1. Enactment date of October 1, 1990.
2. OBRA 1989 extended these provisions for a 9-month prorated portion of the year. One-year extension would fully restore benefits for 1990.
3. OBRA 1989 extended this provision on a prorated basis for 9 months after start of a firm's first tax year beginning after August 1, 1989. One-year extension would fully restore benefits for 1990.
5. Permanent extension proposed in President's budget.
6. One-year extension proposed in President's budget.

ONE-YEAR EXTENSION OF EXPIRING PROVISIONS

Provision (1)	06/12/90 11:13 AM	Expiration date	1991	1992	1993	1994	1995	1991-95	
			Fiscal years						
			($ millions)						
			OTA estimates						
1. Employer-provided education assistance		9/30/90	-258	-65	0	0	0	-323	SC
2. Group legal services		9/30/90	-70	-25	0	0	0	-95	SC
3. Health insurance for self-employed		12/31/90 (2)(5)	-197	-255	0	0	0	-452	SC
4. Mortgage revenue bonds		9/30/90	-12	-42	-41	-39	-38	-172	CL
5. Small-issue manufacturing bonds		9/30/90	-12	-33	-31	-30	-29	-135	CL
6. R&E allocation rules		8/1/90 (3)(5)	-380	-290	0	0	0	-670	MF
7. R&E tax credit		12/31/90 (2)(5)	-543	-362	-150	-83	-74	-1212	GG
8. Low-income housing credit		12/31/90 (2)(6)	-111	-297	-397	-430	-430	-1665	JP
9. Targeted jobs tax credit		9/30/90	-61	-105	-66	-30	-21	-283	MK
10. Business energy credits (solar, geothermal, ocean thermal)		9/30/90	-55	-11	3	2	1	-60	SC
11. Placed-in-service date for nonconventional fuels (Section 29)		12/31/90	-7	-14	-14	-14	-14	-63	CB
12. Orphan drug testing credit		12/31/90	-6	-2	0	0	0	-8	SW
TOTAL:			-1712	-1501	-696	-624	-605	-5138	

Department of the Treasury
Office of Tax Policy

Notes:
1. Enactment date of October 1, 1990.
2. OBRA 1989 extended these provisions for a 9-month prorated portion of the year. One-year extension would fully restore benefits for 1990.
3. OBRA 1989 extended this provision on a prorated basis for 9 months after start of a firm's first tax year beginning after August 1, 1989. One-year extension would fully restore benefits for 1990.
5. Permanent extension proposed in President's budget.
6. One-year extension proposed in President's budget.

Table 1

Returns by Marginal Tax Rate
Projected for 1991

(Returns in millions, dollars in billions)

Marginal Rates 1/	Number of Returns with Taxable Income				Total Taxable Income For Returns Within Each Bracket	
	Total	Joint 2/	Single	Head of Household		
15%	59.6	25.3	26.8	7.4	700	1.7
First 28%	25.7	16.3	8.0	1.3	1100	1.82
33%	3.8	2.7	0.9	0.1	380	= 19.
Second 28%	0.7	0.5	0.2	0.0	340	
Total	89.8	44.8	35.9	8.8	2520	TRILLION

Department of the Treasury
Office of Tax Analysis

April 26, 1990

1.82

.4

991 Rate Schedule (January Budget Inflation Assumptions)

	Joint	Single	Head
15% Bracket Endpoint	$33,700	$20,200	$27,100
28% Bracket Endpoint	$81,500	$48,900	$69,900
33% Bracket Endpoint **	$169,120	$101,420	$140,360

** This is the end point for the phase-out of the 15% bracket.
The end point is extended by $12,040 for each personal exemption claimed.

1/ These are the marginal rates which apply to taxable income for purposes of calculating income tax before credit. Interactions and phaseouts may result in different effective marginal rates.

2/ Includes married filing separate returns.

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CBO PAPERS

ECONOMIC AND BUDGET PROJECTIONS FOR FISCAL YEARS 1991-1995: A SUMMARY

June 1990

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

NOTES

Unless otherwise indicated, all years referred to in this report are fiscal years.

Details in the text and tables may not add to totals because of rounding.

The Balanced Budget and Emergency Deficit Control Act of 1985 (popularly known as Gramm-Rudman-Hollings) is referred to in this report more briefly as the Balanced Budget Act. This act was amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

PREFACE

This paper updates the economic assumptions and baseline budget projections contained in *An Analysis of the President's Budgetary Proposals for Fiscal Year 1991*, published in March 1990. While CBO typically releases updated projections each August, this year's schedule has been accelerated at the request of the Congressional budget negotiators, who are meeting with representatives of the Administration to develop a multiyear deficit reduction plan. A report describing the projections in greater detail will be released next month.

Robert D. Reischauer
Director

June 1990

The Congressional Budget Office (CBO) projects that, under current taxing and spending policies, the federal budget deficit will approach $200 billion in 1990 and will average almost $160 billion over the next five fiscal years. These projections, however, do not include sufficient resources to resolve the hundreds of insolvent savings and loan associations whose deposits are federally insured. New legislation will be required to provide for these additional spending needs, which if included would push the projected budget deficit over $230 billion in 1991 and 1992.

At the request of the Congressional budget negotiators, CBO has based its economic assumptions on the premise that a substantial multiyear package of deficit reduction measures will be adopted later this year. Under this assumption, CBO expects that the U.S. economy will grow by 2.0 percent in 1990 and by about 2.6 percent a year in 1991 through 1995. The three-month Treasury bill rate is projected to fall from its current level of 7.8 percent to an average of 7.1 percent in 1991 and 5.4 percent in 1995. If significant deficit reduction measures of the sort assumed by CBO are not enacted, interest rates are likely to be higher and growth rates are likely to be lower than CBO has projected.

THE BUDGET OUTLOOK

CBO's baseline budget projections follow the rules laid down in the Balanced Budget Act. For revenues and entitlement spending, the baseline generally assumes that laws now on the statute books will continue. For defense and nondefense discretionary spending, the projections for 1991 through 1995 are based on the 1990 appropriations, including supplemental appropriations and rescissions, increased only to keep pace with inflation.

Baseline Projections Through 1995

Under the baseline assumption of no change in policies, the federal deficit is projected to rise from its 1989 level of $152 billion to $195 billion in 1990 (see Table 1). Most of this increase stems from the activi-

TABLE 1. CBO BASELINE, REVENUES, OUTLAYS, AND DEFICIT (By fiscal year)

	1990	1991	1992	1993	1994	1995
In Billions of Dollars						
Baseline Revenues	1,044	1,123	1,188	1,260	1,337	1,417
Baseline Outlays	1,238	1,287	1,346	1,422	1,496	1,559
Baseline Deficit	195	164	158	162	160	142
Additional RTC Spending Needs[a]	0	68	81	33	-13	-3
Baseline Deficit with Additional RTC[a]	195	232	239	194	146	138
RTC Net Outlays (Except interest and administrative expenses)	36	70	60	13	-30	-18
Deficit Excluding RTC[a]	159	162	179	182	177	157
As a Percentage of GNP						
Baseline Revenues	19.1	19.3	19.1	19.0	19.0	18.9
Baseline Outlays	22.6	22.1	21.7	21.5	21.2	20.7
Baseline Deficit	3.6	2.8	2.5	2.4	2.3	1.9
Baseline Deficit with Additional RTC[a]	3.6	4.0	3.8	2.9	2.1	1.8
Deficit Excluding RTC[a]	2.9	2.8	2.9	2.7	2.5	2.1
Reference: GNP (In billions of dollars)	5,472	5,832	6,215	6,620	7,053	7,514

SOURCE: Congressional Budget Office.

NOTE: The budget figures include Social Security, which is off-budget but is counted for purposes of the Balanced Budget Act targets. For comparability with the targets, the projections exclude the Postal Service, which is also off-budget.

a. Includes debt service costs resulting from additional RTC spending.

180
120
216
300
380
109
1.1 B
40%
440 B

p. 2
p. 11

ties of the Resolution Trust Corporation (RTC), the agency established last year to resolve thrift institutions that are currently insolvent or expected to fail through August 1992. Excluding RTC, the projected 1990 deficit would be $159 billion.

The savings and loan bailout greatly complicates the budget projections for 1991 and thereafter. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) provided RTC with $50 billion to close or subsidize the sale of hundreds of insolvent thrift institutions. The $50 billion was intended to pay for deposit insurance losses that would never be recovered. It has become increasingly clear, however, that the actual losses will far exceed $50 billion.

The baseline budget projections assume that RTC will exhaust its $50 billion early in fiscal year 1991, by which time about 250 insolvent institutions will have been closed or merged. If RTC were actually allowed to run out of money, the baseline deficit would fall to $164 billion in 1991 and remain near $160 billion through 1994. In that event, however, almost 700 insolvent thrifts would be left unresolved, and the ultimate cost of the savings and loan crisis would only escalate.

Clearly, RTC must be given more resources. Resolving the savings and loan problem is not a discretionary activity; the government is legally required to fulfill its deposit guarantees. CBO estimates that, through 1995, RTC will need almost $100 billion more to cover insurance losses. In addition, RTC will require substantial amounts of working capital, which RTC will recover in later years when it sells the assets of the failed institutions. In total, CBO estimates that additional RTC spending needs would add $68 billion to the deficit in 1991, $81 billion in 1992, and $33 billion in 1993. Including the additional spending needs of the RTC, the federal deficit would reach $232 billion in 1991 and $239 billion in 1992, before slipping under $200 billion again in 1993.

CBO has long argued that the federal budget should provide a comprehensive measure of the government's fiscal activities. Therefore, additional spending to clean up the savings and loan problem should be included in the federal deficit and not placed off-budget, as was the case with $30 billion of the money provided by FIRREA. There is, however, a strong case based on economic and practical considerations for excluding RTC's net expenditures (other than interest and administrative costs) when determining how much the deficit must be reduced to meet the Balanced Budget Act's targets. The purpose of reducing the deficit is to promote national saving and investment. Inappropriate spending financed by thrift institutions has wasted capital and thereby impaired the nation's ability to produce goods and services. But RTC's spending to resolve insolvent institutions does not cause any further reduction in funds available for investment. RTC spending for thrift resolution involves an exchange of one asset or liability for another. These transfers of assets leave private income and wealth unchanged, and thus do not affect saving and investment. Furthermore, because the future course of RTC spending is highly uncertain and volatile, including RTC in the deficit targets could lead to unexpected and inappropriate swings in fiscal policy, as well as more opportunities for budgetary legerdemain.

Excluding RTC, CBO projects a deficit of $159 billion in 1990, rising to $162 billion in 1991, $179 billion in 1992, and $182 billion in 1993. These deficit figures are far above the Balanced Budget Act targets of $64 billion in 1991, $28 billion in 1992, and zero in 1993. In relation to the the size of the economy, they represent 2.7 percent to 2.9 percent of gross national product (GNP), about the same as in 1989. By 1995, the deficit excluding RTC would be $157 billion, about the same as in 1990, and would represent 2.1 percent of GNP.

Recent Changes in the Budget Projections

CBO's new budget projections differ markedly from those released last March, primarily because of a shortfall in tax collections and new information on deposit insurance spending. Aside from the 1990 supplemental appropriation, no legislation with significant budgetary impact has been enacted since the beginning of the year. When added to the baseline, the supplemental increases the deficit by less than $1 billion in 1991 and by less than $500 million in later years (see Table 2).

CBO has updated its economic projections to reflect developments since the winter, especially higher interest rates and consumer price inflation, as well as the assumption of substantial deficit reduction. But the changes in the economic assumptions do little to alter the projected deficits. Higher debt service costs and cost-of-living adjustments in the near term push up the deficit by $1 billion in 1991 and $4 billion in 1992. Stronger growth and lower interest rates, however, reduce the deficit by $1 billion in 1994 and $5 billion in 1995.

The major changes in the deficit outlook stem from noneconomic factors. Tax collections in the key months of March, April, and May fell far short of expectations, even though the economy performed

TABLE 2. CHANGES IN CBO BASELINE DEFICIT PROJECTIONS SINCE MARCH (By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
March Baseline Deficit	159	161	124	132	121	110
Changes						
Enacted legislation	a	1	a	a	a	a
Economic assumptions	-1	1	4	2	-1	-5
Technical reestimates						
Revenues[b]	27	19	16	15	15	17
Resolution Trust Corporation	3	-23	4	8	8	6
Other deposit insurance	2	1	2	-3	7	1
Income security	1	3	3	3	3	3
Net interest	1	1	3	5	7	9
Other outlays	3	-1	1	a	a	1
Subtotal	36	1	29	28	39	36
Total Changes	36	2	33	30	38	31
June Baseline Deficit	195	164	158	162	160	142

SOURCE: Congressional Budget Office.

NOTE: The budget figures include Social Security and exclude the Postal Service.

a. Less than $500 million.

b. Revenue decreases are shown with a positive sign because they increase the deficit.

much as CBO and most private forecasters had been expecting. As a result, CBO has reduced its estimate of 1990 revenues by $27 billion for technical reasons. While the data needed to determine the precise reasons for the shortfall will not be available for some time, two major factors appear to be responsible. First, payroll tax collections and withheld income taxes are weaker than expected. This weakness may stem from lower wages and salaries than have yet been reported in the national income data. Recent reports on wages and salaries for individual states indicate that earnings for the nation as a whole are lower than previously published by the Bureau of Economic Analysis. Second, most of the remaining shortfall occurred in nonwithheld personal taxes, primarily final settlements on 1989 income taxes. Since both of these factors will probably affect future revenues, CBO has reduced its estimates of revenues in 1991 through 1995 by an average of $16 billion per year.

Two major developments since March have caused CBO to revise its estimates of spending by the Resolution Trust Corporation. First, $3 billion of borrowing by the off-budget Resolution Funding Corporation (REFCORP) is likely to slip from 1990 to 1991. This development increases RTC outlays by $3 billion in 1990 and reduces them by a like amount in the following year. Second, the cases that RTC has resolved have involved substantially greater losses than previously projected. As a result, RTC will exhaust its $50 billion in loss money earlier than expected and will be able to resolve fewer institutions. Concomitantly, RTC will be able to make less use of working capital. As a result, RTC's outlays under current law are now projected to be $23 billion lower in 1991. Including needed new legislation, however, RTC's total spending requirements have increased, not shrunk.

CBO has also upped its outlay estimates for the deposit insurance programs of the Bank Insurance Fund and the Federal Savings and Loan Insurance Corporation (FSLIC) Resolution Fund, which is responsible for resolving thrift institutions sold or liquidated before March 1989. Larger caseloads for Unemployment Insurance, Food Stamps, family support, and Supplemental Security Income are projected to increase spending on income security programs. Because all these factors increase the deficit, interest costs will also be higher.

Projections for the Resolution Trust Corporation

The projections of RTC's total spending needs assume that its activities are not constrained by current legislation, and that additional resources are provided by Treasury appropriations to cover both permanent insurance losses and temporary needs for working capital (see Table 3). RTC's caseload is assumed to comprise the 925 thrift institutions that have a capital-to-assets ratio of less than 3 percent on a book value basis, but that are estimated to be insolvent on a market value basis. CBO estimates that if all of these institutions could be resolved today, RTC's losses would total $90 billion to $130 billion. The projections assume losses of about $100 billion. Because RTC cannot resolve all these cases right away, however, many insolvent insti-

TABLE 3. PROJECTED OUTLAYS OF THE RESOLUTION TRUST CORPORATION ASSUMING UNLIMITED RESOURCES
(By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
Insurance Losses[a]	35	41	32	28	4	3
Working Capital						
Asset acquisition	30	52	52	19	0	0
Receipts from asset sales	-1	-9	-24	-34	-34	-21
Repayments of advances	-12	0	0	0	0	0
Interest and Administrative Expenses	b	b	b	b	b	b
Proceeds from Resolution Funding Corporation	-16	-14	0	0	0	0
Net Outlays	36	70	60	13	-30	-18

SOURCE: Congressional Budget Office.

a. Includes administrative and transaction costs of receiverships, which increase insurance losses by reducing receipts from asset sales.

b. Administrative costs included in the budget are projected to be less than $500 million a year. The only interest costs included in these figures are for payments to the Federal Financing Bank in 1990. Starting in 1991, all financing costs are assumed to be borne by the Treasury and to be included in interest paid on the public debt.

tutions will continue to operate for several more years, incurring further losses in the process. CBO estimates that, in present discounted value terms, the eventual cost of RTC's activities will reach $150 billion. This amount does not include the losses on cases covered by the FSLIC Resolution Fund and by the Savings Association Insurance Fund, which are estimated to have a present value of about $60 billion and $35 billion, respectively.

In the course of liquidating insolvent institutions, RTC will acquire many of their assets. These assets will eventually be sold, and part of their book value will be recovered. But in the meantime, RTC will need substantial amounts of working capital. The present estimates assume that short-run needs for working capital slightly exceed the long-run losses. The outlay of working capital will swell RTC's net outlays to $70 billion in 1991 and $60 billion in 1992. By 1994, however, proceeds from asset sales are likely to make RTC's net outlays negative. Thus, the year-to-year swing in budgetary impact will be quite large.

Despite the seeming precision of these figures, the path of spending by the RTC is highly uncertain. The estimates depend on a host of interrelated factors that are extremely difficult to predict, including the number of institutions in the caseload, the number of cases that are resolved by liquidation or by merger, the order in which cases are resolved, the pace of resolutions, and the timing and value of asset sales. Notably, the assumed RTC caseload does not include 792 thrift institutions that are tangibly solvent on a book value basis, and that have tangible capital-to-asset ratios greater than 3 percent, but are estimated to be insolvent when their assets are valued at market prices. These institutions are assumed to be the responsibility of the Savings Association Insurance Fund (SAIF), which must resolve thrifts that fail after August 1992. If many of these marginal institutions fail, as CBO expects, SAIF--like RTC--will need more resources than the law now provides.

Social Security Projections

The Balanced Budget Act requires that revenues and outlays of the two Social Security funds--Old-Age and Survivors Insurance and Disability Insurance--be shown as off-budget, a treatment that highlights their contributions to the totals. Viewed alone, Social Security indisputably helps to hold down the deficit during the 1990-1995 period. With tax receipts and other income to the trust funds exceeding benefits and other costs, the Social Security surplus, as conventionally measured, doubles from $59 billion in 1990 to $124 billion in 1995 (see Table 4).

The Social Security surplus, however, is not an accurate measure of Social Security's effect on federal borrowing. A significant portion of the surplus is made up of transfers from other federal accounts, particularly interest payments from the Treasury. These transfers in-

TABLE 4. SOCIAL SECURITY SURPLUS MEASURES (By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
Total Surplus	59	73	83	95	109	124
Interest income	16	21	27	33	40	48
Surplus Excluding Interest	43	52	56	62	69	76
Receipts from government agency payments as employer	6	6	6	7	8	8
Estimated receipts from income taxes on benefits	3	5	5	6	6	7
Intrabudgetary payments[a]	-2	-4	-4	-4	-5	-5
Surplus Excluding All Intrabudgetary Transfers	37	45	49	53	59	65

SOURCE: Congressional Budget Office.

a. Primarily interest paid to Treasury and payments to Railroad Retirement, less credit for self-employment taxes.

crease the apparent size of both the Social Security surplus and the non-Social Security deficit. In other words, the surplus that the Social Security trust fund is generating independently of the rest of the government is smaller than it appears and, similarly, the size of the deficit that the non-Social Security budget is running independently of Social Security is smaller than it seems.

Even without intrabudgetary transfers, Social Security is projected to show a surplus of $37 billion in 1990 and $65 billion in 1995. This surplus measures the extent to which Social Security is reducing the government deficit and adding to national saving. Just as it is appropriate to *exclude* the bulk of RTC spending from the Balanced Budget Act calculations because it does not reduce saving, Social Security's net surplus should be *included* because it increases saving.

THE ECONOMIC OUTLOOK

CBO projects that real GNP will grow by 2.0 percent in 1990, accelerating slightly to 2.5 percent in 1991. CBO's 1991 estimate is slightly above the *Blue Chip* consensus and slightly below the Administration's current projection, as Table 5 shows, but the differences are small. CBO's forecast assumes that the Congress and the Administration will agree on significant reductions in the budget deficit--$40 billion to $60 billion in 1991 and $400 billion to $600 billion over the 1991-1995 period. The projection that the economic expansion will continue in the face of such fiscal restraint depends critically on assumptions about developments in financial markets. In particular, the projection assumes that the Federal Reserve loosens monetary policy enough to offset the possible negative short-term effects of deficit reduction on the economic expansion. In addition, CBO has assumed that other participants in financial markets will view the reductions in the deficit as credible. Reflecting these assumptions, CBO projects that the yield on 91-day Treasury bills will average 7.6 percent in 1990 and 6.9 percent in 1991, while the interest rate on 10-year Treasury notes will fall from 8.5 percent to 7.8 percent over the same period.

TABLE 5. COMPARISON OF CBO, ADMINISTRATION, AND *BLUE CHIP* ECONOMIC ASSUMPTIONS, CALENDAR YEARS 1990-1995

	1990	1991	1992	1993	1994	1995
Real GNP (Percentage change, year over year)						
CBO Summer	2.0	2.5	2.6	2.6	2.6	2.6
Administration June	2.0	2.8	3.2	3.2	3.1	3.0
Blue Chip	1.9	2.3	2.8	2.7	2.4	2.6
CBO Winter	1.7	2.4	2.5	2.5	2.4	2.4
Implicit GNP Deflator (Percentage change, year over year)						
CBO Summer	4.1	4.0	3.9	3.8	3.8	3.8
Administration June	4.2	4.2	4.0	3.7	3.4	3.1
Blue Chip	4.2	4.1	3.8	3.9	3.8	3.8
CBO Winter	4.0	4.0	4.0	4.0	4.0	4.0
Consumer Price Index[a] (Percentage change, year over year)						
CBO Summer	4.8	4.2	4.2	4.0	4.0	4.0
Administration June	4.8	4.1	4.0	3.7	3.4	3.0
Blue Chip	4.8	4.3	4.0	4.1	4.0	4.0
CBO Winter	4.0	4.3	4.3	4.3	4.3	4.3
Unemployment Rate[b]						
CBO Summer	5.3	5.4	5.4	5.5	5.5	5.5
Administration June	5.4	5.6	5.5	5.4	5.3	5.2
Blue Chip	5.4	5.5	5.6	5.5	5.4	5.3
CBO Winter	5.6	5.5	5.5	5.5	5.5	5.5
Three-Month Treasury Bill Rate (Percent)						
CBO Summer	7.6	6.9	6.7	6.2	5.6	5.4
Administration June	7.7	6.8	5.8	5.1	4.8	4.4
Blue Chip	7.7	7.5	7.0	7.0	6.9	6.7
CBO Winter	6.9	7.2	6.9	6.5	6.1	5.8
Ten-Year Government Note Rate (Percent)						
CBO Summer	8.5	7.8	7.4	7.2	6.9	6.8
Administration June	8.5	7.9	7.0	6.1	5.8	5.4
Blue Chip[c]	8.5	8.3	8.0	7.8	7.8	7.8
CBO Winter	7.8	7.7	7.6	7.5	7.4	7.3

SOURCES: Congressional Budget Office; Office of Management and Budget; Eggert Economic Enterprises, Inc., *Blue Chip Economic Indicators.*

NOTE: The *Blue Chip* forecasts through 1991 are based on a survey of 50 private forecasters, published on June 11, 1990. The *Blue Chip* projections from 1992 through 1995 are based on a survey of 41 forecasters, published on March 10, 1990.

a. Consumer price index for all urban consumers (CPI-U) for CBO and the *Blue Chip*; consumer price index for urban wage earners and clerical workers (CPI-W) for the Administration.

b. The Administration's projection is for the total labor force, including armed forces residing in the United States, while the CBO and *Blue Chip* projections are for the civilian labor force excluding armed forces. In recent years, the unemployment rate for the former has tended to be 0.1 to 0.2 percentage point below the rate for the civilian labor force alone.

c. *Blue Chip* does not project a 10-year note rate. The values shown here are based on the *Blue Chip* projection of the Aaa bond rate, adjusted by CBO to reflect the estimated spread between Aaa bonds and 10-year government notes.

Because CBO assumes more deficit reduction than most private forecasters expect, CBO's interest rates are substantially below the *Blue Chip* average.

Financial developments in the United States and overseas have raised interest rates and slowed the economic expansion in recent months. Some long-term interest rates rose by a full percentage point between late 1989 and the early summer of 1990. The increases resulted from such developments as fears of monetary tightening in the United States in the wake of sharp increases in consumer prices during the early months of this year, speculation about the financial consequences of German economic unification, turbulence in Japanese financial markets, and tightening monetary policies abroad.

Partly as a result of higher interest rates in the last several months, growth has been sluggish in some interest-sensitive sectors of the economy. Reducing the deficit therefore risks slowing the economy further and even pushing it into recession. While CBO believes that such a slowdown is unlikely, it remains a possibility, especially if monetary policy does not loosen as is assumed in CBO's forecast, or if longer-term interest rates do not fall as much as the projection implies.

CBO projects that inflation in consumer prices will rise slightly to a rate of 4.8 percent in 1990 before subsiding to 4.2 percent in 1991. As Table 5 shows, these projections are close to both the *Blue Chip* average and the Administration's latest figures. The bulge in inflation in 1990 reflects the sharp increases in prices of food and energy products during the first three months of this year. These extraordinary increases, however, should prove temporary; for the balance of this year and next, CBO projects that prices will increase at more moderate rates.

For 1992 through 1995, CBO's economic assumptions are not a forecast of cyclical developments but a projection of trends in the economy. The figures reflect estimates of the ways in which significant reduction in the federal deficit could be reflected in longer-term economic performance. While CBO thus projects more favorable medium-term economic trends than it has in the past, its estimates fall short of the optimism embodied in the Administration's most recent figures.

CBO projects growth in real GNP at 2.6 percent a year in each year after 1991. This rate, which is slightly higher than CBO's previous estimates of longer-term growth but below the Administration's projections, reflects the effects of deficit reduction in increasing the amount of saving that is available to be invested in productive assets rather than being diverted to the financing of current government expenditures. CBO projects that the yield on three-month Treasury bills will fall just below $5\frac{1}{2}$ percent, and the yield on 10-year Treasury notes just below 7 percent by 1995. These levels reflect the effects of deficit reduction in increasing the national saving rate, and thereby reducing pressures on interest rates. The rate of inflation falls slightly, reflecting the reductions in business costs that seem likely to stem from cutting the budget deficit. The medium-term projections also show reductions in the trade deficit and in U.S. indebtedness to the rest of the world, reflecting the effects of deficit reduction in increasing national saving, competitiveness, and wealth.

8

TABLE A. COMPARISON OF CBO, ADMINISTRATION, AND *BLUE CHIP* ECONOMIC ASSUMPTIONS, CALENDAR YEARS 1990-1995

		1990	1991	1992	1993	1994	1995
(1)	Real GNP (Percentage change, year over year)						
	CBO Summer	2.0	2.5	2.6	2.6	2.6	2.6
	Administration June	2.0	2.8	3.2	3.2	3.1	3.0
	Blue Chip	1.9	2.3	2.8	2.7	2.4	2.6
	CBO Winter	1.7	2.4	2.5	2.5	2.4	2.4
(2)	Implicit GNP Deflator (Percentage change, year over year)						
	CBO Summer	4.1	4.0	3.9	3.8	3.8	3.8
	Administration June	4.2	4.2	4.0	3.7	3.4	3.1
	Blue Chip	4.2	4.1	3.8	3.9	3.8	3.8
	CBO Winter	4.0	4.0	4.0	4.0	4.0	4.0
(3)	Consumer Price Index[a] (Percentage change, year over year)						
	CBO Summer	4.8	4.2	4.2	4.0	4.0	4.0
	Administration June	4.8	4.1	4.0	3.7	3.4	3.0
	Blue Chip	4.8	4.3	4.0	4.1	4.0	4.0
	CBO Winter	4.0	4.3	4.3	4.3	4.3	4.3
(4)	Unemployment Rate[b]						
	CBO Summer	5.3	5.4	5.4	5.5	5.5	5.5
	Administration June	5.4	5.6	5.5	5.4	5.3	5.2
	Blue Chip	5.4	5.5	5.6	5.5	5.4	5.3
	CBO Winter	5.6	5.5	5.5	5.5	5.5	5.5
(5)	Three-Month Treasury Bill Rate (Percent)						
	CBO Summer	7.6	6.9	6.7	6.2	5.6	5.4
	Administration June	7.7	6.8	5.8	5.1	4.8	4.4
	Blue Chip	7.7	7.5	7.0	7.0	6.9	6.7
	CBO Winter	6.9	7.2	6.9	6.5	6.1	5.8
(6)	Ten-Year Government Note Rate (Percent)						
	CBO Summer	8.5	7.8	7.4	7.2	6.9	6.8
	Administration June	8.5	7.9	7.0	6.1	5.8	5.4
	Blue Chip[c]	8.5	8.3	8.0	7.8	7.8	7.8
	CBO Winter	7.8	7.7	7.6	7.5	7.4	7.3

SOURCES: Congressional Budget Office; Office of Management and Budget; Eggert Economic Enterprises, Inc., *Blue Chip Economic Indicators*.

NOTE: The *Blue Chip* forecasts through 1991 are based on a survey of 50 private forecasters, published on June 11, 1990. The *Blue Chip* projections from 1992 through 1995 are based on a survey of 41 forecasters, published on March 10, 1990.

a. Consumer price index for all urban consumers (CPI-U) for CBO and the *Blue Chip*; consumer price index for urban wage earners and clerical workers (CPI-W) for the Administration.

b. The Administration's projection is for the total labor force, including armed forces residing in the United States, while the CBO and *Blue Chip* projections are for the civilian labor force excluding armed forces. In recent years, the unemployment rate for the former has tended to be 0.1 to 0.2 percentage point below the rate for the civilian labor force alone.

c. *Blue Chip* does not project a 10-year note rate. The values shown here are based on the *Blue Chip* projection of the Aaa bond rate, adjusted by CBO to reflect the estimated spread between Aaa bonds and 10-year government notes.

TABLE B. CBO BASELINE BUDGET PROJECTIONS
(By fiscal year, in billions of dollars)

		1990	1991	1992	1993	1994	1995
(1)	Baseline Deficit	195	164	158	162	160	142
(2)	Additional RTC Spending Needs[a]	0	68	81	33	-13	-3
(3)	Baseline Deficit with Additional RTC[a]	195	232	239	194	146	138
(4)	RTC Net Outlays (Except interest and administrative expenses)	36	70	60	13	-30	-18
(5)	Deficit Excluding RTC[a]	159	162	179	182	177	157
	Memoranda:						
(6)	Social Security Surplus	59	73	83	95	109	124
(7)	Deficit Excluding RTC and Social Security[a]	218	235	262	276	285	280

SOURCE: Congressional Budget Office.

NOTE: The budget figures include Social Security, which is off-budget but is counted for purposes of the Balanced Budget Act targets. For comparability with the targets, the projections exclude the Postal Service, which is also off-budget. RTC denotes Resolution Trust Corporation.

a. Includes debt service costs resulting from additional RTC spending.

TABLE C. PROJECTED OUTLAYS OF THE RESOLUTION TRUST CORPORATION ASSUMING UNLIMITED RESOURCES
(By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
Insurance Losses[a]	35	41	32	28	4	3
Working Capital						
Asset acquisition	30	52	52	19	0	0
Receipts from asset sales	-1	-9	-24	-34	-34	-21
Repayments of advances	-12	0	0	0	0	0
Interest and Administrative Expenses	b	b	b	b	b	b
Proceeds from Resolution Funding Corporation	-16	-14	0	0	0	0
Net Outlays	36	70	60	13	-30	-18

SOURCE: Congressional Budget Office.

a. Includes administrative and transaction costs of receiverships, which increase insurance losses by reducing receipts from asset sales.

b. Administrative costs included in the budget are projected to be less than $500 million a year. The only interest costs included in these figures are for payments to the Federal Financing Bank in 1990. Starting in 1991, all financing costs are assumed to be borne by the Treasury and to be included in interest paid on the public debt.

TABLE D. SOCIAL SECURITY SURPLUS MEASURES
(By fiscal year, in billions of dollars)

	1990	1991	1992	1993	1994	1995
Total Surplus	59	73	83	95	109	124
Interest income	16	21	27	33	40	48
Surplus Excluding Interest	43	52	56	62	69	76
Receipts from government agency payments as employer	6	6	6	7	8	8
Estimated receipts from income taxes on benefits	3	5	5	6	6	7
Intrabudgetary payments[a]	-2	-4	-4	-4	-5	-5
Surplus Excluding All Intrabudgetary Transfers	37	45	49	53	59	65

SOURCE: Congressional Budget Office.

a. Primarily interest paid to Treasury and payments to Railroad Retirement, less credit for self-employment taxes.

Withdrawal/Redaction Sheet
(George Bush Library)

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01. Outline	Issues re: Budget Summit for Discussion 6/25/90 (2 pp.)	6/25/90	P5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
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Re-review Case #:	2005-0426-S	**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
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(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

ISSUES RE BUDGET SUMMIT
FOR DISCUSSION 6/25/90

(1) The need to accelerate negotiations

-- The sequester estimate will be published on July 15, and the debt limit must be raised before the August recess. That is a formula for trouble unless there is a bipartisan budget agreement.

-- Any such budget agreement must be an agreement in considerable detail, involving a host of changes in substantive law. It must be legislated (in large measure) near the time of its announcement. Therefore, it would be necessary to reach agreement by July 16th (approximately) in order to implement the budget agreement in connection with the debt limit bill.

-- Congress is out from June 29-July 10. Hence, this week and the first week of Congress's return are crucial.

-- NOTE: The likely alternative is a lame duck session after a highly contentious legislative and election period.

(2) The size of an acceptable package

-- It is generally agreed that an acceptable package must total $45-60 billion in FY'91 savings (without smoke) -- and at least $450 billion in savings over 5 years (FY'91-'95). NOTE: Savings of much over $500 billion probably require programmatic measures that, in aggregate, are not politically feasible.

(3) Defense

-- Questions: Can defense savings be less than the Nunn level? Can they be held to the Nunn level?

(4) COLAs and other "Mandatories"

-- NOTE: If defense savings turned out to be near the Nunn level, and if non-defense discretionary savings were at the level of the best offer on the table, the combination would yield only $14 billion in FY'91. If revenues are not to exceed 50% of the first-year package (a level that itself may be too high for some), the inescapable implication is: Mandatories/Entitlements must produce over $10 billion in first-year savings.

-- Questions: Can this level of mandatory program savings be achieved without at least a partial COLA freeze? What kind of COLA freeze (if any) could be enacted?

(5) **Revenues**

-- NOTE: There is implicit consensus that $5-6 billion in fees may be agreed to. (This is the same amount as in the President's budget, the Senate Budget Committee, and the House resolution.) In addition, it is possible that a bit over half of the Administration's $13.9 billion in tax measures (or measures similarly inoffensive) could be agreed to. But with expected revenue losers (extenders, child care, etc.), and expected answers to (3) and (4) above, there may still be a $15 billion shortfall in FY'91.

-- Questions: What measures would be appropriate to fill the gap? To the extent that these do not address the equity issue (or make it worse), what (if anything) should be done about the "bubble"?

(6) **Budget Process Reform**

-- Questions: Which reforms are the most important -- extension and tightening of sequester? credit reform and capping of loans/guarantees/insurance programs? line-item veto/enhanced rescission? improved accounting and financial control? enforceable multi-year budgeting? other? Which of these are do-able?

budget

THE WHITE HOUSE
WASHINGTON

DATE: 05/30/90

NOTE FOR: THE CHIEF OF STAFF
RICHARD DARMAN

The President has reviewed the attached, and it is forwarded to you for your:

Information	☐ XX
Action	☐

Thank you.

Jim

James W. Cicconi
Assistant to the President
and Deputy to the Chief of Staff
(x2702)

cc:

140160

THE PRESIDENT [illegible] 5-30-90

CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

RICHARD L. LESHER
PRESIDENT

May 10, 1990

MR. PRESIDENT:

The attached is FYI.

A response is being sent on your behalf.

cc to JS
Dick D

JC

The President
The White House
Washington, DC

Dear Mr. President:

Recent news accounts that you may change your position on tax increases are of grave concern to many of your supporters in the business community and elsewhere. I sincerely urge you to stay on the course you have so wisely taken since your campaign and make that clear to the American people. Reversing course on taxes now would endanger the economic health of the country and could hurt politically the administration and members of its party.

Again and again, during the campaign and since, you made the central arguments against raising taxes and for restraining government spending to reduce the deficit and keep prosperity alive. Tax increases have a destructive effect on economic growth. It would be particularly ill-advised to raise taxes during a period when the economy is weak and when the economy must absorb tens of billions of dollars in additional costs associated with recent environmental, labor and other legislative and regulatory initiatives.

The U.S. Chamber and millions of Americans support your pledge not to raise taxes. We also believe that raising taxes is not the solution but is part of the problem. As you have pointed out repeatedly, Americans are not undertaxed, Congress spends too much. This year, Tax Freedom Day -- the day the typical American taxpayer stops working to pay taxes and starts working for himself -- is the latest ever, May 5.

The door should remain shut to new taxes, because not only would new taxes destroy economic growth, they would fail to reduce the deficit. You said it best yourself back on April 29, 1988 in Pittsburgh: "Some people on the other side say, 'Raise taxes.' Well, I've been in government a long time, and I've seen what happens when the government raises a dollar in revenues -- Congress spends a dollar fifty."

We believe that you have a golden opportunity to convene talks with Congress to eliminate the deficit without new taxes. You hold the upper hand in solving the budget mess. If congressional leaders are not willing to restrain spending sufficiently, you can rely on the Gramm-Rudman across-the-board sequester to bring spending and the deficit down. Even if accepting a sequester means more restraint in defense spending this year than you would prefer, it is still the case that, over five years, a sequester allows defense spending to grow faster than either the House or Senate Budget Resolution. While a painful and clumsy mechanism, sequestration would reduce baseline federal spending to such a degree that a zero deficit by the end of your first term would become a manageable and realistic goal.

We stand ready to help in any way we can to deliver the message to Americans that the resolve not to raise taxes endures at the White House and that deficit reduction can be accomplished by restraining the growth of federal spending. We will do everything in our power to assist you dispel the myth that a Gramm-Rudman sequester would bring the government to its knees.

We urge you to recommit to the campaign pledges that propelled you into office. We believe the sound message you gave the American people is the right one and the one that is the only hope to reduce the deficit and bring spending under control.

Sincerely,

Nick

Richard L. Lesher

THE WHITE HOUSE
WASHINGTON

Date: 4/23/90

TO: THE CHIEF OF STAFF

FROM: **JAMES W. CICCONI**
Assistant to the President and Deputy to the Chief of Staff

The attached has been forwarded to the President.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 23, 1989 1990 APR 23 AM 8:24

MEMORANDUM FOR THE PRESIDENT

FROM: Richard G. Darman Dick Darman

SUBJECT: Requests for Fiscal Year 1991 Budget Amendments and Fiscal Year 1990 Supplemental Appropriations

Attached for your approval are requests for fiscal year 1991 budget amendments and fiscal year 1990 supplemental appropriations. Many of these requests for supplemental appropriations are already in the supplemental appropriations bill pending before Congress. The formality of our requesting them is necessary in the opinion of the Chairman of the Senate Appropriations Committee. It is desirable to include these in the pending supplemental in order to reduce the need for a second supplemental. The fiscal year 1991 budget amendments primarily implement previously decided Administration policies. The requests for amendments and supplementals are described below.

-- Fiscal year 1991 budget amendments are requested based on savings that would result from proposed reforms of the Davis-Bacon Act. These reforms are part of the Defense Management Improvement legislative proposal. Senator Nunn, with Senator Warner as co-sponsor, introduced the legislative proposal on April 5, 1990, as S. 2440. The Davis-Bacon Act reforms include raising the threshold of contracts subject to the Act's regulations from $2 thousand to $250 thousand, and codifying the Department of Labor regulations for determining prevailing wages. The reforms also include providing a separate job classification for "helpers," reducing paperwork requirements, and prohibiting the splitting of contracts for the purpose of avoiding the Act.

These amendments would reduce the requests for appropriations by $416.0 million. In fiscal year 1991, the overall outlay savings resulting from these reforms is $202.1 million. Trust funds will be able to use $49.4 million of these savings for high-priority needs. The remaining $152.7 million would be used to reduce the deficit. A table is included in this package that summarizes the implications for the budget of the proposed Davis-Bacon Act reforms.

-- A fiscal year 1991 budget amendment is requested to provide $1.2 million needed to complete the exterior renovation of the <u>White House</u>. This amendment would increase fiscal year 1991 outlays by $822 thousand.

-- A fiscal year 1991 technical amendment to appropriations language is requested for the Department of the Interior, to allow construction work to restore the needed water flow to the <u>Everglades</u> National Park.

-- Two fiscal year 1990 requests for supplemental appropriations are included for mandatory programs of the Department of <u>Veterans</u> Affairs. One request would provide $190 million for veterans compensation and pensions to cover a higher-than-anticipated caseload and average cost-of-benefit payments. The other request would provide $245 million for the Loan Guaranty Revolving Fund to cover a higher-than-anticipated level of property acquisitions and a reduced number of property sales. These proposals would increase fiscal year 1990 outlays by a total of $406.6 million.

-- Fiscal year 1990 supplemental appropriations language is requested to remove a limitation on the <u>Federal Crop Insurance</u> Corporation's use of funds. The proposed language would enable the Department of Agriculture to cover the administrative costs of the Federal crop insurance program. These increased administrative costs result from an increase in the number of policies and the coverage purchased by farmers. This language would increase fiscal year 1990 outlays by $15 million. The cost of this proposal is being offset by proposed rescissions totalling $45.1 million in construction funds available to two Department of Agriculture appropriations and reductions in loan limitation floors of $23.5 million for rural electrification loans and $105.9 million for rural telephone loans.

-- Fiscal year 1990 transfer authority is requested for the <u>Corps of Engineers</u>, to provide $15 million needed to repair their Washington, D.C., headquarters building, which was damaged by fire on March 23, 1990. A fiscal year 1991 budget amendment is also requested that is related to the transfer authority request.

-- A fiscal year 1990 supplemental appropriation of $110 million is requested as a contingency reserve for the Department of Commerce, Bureau of the <u>Census</u>. This amount may be needed to complete field operations for the 1990 census. Increased outlays from this proposal would be offset by a rescission of funds in another account.

This package also includes two requests for fiscal year 1990 supplemental appropriations totalling $1,010,400 for the Legislative Branch, and a fiscal year 1991 budget amendment in the amount of $6,279,000 and technical appropriations language for fiscal year 1991 for the Judiciary. Appropriations requests for the Legislative Branch and the Judiciary are transmitted, as required by law, without review.

Recommendation

I recommend that the letter transmitting the amendments and supplemental requests be sent to the Congress concurrently with the special message transmitting the rescission proposals, which is also attached.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

The President

The White House

Submitted for your consideration are requests for fiscal year 1991 budget amendments and fiscal year 1990 supplemental appropriations. A table is enclosed that identifies the outlay savings resulting from each of these amendments.

The fiscal year 1990 supplemental appropriations requests include $245,000,000 to fund additional costs in the Department of Veterans Affairs' Loan guaranty program and $190,000,000 for additional costs for the veterans compensation and pensions program. A request is also included to provide the Corps of Engineers with authority to transfer $15,000,000 to repair the Corps' headquarters building, which was recently damaged by fire. A fiscal year 1991 budget amendment is also requested that is related to the transfer authority request.

In addition, fiscal year 1990 supplemental appropriations language is requested that removes restrictions on the Department of Agriculture's use of funds for the Federal crop insurance program. This is necessary because the number of farmers participating in the program is greater than anticipated. Also requested is a fiscal year 1990 supplemental for $110,000,000 to be used as a contingency reserve in completing the operations phase of the Decennial Census. The increases in fiscal year 1990 outlays for both the crop insurance and Census supplemental requests would be offset. The crop insurance supplemental would be offset by two rescissions of funds available to the Department of Agriculture for various construction projects and by lowering loan limitation floors for rural electrification and rural telephone loans. The Census supplemental request would be offset by a rescission of unneeded economic development assistance funds available to the Department of Commerce. Details of these rescission proposals are provided in a special message, which is enclosed as part of this transmittal.

We have carefully reviewed these proposals and are satisfied that they are necessary at this time. Therefore, we recommend that they be transmitted to the Congress.

This package also includes two requests for fiscal year 1990 supplemental appropriations totalling $1,010,400 for the Legislative Branch, and a fiscal year 1991 budget amendment in the amount of $6,279,000 and technical appropriations language for fiscal year 1991 for the Judiciary. Appropriations requests for the Legislative Branch and the Judiciary are transmitted, as required by law, without review.

Respectfully yours,

Richard G. Darman
Director

Enclosures

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
FEDERAL FUNDS		
DEPARTMENT OF AGRICULTURE:		
Agricultural Research Service:		
Buildings and facilities......................	-737	-111
Farmers Home Administration:		
Rural water and waste disposal grants....	-1,846	-74
Rural housing for domestic farm labor...	-194	-2
Soil Conservation Service:		
Conservation operations.....................	-10,470	-9,623
Watershed and flood prevention operations..................................	-3,118	-1,074
Resource conservation and development................................	-516	-186
Animal and Plant Health Inspection Service:		
Buildings and facilities......................	-670	-375
Forest Service:		
Construction..................................	-4,270	-1,858
Total, Agriculture........................	-21,821	-13,303

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
DEPARTMENT OF COMMERCE:		
National Oceanic and Atmospheric Administration:		
Operations, research, and facilities.......	-456	-310
Total, Commerce........................	-456	-310
DEPARTMENT OF DEFENSE-MILITARY:		
Operation and Maintenance:		
Operation and maintenance, Army........	-39,440	-31,000
Operation and maintenance, Navy.........	-23,059	-17,756
Operation and maintenance, Air Force..................................	-32,290	-24,766
Operation and maintenance, Defense agencies..........................	-2,136	-1,815
Operation and maintenance, Army Reserve.............................	-905	-688
Operation and maintenance, Navy Reserve..............................	-1,014	-641
Operation and maintenance, Air Force Reserve........................	-416	-335
Operation and maintenance, Army National Guard....................	-1,919	-1,491
Operation and maintenance, Air National Guard.......................	-1,358	-1,096

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
Military Construction:		
Military construction, Army	-10,173	-3,255
Military construction, Navy	-17,214	-2,840
Military construction, Air Force	-21,452	-3,540
Military construction, Defense agencies	-8,851	-1,239
Military construction, Army National Guard	-977	-70
Military construction, Air National Guard	-959	-77
Military construction, Army Reserve	-941	-127
Military construction, Naval Reserve	-814	-114
Military construction, Air Force Reserve	-597	-64
Family Housing, Defense:		
Family housing, Army	-905	-127
Family housing, Navy and Marine Corps	-2,226	-45
Family housing, Air Force	-2,661	-346
Total, Defense-Military	-170,307	-91,432

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
DEPARTMENT OF DEFENSE-CIVIL CORPS OF ENGINEERS:		
Department of the Army:		
Construction, general	-15,830	-6,331
Operation and maintenance, general	-6,545	-5,236
Flood control, Mississippi River and tributaries, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee	-3,633	-2,543
Total, Defense-Civil	-26,008	-14,110
DEPARTMENT OF ENERGY:		
Atomic Energy Defense Activities:		
Atomic energy defense activities	-19,076	-9,156
Energy Programs:		
General science and research activities	-5,050	-1,038
Energy supply, research and development activities	-3,652	-1,064
Uranium supply and enrichment activities	-1,207	-552

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
Environmental restoration and waste management activities............	-12,152	-4,428
Naval petroleum and oil shale reserves....................................	-368	-295
Strategic petroleum reserve................	-520	-261
Power Marketing Administration:		
Operation and maintenance, Southwestern Power Administration...	-73	-66
Construction, rehabilitation, operation and maintenance, Western Area Power Administration...	-581	-523
Total, Energy............................	-42,679	-17,383
DEPARTMENT OF HEALTH & HUMAN SERVICES:		
Indian Health Services:		
Federal Indian Health Administration....	-189	-108
Indian health facilities......................	-323	-54
Centers for Disease Control:		
Disease control, research, and training......................................	-160	-40

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
National Institutes of Health:		
Buildings and facilities......................	-1,697	-20
Total, Health and Human Services...	-2,369	-222
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Housing Programs:		
Annual contributions for assisted housing............................	-9,636	---
Housing for the elderly or handicapped fund..........................	-7,947	---
Public and Indian Housing:		
Modernization of low-income housing projects.............................	-29,560	---
Community Planning and Development:		
Community development grants..........	-23,999	-964
Rental rehabilitation grants.................	-1,905	---
Total, Housing and Urban Development..........................	-73,047	-964
DEPARTMENT OF THE INTERIOR:		
America the Beautiful:		
America the Beautiful........................	-618	-118

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
Land and Minerals Management, Bureau of Land Management:		
Construction and access	−157	−39
Office of Surface Mining Reclamation and Enforcement:		
Abandoned mine reclamation fund	−264	−74
Water and Science, Bureau of Reclamation:		
Construction program	−2,446	−2,060
Operation and maintenance	−770	−603
Fish and Wildlife and Parks, United States Fish and Wildlife Service:		
Construction	−222	−44
National Park Service:		
Operation of the National Park System	−946	−710
Construction	−684	−103
Bureau of Indian Affairs:		
Construction	−743	−171
Total, Interior	−6,850	−3,922

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
DEPARTMENT OF JUSTICE:		
<u>Legal Activities:</u>		
Salaries and expenses, United States Marshals Service..................	-227	-90
<u>Immigration and Naturalization Service:</u>		
Salaries and expenses........................	-396	-317
<u>Federal Prison System:</u>		
Buildings and facilities......................	-6,096	-603
Total, Justice..............................	-6,719	-1,010
DEPARTMENT OF LABOR:		
<u>Employment and Training Administration:</u>		
Training and employment services........	-637	---
Total, Labor..............................	-637	---
DEPARTMENT OF STATE:		
<u>Administration of Foreign Affairs:</u>		
Salaries and expenses........................	-491	-388
Total, State................................	-491	-388

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
DEPARTMENT OF TRANSPORTATION:		
Urban Mass Transportation Administration:		
Formula grants	-12,131	-599
Total, Transportation	-12,131	-599
DEPARTMENT OF THE TREASURY:		
Federal Law Enforcement Training Center:		
Acquisition, construction, improvements, and related expenses	-333	-301
United States Secret Service:		
Salaries and expenses	-130	-93
Total, Treasury	-463	-394
DEPARTMENT OF VETERANS AFFAIRS:		
Veterans Health Service and Research Administration:		
Medical care	-2,893	-2,893
Departmental Administration:		
Construction, major projects	-9,434	-328
Construction, minor projects	-1,801	-53

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
Grants for construction of state extended care facilities	−748	−21
Parking garage revolving fund	−336	−18
Total, Veterans Affairs	−15,212	−3,313
ENVIRONMENTAL PROTECTION AGENCY:		
Buildings and facilities	−304	−19
Construction grants	−26,440	−423
Total, Environmental Protection Agency	−26,744	−442
GENERAL SERVICES ADMINISTRATION:		
Real Property Activities:		
Federal buildings fund	---	−3,850
Total, General Services Administration	---	−3,850
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:		
Construction of facilities	−8,489	−552
Total, NASA	−8,489	−552

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
OTHER INDEPENDENT AGENCIES:		
<u>Appalachian Regional Commission:</u>		
Appalachian Regional Commission.......	-557	-52
<u>Smithsonian Institution:</u>		
Construction and improvements, National Zoological Park................	-135	-58
Repair and restoration of buildings..................................	-560	-232
Construction..................................	-309	-116
Total, Smithsonian......................	-1,004	-406
Total, Other Independent Agencies...	-1,561	-458
TOTAL, FEDERAL FUNDS.............	-415,984	-152,652

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
TRUST FUNDS		
(Resources to remain available)		
DEPARTMENT OF DEFENSE-CIVIL CORPS OF ENGINEERS:		
Inland waterways trust fund................	-1,922	-1,153
Rivers and harbors contributed funds.....	-2,632	-1,053
Harbor maintenance trust fund............	-1,394	-1,394
Total, Defense-Civil....................	-5,948	-3,600
DEPARTMENT OF THE INTERIOR:		
Water and Science, Bureau of Reclamation:		
Reclamation trust funds.....................	-1,472	-1,184
Total, Interior.............................	-1,472	-1,184
DEPARTMENT OF TRANSPORTATION:		
Federal Highway Administration:		
Federal-aid highways........................	-205,542	-37,916
Urban Mass Transportation Administration:		
Discretionary grants..........................	-16,853	-342

SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

(in thousands of dollars)

Heading	BA	Outlays
<u>Federal Aviation Administration:</u>		
Grants-in-aid for airports..................	-25,665	-4,106
Total, Transportation....................	-248,060	-42,364
ENVIRONMENTAL PROTECTION AGENCY:		
Hazardous substance superfund...........	-10,295	-2,162
Leaking underground storage tank trust fund............................	-691	-109
Total, EPA................................	-10,986	-2,271
TOTAL, TRUST FUNDS..................	-266,466	-49,419
GRAND TOTAL........................	-682,450	-202,071

BUDGET AMENDMENTS TO CAPTURE SAVINGS ASSOCIATED WITH REFORM OF THE DAVIS-BACON ACT

DEPARTMENT OF AGRICULTURE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	AGRICULTURAL RESEARCH SERVICE			
A-444	Buildings and facilities	$32,600,000	-$737,000	$31,863,000
	FARMERS HOME ADMINISTRATION			
A-478	Rural water and waste disposal grants	100,000,000	-1,846,000	98,154,000
A-479	Rural housing for domestic farm labor	10,000,000	-194,000	9,806,000
	SOIL CONSERVATION SERVICE			
A-489	Conservation operations	506,998,000	-10,470,000	496,528,000
A-492	Watershed and flood prevention operations	151,112,000	-3,118,000	147,994,000
A-494	Resource conservation and development	24,862,000	-516,000	24,346,000
	ANIMAL AND PLANT HEALTH INSPECTION SERVICE			
A-497	Buildings and facilities	25,396,000	-670,000	24,726,000
	FOREST SERVICE			
A-515	Construction	222,906,000	-4,270,000	218,636,000

DEPARTMENT OF COMMERCE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION			
A-543	Operations, research, and facilities	$1,316,064,000	-$456,000	$1,315,608,000

DEPARTMENT OF DEFENSE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	OPERATION AND MAINTENANCE			
A-565	Operation and maintenance, Army	$23,562,900,000	-$39,440,000	$23,523,460,000
A-566	Operation and maintenance, Navy	24,531,600,000	-23,059,000	24,508,541,000
A-567	Operation and maintenance, Air Force	22,048,900,000	-32,290,000	22,016,610,000
A-568	Operation and maintenance, Defense agencies	8,663,100,000	-2,136,000	8,660,964,000
A-569	Operation and maintenance, Army Reserve	890,400,000	-905,000	889,495,000
A-570	Operation and maintenance, Navy Reserve	985,924,000	-1,014,000	984,910,000
A-571	Operation and maintenance, Air Force Reserve	1,042,500,000	-416,000	1,042,084,000
A-571	Operation and maintenance, Army National Guard	1,988,500,000	-1,919,000	1,986,581,000
A-572	Operation and maintenance, Air National Guard	2,175,400,000	-1,358,000	2,174,042,000
	MILITARY CONSTRUCTION			
A-592	Military construction, Army	774,900,000	-10,173,000	764,727,000
A-593	Military construction, Navy	1,113,300,000	-17,214,000	1,096,086,000
A-594	Military construction, Air Force	1,376,200,000	-21,452,000	1,354,748,000
A-594	Military construction, Defense agencies	787,500,000	-8,851,000	778,649,000

DEPARTMENT OF DEFENSE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
A-595	Military construction, Army National Guard	66,678,000	-977,000	65,701,000
A-596	Military construction, Air National Guard	66,500,000	-959,000	65,541,000
A-596	Military construction, Army Reserve	59,300,000	-941,000	58,359,000
A-597	Military construction, Naval Reserve	50,200,000	-814,000	49,386,000
A-597	Military construction, Air Force Reserve	37,700,000	-597,000	37,103,000

FAMILY HOUSING, DEFENSE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
A-598	Family housing, Army (In the appropriations language under the above heading, delete "$61,800,000' and insert $60,895,000.)	1,554,450,000	-905,000	1,553,545,000
A-599	Family housing, Navy and Marine Corps (In the appropriations language under the above heading, delete '$185,000,000' and insert $182,774,000.)	904,500,000	-2,226,000	902,274,000
A-600	Family Housing, Air Force (In the appropriations language under the above heading, delete "$182,600,000" and insert $179,939,000.)	971,900,000	-2,661,000	969,239,000

DEPARTMENT OF DEFENSE - CIVIL

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	DEPARTMENT OF THE ARMY CORPS OF ENGINEERS - CIVIL			
A-619	Construction, general	$1,093,200,000	-15,830,000	$1,077,370,000
A-621	Operation and maintenance, general	1,197,000,000	-6,545,000	$1,190,455,000
A-625	Flood control, Mississippi River and tributaries, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri and Tennessee	334,500,000	-3,633,000	330,867,000

DEPARTMENT OF ENERGY

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	ATOMIC ENERGY DEFENSE ACTIVITIES			
A-661	Atomic energy defense activities	$8,592,000,000	-$19,076,000	$8,572,924,000
	ENERGY PROGRAMS			
A-662	General science and research	1,273,732,000	-5,050,000	1,268,682,000
A-663	Energy supply, research and development activities	2,085,237,000	-3,652,000	2,081,585,000
A-666	Uranium supply and enrichment activities	1,406,018,000	-1,207,000	1,404,811,000
A-667	Environmental restoration and waste management activities	2,791,436,000	-12,152,000	2,779,284,000
A-699	Naval petroleum and oil shale reserves	210,610,000	-368,000	210,242,000
A-670	Strategic petroleum reserve	195,633,000	-520,000	195,113,000
	POWER MARKETING ADMINISTRATIONS			
A-680	Operation and maintenance, Southwestern Power Administration	20,107,000	-73,000	20,034,000
A-681	Construction, rehabilitation, operation and maintenance, Western Area Power Administration	298,464,000	-581,000	297,883,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	INDIAN HEALTH SERVICES			
A-697	Federal Indian Health Administration	$874,637,000	-$189,000	$874,448,000
A-698	Indian health facilities	13,156,000	-323,000	12,833,000
	CENTERS FOR DISEASE CONTROL			
A-699	Disease control, research, and training	1,171,755,000	-160,000	1,171,595,000
	NATIONAL INSTITUTES OF HEALTH			
A-712	Buildings and facilities	88,600,000	-1,697,000	86,903,000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
		HOUSING PROGRAMS		
A-741	Annual contributions for assisted housing (In the appropriations language under the above heading delete "$518,798,252" and substitute $512,650,252, delete "$49,295,300" and substitute $49,411,300, and delete "$185,955,848" and substitute $184,084,848.)	$13,286,874,000	-$9,636,000	$13,277,238,000
A-751	Housing for the elderly or handicapped fund	228,016,000	-7,947,000	220,069,000
		PUBLIC AND INDIAN HOUSING		
A-757	Modernization of low-income housing projects	1,850,000,000	-29,560,000	1,820,440,000
		COMMUNITY PLANNING AND DEVELOPMENT		
A-762	Community development grants	2,756,000,000	-23,999,000	2,732,001,000
A-763	Rental rehabilitation grants	70,000,000	-1,905,000	68,095,000

DEPARTMENT OF THE INTERIOR

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	AMERICA THE BEAUTIFUL			
A-775	America the Beautiful	$366,277,000	-$618,000	$365,659,000
	LAND AND MINERALS MANAGEMENT BUREAU OF LAND MANAGEMENT			
A-777	Construction and access	7,445,000	-157,000	7,288,000
	OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT			
A-788	Abandoned mine reclamation fund	149,896,000	-264,000	149,632,000
	WATER AND SCIENCE BUREAU OF RECLAMATION			
A-790	Construction program	609,430,000	-2,446,000	606,984,000
A-793	Operation and maintenance	231,516,000	-770,000	230,746,000
	FISH AND WILDLIFE AND PARKS UNITED STATES FISH AND WILDLIFE SERVICE			
A-805	Construction	30,950,000	-222,000	30,728,000
	NATIONAL PARK SERVICE			
A-812	Operation of the National Park System	799,804,000	-946,000	798,858,000
A-814	Construction	54,376,000	-684,000	53,692,000

DEPARTMENT OF THE INTERIOR

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	BUREAU OF INDIAN AFFAIRS			
A-824	Construction	103,099,000	-743,000	102,356,000

DEPARTMENT OF JUSTICE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	LEGAL ACTIVITIES			
A-849	Salaries and expenses, United States Marshals Service	$288,529,000	-$227,000	$288,302,000
	IMMIGRATION AND NATURALIZATION SERVICE			
A-859	Salaries and expenses (In the appropriations language under the above heading delete "$17,188,000" and substitute $16,792,000.)	$884,349,000	-396,000	$883,953,000
	FEDERAL PRISON SYSTEM			
A-863	Buildings and facilities	374,358,000	-6,096,000	368,262,000

DEPARTMENT OF LABOR

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	EMPLOYMENT AND TRAINING ADMINISTRATION			
A-871	Training and employment services	$3,452,864,000	-$637,000	$3,452,227,000

DEPARTMENT OF STATE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	ADMINISTRATION OF FOREIGN AFFAIRS			
A-893	Salaries and expenses	$1,906,378,000	-$491,000	$1,905,887,000

DEPARTMENT OF TRANSPORTATION

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	URBAN MASS TRANSPORTATION ADMINISTRATION			
A-931	Formula grants	$1,071,800,000	-$12,131,000	$1,059,669,000

DEPARTMENT OF THE TREASURY

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	FEDERAL LAW ENFORCEMENT TRAINING CENTER			
A-968	Acquisition, construction, improvements, and related expenses	$18,735,000	-$333,000	$18,402,000
	UNITED STATES SECRET SERVICE			
A-991	Salaries and expenses	397,640,000	-130,000	397,510,000

DEPARTMENT OF VETERANS AFFAIRS

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	VETERANS HEALTH SERVICE AND RESEARCH ADMINISTRATION			
A-1018	Medical care	$12,227,066,000	-$2,893,000	$12,224,173,000
	DEPARTMENTAL ADMINISTRATION			
A-1027	Construction, major projects	530,000,000	-9,434,000	520,566,000
A-1028	Construction, minor projects	145,640,000	-1,801,000	143,839,000
A-1029	Grants for construction of State extended care facilities	42,000,000	-748,000	41,252,000
A-1029	Parking garage revolving fund	18,900,000	-336,000	18,564,000

ENVIRONMENTAL PROTECTION AGENCY

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
A-1036	Buildings and facilities	$13,000,000	-$304,000	$12,696,000
A-1037	Construction grants	1,600,000,000	-26,440,000	1,573,560,000

GENERAL SERVICES ADMINISTRATION

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	REAL PROPERTY ACTIVITIES			
A-1043	Federal Buildings Fund, Limitations on the availability of revenues (In the appropriations language under the above heading delete "$5,484,330,000" and substitute $5,458,630,000.)	($5,484,330,000)	(Language reducing the limitation by $25,700,000)	($5,458,630,000)

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
A-1063	Construction of facilities	$497,900,000	-$8,489,000	$489,411,000

OTHER INDEPENDENT AGENCIES

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	APPALACHIAN REGIONAL COMMISSION			
A-1090	Appalachian Regional Commission	$50,000,000	-$557,000	$49,443,000
	SMITHSONIAN INSTITUTION			
A-1186	Construction and improvements, National Zoological Park	6,671,000	-135,000	6,536,000
A-1186	Repair and restoration of buildings	28,656,000	-560,000	$28,096,000
A-1187	Construction	16,189,000	-309,000	$15,880,000

These amended fiscal year 1991 budget requests reflect expected savings associated with proposed reforms to the Davis-Bacon Act transmitted to Congress on April 5, 1990. The reforms include raising the threshold of contracts subject to the Act's regulations from $2 thousand to $250 thousand, codifying the Department of Labor regulations for determining prevailing wages, providing a separate job classification for "helpers", in appropriate circumstances, reducing paperwork requirements, and prohibiting the splitting of contracts for the purpose of avoiding the Act. These proposals would reduce fiscal year 1991 outlays by $152.7 million.

OTHER AMENDMENTS

THE JUDICIARY

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	COURTS OF APPEALS, DISTRICT COURTS, AND OTHER JUDICIAL SERVICES			
A-384	Court Security	$66,583,000	$6,279,000	$72,862,000

This proposal would provide funds to hire an additional 279 Court Security Officers to meet the level of security coverage recommended by the U.S. Marshals Service for existing and planned court facilities. This proposal would increase fiscal year 1991 outlays by $3.8 million.

GENERAL PROVISIONS - THE JUDICIARY

A-387 General Provisions

(Add the following immediately after "SEC. 404.")

SEC. 405. Amend Section 603 of title 28, United States Code, by striking "six" and substituting seven.

SEC. 406. Amend Section 5108, paragraph (c)(1) of title 5, United States Code, by striking "17" and substituting 27.)

This language would enable the Administrative Office of the Courts to hire additional executive personnel. These executives are needed to handle the increasing workload and responsibilities of the Administrative Office of the Courts. This proposal would not affect total outlays.

EXECUTIVE OFFICE OF THE PRESIDENT
EXECUTIVE RESIDENCE AT THE WHITE HOUSE

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
A-389	Operating expenses	$7,293,000	$1,202,000	$8,495,000

Additional funding is necessary to complete the exterior restoration of the White House. This proposal would increase fiscal year 1991 outlays by $822 thousand.

DEPARTMENT OF DEFENSE - CIVIL

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	DEPARTMENT OF THE ARMY CORPS OF ENGINEERS - CIVIL			
A-624	General expenses	$136,100,000	-$15,000,000	$121,100,000

This amendment would reduce the General expenses account by the amount of fiscal year 1990 supplemental appropriations that was not needed to cover expenses resulting from a March 1990 fire at the Corps of Engineers headquarters building. This proposal would not affect total outlays.

DEPARTMENT OF THE INTERIOR

1991 Budget Appendix Page	Heading	1991 Budget Request Pending	1991 Proposed Amendment	1991 Revised Request
	AMERICA THE BEAUTIFUL			
A-775	America the Beautiful-Interior	$366,277,000	Appropriations language	$366,277,000

<u>(Insert the following before the words "; and, in addition, $161,131,000":</u>

<u>, of which not to exceed $7,500,000 shall be paid to the Army Corps of Engineers for modifications authorized by section 104 of the Everglades National Park Protection and Expansion Act of 1989</u>

This language would make clear that funds appropriated to the Secretary of the Interior for construction work to restore waterflows to Everglades National Park, authorized by 1989 legislation, would be paid to the Army Corps of Engineers to accomplish the work. This proposal would not affect outlays.

FY 1990 SUPPLEMENTAL REQUESTS

LEGISLATIVE BRANCH

SENATE

Payments to Widows and Heirs of Deceased Members of Congress.

<u>For payment to Helene H. Matsunaga, widow of Spark M. Matsunaga, late a Senator from Hawaii, $98,400</u>.

This proposal would increase fiscal year 1990 outlays by $98 thousand.

LIBRARY OF CONGRESS

Salaries and Expenses

For an additional amount for "Salaries and expenses", $912,000.

This supplemental request would cover the costs incurred by the Library in performing Congressionally-mandated research work on Department of Defense projects. This proposal would increase fiscal year 1990 outlays by $912 thousand.

DEPARTMENT OF AGRICULTURE
FEDERAL CROP INSURANCE CORPORATION

Federal Crop Insurance Corporation Fund

Notwithstanding the provisions of the Federal Crop Insurance Act (7 U.S.C. 1501, et seq.), any fiscal year 1990 administrative and operating expenses incurred by the Corporation may be paid from premium income, and such payments may be restored by appropriations in subsequent years.

This supplemental appropriations language would remove the limitation on the use of funds available to meet the administrative and operating expenses of the Corporation. This action is necessary because of the level of farmers' participation in the Federal crop insurance program is greater than was anticipated. This proposal would increase fiscal year 1991 outlays by $15 million. This outlay increase is being offset by a proposal to rescind certain construction funds available to the Department of Agriculture. The special message transmitting the recession proposal is being sent to the Congress concurrently with this supplemental request.

DEPARTMENT OF AGRICULTURE

RURAL ELECTRIFICATION ADMINISTRATION

Rural Electrification and Telephone Revolving Fund

The appropriation language under the above heading in Public Law 101-161 (Rural Development and Related Agencies Appropriation Act, 1990) is amended as follows: Delete $622,050,000 and substitute $598,550,000 and delete $239,250,000 and substitute $133,380,000.

This proposal would reduce the loan limitation floor for rural electrification loans by $23.5 million and rural telephone loans by $105.9 million. These reductions, combined with rescissions in the Agriculture Research Service and the Cooperative State Research Service, would offset the fiscal year 1990 outlays resulting from the supplemental request for the Federal Crop Insurance Corporation contained in this document.

DEPARTMENT OF COMMERCE

Bureau of the Census

Periodic Censuses and Programs

For an additional amount for "Periodic censuses and programs", $110,000,000, as a contingency reserve for the decennial census, to remain available until expended and to be available only to the extent that appropriations are insufficient to cover unanticipated expenses related to unforeseen events such as lower than expected response rates, lower than expected employee productivity rates, or natural disasters; of which not to exceed $77,000,000 shall be derived by transfer from "Operations, research and facilities", not to exceed $23,000,000 shall be derived by transfer from "Public telecommunications facilities, planning and construction", and not to exceed $10,000,000 shall be derived by transfer from "Economic development assistance programs".

The Department of Commerce estimates that there may be $190 million of unanticipated costs related to the decennial census. To meet this need, this proposal requests a $110 million contingency fund, with the remaining requirement of $80 million being offset by administrative savings from within the Bureau of the Census.

This proposal would provide $110 million in the event that appropriations are inadequate to complete the operations of the 1990 decennial census. The $110 million is derived as follows. It is anticipated that up to $130 million may be required for additional staff to conduct expanded follow-up activities stemming from the lower than expected mail response rate. An additional $60 million may be required to offset costs associated with other unforeseen events such as lower than expected productivity rates or natural disasters. With $80 million in administrative savings used as an offset, a $110 million contingency reserve will be required.

The fiscal year 1990 outlays associated with the proposed additional $110 million would be offset by the transfers identified in the appropriations language and the rescission of funds in another account.

DEPARTMENT OF DEFENSE-CIVIL
DEPARTMENT OF THE ARMY

Corps of Engineers-Civil

General Expenses

For an additional amount for "General expenses," $30,000,000, to remain available until expended and to be derived by transfer from "Construction, general."

This proposal would cover $15 million of expenses resulting from a fire on March 23, 1990, that damaged the Corps of Engineers headquarters building in Washington, DC. Due to significantly different outlay spending rates in these accounts, an additional $15 million is proposed for transfer to make the transfer deficit-neutral. A fiscal year 1991 budget amendment is proposed to reduce the General expenses appropriation by the additional $15 million. The $30 million would be transferred from fund balances resulting from savings and slippage on construction projects.

DEPARTMENT OF VETERANS AFFAIRS

VETERANS BENEFITS ADMINISTRATION

Compensation and Pensions

For an additional amount for "Compensation and pensions", $190,000,000, to remain available until expended.

This proposal would provide funds to cover higher than anticipated caseload and average cost of benefit payments. This proposal would increase fiscal year 1990 outlays by $174.6 million.

DEPARTMENT OF VETERANS AFFAIRS

VETERANS BENEFITS ADMINISTRATION

Loan Guaranty Revolving Fund

For an additional amount for the "Loan Guaranty Revolving Fund", $245,000,000, to remain available until expended.

This proposal would provide funds to cover a higher than anticipated level of property acquisitions and a reduced number of property sales. This proposal would increase fiscal year 1990 outlays by $232 million.

THE WHITE HOUSE

WASHINGTON

The Speaker of the

House of Representatives

Sir:

I ask the Congress to consider several amendments to the fiscal year 1991 request for appropriations. In addition, I ask the Congress to consider several FY 1990 supplemental requests

I am concurrently sending the Congress a special message proposing rescissions that would offset the increased fiscal year 1990 costs that result from the supplemental requests.

As required by law, I am submitting two requests for fiscal year 1990 supplemental appropriations for the Legislative Branch, and two fiscal year 1991 budget amendments for the Judiciary.

The details of these proposals are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with his comments and observations.

Sincerely yours,

Enclosures

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Impoundment Control Act of 1974, I herewith report three proposed rescissions totalling $226,883,000.

The proposed rescissions affect programs of the Departments of Agriculture and Commerce.

The details of the proposed rescissions are contained in the attached report.

THE WHITE HOUSE,

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THE WHITE HOUSE,

CONTENTS OF SPECIAL MESSAGE
(in thousands of dollars)

RESCISSION NO.	ITEM	BUDGET AUTHORITY
	Department of Agriculture:	
	Agricultural Research Service	
R90-1	Buildings and facilities	4,075
	Cooperative State Research Service	
R90-2	Buildings and facilities	41,008
	Department of Commerce:	
	Economic Development Administration	
R90-3	Economic development assistance programs	181,800
	Total, Proposed Rescissions	226,883

SUMMARY OF SPECIAL MESSAGES
FOR FY 1990
(in thousands of dollars)

	RESCISSIONS	DEFERRALS
Fifth special message:		
New items..............................	226,883	---
Revisions to previous special messages..	---	---
Effect of fifth special message.........	226,883	---
Amounts from previous special messages ...	---	10,662,589
Total amount proposed to date in all special messages........................	226,883	10,662,589

Rescission Proposal No. R90-1

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Agriculture	New budget authority (P.L. 101-161) .... $ 10,675,000
BUREAU: Agricultural Research Service	Other budgetary resources........ 23,532,417
Appropriation title and symbol: Buildings and facilities 12X1401	Total budgetary resources......... 34,207,417
	Amount proposed for rescission........ $ 4,075,000
OMB identification code: 12-1401-0-1-352	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other ____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multi-year ___ ______ (expiration date) ☒ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This appropriation provides for the acquisition of land, construction, repair, improvement, extension, alteration and purchase of fixed equipment or facilities of or used by the Agricultural Research Service. The funds are proposed to be rescinded to offset the increased outlays of the Federal Crop Insurance Corporation related to a proposed supplemental.

Estimated Program Effect: Certain construction projects that would have been funded in 1990 would be delayed until later years or cancelled.

Outlay Effect (in thousands of dollars):

1990 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
20,000	18,669	-1,331	-2,038	-706	---	---	---

DEPARTMENT OF AGRICULTURE

Agricultural Research Service

Buildings and facilities

<u>Of the funds made available under this head in Public Law 101–161, $4,075,000 are rescinded.</u>

Rescission Proposal No. R90-2

PROPOSED RESCISSION OF BUDGET AUTHORITY
Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Agriculture	New budget authority.................. $ 45,108,000 (P.L. 101-161)
BUREAU: Cooperative State Research Service	Other budgetary resources........
Appropriation title and symbol: Buildings and facilities 12X1501	Total budgetary resources......... 45,108,000
	Amount proposed for rescission................................ $ 41,008,000
OMB identification code: 12-1500-0-1-352	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other ________
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multi-year ___ ________ (expiration date) ☒ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ________

Justification: This appropriation provides for the acquisition of land, construction, repair, improvement, extension, alteration and purchase of fixed equipment or facilities and grants to States and other eligible recipients as necessary carry out the agricultural research, extension and teaching programs of the Department of Agriculture. The funds are proposed to be rescinded to offset the increased outlays of the Federal Crop Insurance Corporation related to a proposed supplemental.

Estimated Program Effect: Certain construction projects that would have been funded in 1990 would be delayed until later years or cancelled.

Outlay Effect (in thousands of dollars):

1990 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
4,111	510	-4,101	-12,302	-12,302	-8,202	-4,101	---

DEPARTMENT OF AGRICULTURE

Cooperative State Research Service

Buildings and facilities

Of the funds made available under this head in Public Law 101-161, $41,008,000 are rescinded.

DEPARTMENT OF COMMERCE

Economic Development Administration

Economic development assistance programs

Of the funds made available under this head in Public Law 101-162, $170,000,000 are rescinded; and in addition, available balances appropriated by Public Law 99-190, Public Law 99-500 and Public Law 99-591 for the Fort Worth Stockyards project are rescinded.

Rescission Proposal No. R90-3

PROPOSED RESCISSION OF BUDGET AUTHORITY

Report Pursuant to Section 1012 of P.L. 93-344

AGENCY: Department of Commerce	New budget authority................. $ 188,556,000 (P.L. 101-162)
BUREAU: Economic Development Administration	Other budgetary resources........ 500,000
Appropriation title and symbol: Economic development assistance programs 1302050	Total budgetary resources......... 189,056,000
	Amount proposed for rescission................................ $ 181,800,000
OMB identification code: 13-2050-0-1-452	Legal authority (in addition to sec. 1012): ☐ Antideficiency Act ☐ Other ______
Grant program: ☒ Yes ☐ No	
Type of account or fund: ☒ Annual ☐ Multi-year ___ ______ (expiration date) ☐ No-Year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ______

Justification: This appropriation provides public works grants and business guaranteed loans to assist economically distressed areas deal with problems of economic adjustment. EDA also provides grants for economic development planning and technical assistance and supports evaluation and research activities aimed at increasing public understanding of the process of economic growth and development. The programs have not proven to be effective and the funds are proposed for rescission to offset the increased outlays of the Bureau of the Census related to a proposed supplemental.

Estimated Program Effect: No additional economic development assistance grants would be made in 1990.

Outlay Effect (in thousands of dollars):

1990 Outlay Estimate		Outlay Changes					
Without Rescission	With Rescission	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
183,893	165,713	-18,180	-56,358	-56,358	-34,542	-12,726	-3,636